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November 22, 2012

The Directors
鄭州煤礦機械集團股份有限公司
Zhengzhou Coal Mining Machinery Group Company Limited
UBS Securities Hong Kong Limited
J.P. Morgan Securities (Far East) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 鄭州煤礦機械集團股份有限公司 Zhengzhou Coal Mining Machinery Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2011 and the six months ended June 30, 2012 (the "Track Record Period"), for inclusion in the prospectus of the Company dated November 22, 2012 (the "Prospectus") in connection with the initial public offering and listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the People's Republic of China (the "PRC") on December 28, 2008 as a joint stock company with limited liability under the Company Law of the PRC after a reorganization of 鄭州煤礦機械集團有限責任公司 Zhengzhou Coal Mining Machinery Company ("ZCMM"), a state owned enterprise in the PRC. The reorganization is more fully explained in the paragraphs headed "History and Development" in the section "History, Development and Corporate Structure" of the Prospectus. Since its incorporation, the Company has been the holding company of the Group.

Particulars of the Company's subsidiaries at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of establishment/ registration and operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company as at December 31, 2009	2010	2011	as at June 30, 2012	as at the date of this report	Principal activities
			%	%	%	%	%	
Directly held:								
鄭州煤機液壓電控有限公司 Zhengzhou Coal Mining Machinery Hydraulic Electrical Control Co., Ltd. ("ZMJ Hydraulic Control") (note a)	The PRC April 14, 1999	Registered capital RMB15,000,000	100.00	100.00	100.00	100.00	100.00	Manufacture of hydraulic products
鄭州煤機綜機設備有限公司 Zhengzhou Coal Mining Machinery Comprehensive Equipment Co., Ltd. ("ZMJ Comprehensive Equipment") (note a)	The PRC September 3, 2004	Registered capital RMB100,000,000	68.89	68.89	68.89	68.89	68.89	Manufacture of mining machinery
鄭州煤礦機械集團物資供銷有限公司 Zhengzhou Coal Mining Machinery Group Material Trading Co., Ltd. ("ZMJ Material Trading") (note a)	The PRC March 6, 2008	Registered capital RMB10,000,000	100.00	100.00	100.00	100.00	100.00	Trading of raw materials and products
鄭州煤機長壁機械有限公司 Zhengzhou Coal Mining Longwall Face Machinery Co., Ltd. ("ZMJ Longwall Machinery") (note a)	The PRC March 25, 2009	Registered capital RMB50,000,000	90.80	53.21	53.21	53.21	53.21	Manufacture of mining machinery
鄭煤機集團潞安新疆機械有限公司 Zhengzhou Coal Mining Machinery Group Lu An Xinjiang Co., Ltd. ("ZMJ Lu An Xinjiang") (notes a and b)	The PRC December 24, 2007	Registered capital RMB50,000,000	54.00	54.00	54.00	54.00	54.00	Manufacture of mining machinery
淮南鄭煤機舜立機械有限公司 Huainan ZMJ Shun Li Machinery Co., Ltd. ("ZMJ Shun Li Machinery") (notes a and c)	The PRC November 24, 1998	Registered capital RMB78,600,000	N/A	57.97	57.97	57.97	57.97	Manufacture of mining machinery

Name of subsidiary	Place and date of establishment/ registration and operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company as at December 31, 2009	2010	2011	as at June 30, 2012	as at the date of this report	Principal activities
			%	%	%	%	%	
Zhengzhou Coal Mining Machinery Siberia Co., Ltd. ("ZMJ Siberia") (note d) ...	Russia June 2, 2011	Registered capital US$100,000	N/A	N/A	100.00	100.00	100.00	Aftermarket services of mining machinery
華軒(上海)股權投資基金有限公司 Hua Xuan (Shanghai) Equity Investment Fund Co., Ltd. ("Huaxuan Investment") (notes a and e)	The PRC December 5, 2011	Registered capital RMB500,000,000	N/A	N/A	60.00	60.00	note e	Equity investments and financial management
鄭煤機國際貿易(香港)有限公司 ZMJ International Trading (Hong Kong) Co., Ltd. ("ZMJ Hong Kong") (note f).	Hong Kong November 8, 2012	Share capital US$7,500,000 (note f)	N/A	N/A	N/A	N/A	100.00	Sale and purchase of industrial and mining machinery and equipment
Indirectly held:								
鄭州煤機鑄鍛有限公司 Zhengzhou Coal Mining Zhu Duan Co., Ltd. ("ZMJ Foundry") (notes a and g)	The PRC November 25, 2011	Registered capital RMB30,000,000	N/A	N/A	49.72	49.72	49.72	Sale of molding and metal material

Notes:

(a) All these subsidiaries are enterprises established in the PRC. The English names of these companies represent management's best efforts to translate the Chinese names of these companies as no English names have been registered.

(b) ZMJ Lu An Xinjiang was acquired by the Company on November 16, 2009. Please refer to note 40 of Section I for details of the acquisition.

(c) ZMJ Shun Li Machinery was acquired by the Company on November 10, 2010. Please refer to note 40 of Section I for details of the acquisition.

(d) ZMJ Siberia was established by the Company on June 2, 2011 in Russia. The English name of this company represents management's best effort to translate the Russian name of this company as no English name has been registered.

(e) Huaxuan Investment was established by the Company and a non-controlling interest Jin Ling Hua Xin Venture Capital Company Limited 金陵華新創業投資有限公司 ("Huaxin Investment") in 2011 in the PRC. Huaxuan Investment has ceased to be a subsidiary and become an associate of the Company since July 27, 2012 pursuant to shareholders' resolution of Huaxuan Investment on the same date. Please refer to note 47 of Section I for details.

(f) ZMJ Hong Kong was established by the Company on November 8, 2012 with an issued share capital of US$7,500,000, which has not been paid up as at the date of this report.

(g) ZMJ Foundry was established by the Company (38.60%), ZMJ Comprehensive Equipment (13.33%), ZMJ Shun Li Machinery (3.33%) and other non-controlling interests in 2011 in the PRC.

The financial year-end date of the Company and its subsidiaries is December 31.

No audited financial statements have been prepared for ZMJ Siberia, ZMJ Foundry and Huaxuan Investment since their establishment as they have been established for less than one statutory year. For the purpose of this report, we have, however, reviewed all the relevant transactions of ZMJ Siberia, ZMJ Foundry and Huaxuan Investment since their establishment.

The statutory financial statements of the Company and its other subsidiaries for each of the three years ended December 31, 2011 were prepared in accordance with the relevant accounting principles and financial regulations in the PRC and were audited by BDO China Shu Lun Pan Certified Public Accountants LLP registered in the PRC.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

We have examined the Underlying Financial Statements and carried out additional audit procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of Section I below. No adjustments are deemed necessary by us to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 of Section I below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as of December 31, 2009, 2010 and 2011 and June 30, 2012 and of the consolidated results and cash flows of the Group for the Track Record Period.

The comparative consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the six months ended June 30, 2011 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "June 30, 2011 Financial Information") which were prepared by the directors of Company solely for the purpose of this report. We have reviewed the June 30, 2011 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 30, 2011 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 30, 2011 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 30, 2011 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended December 31,			Six months ended June 30,	
	NOTES	2009	2010	2011	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	8	4,994,409	6,358,314	8,060,082	3,586,272	4,723,607
Cost of sales		(3,745,659)	(4,723,766)	(6,108,032)	(2,581,730)	(3,388,673)
Gross profit		1,248,750	1,634,548	1,952,050	1,004,542	1,334,934
Other income	10	25,574	41,741	91,251	35,738	59,937
Other gains and losses	11	(36,130)	(62,751)	(44,358)	(13,057)	(35,452)
Selling and distribution expenses		(156,279)	(153,621)	(223,725)	(90,461)	(176,411)
Administrative expenses		(291,641)	(385,525)	(359,534)	(152,746)	(199,877)
Share of profit of associates		449	8,428	11,640	3,430	8,238
Share of profit of jointly controlled entities		—	617	606	319	307
Finance costs	12	(17,503)	(19,078)	(6,904)	(4,639)	(2,039)
Profit before tax		773,220	1,064,359	1,421,026	783,126	989,637
Income tax expense	13	(126,467)	(171,568)	(207,776)	(184,970)	(157,349)
Profit and total comprehensive income for the year/period	14	646,753	892,791	1,213,250	598,156	832,288
Attributable to:						
Owners of the Company		630,414	882,570	1,194,058	590,283	811,915
Non-controlling interests		16,339	10,221	19,192	7,873	20,373
		646,753	892,791	1,213,250	598,156	832,288
EARNINGS PER SHARE						
— Basic and diluted (RMB)	18	0.56	0.71	0.85	0.42	0.58

Consolidated Statements of Financial Position

	NOTES	At December 31, 2009	At December 31, 2010	At December 31, 2011	At June 30, 2012
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	19	412,024	1,058,807	1,495,868	1,602,846
Prepaid lease payments	20	160,591	217,412	284,320	313,860
Investment properties	21	12,106	11,751	11,392	11,193
Intangible assets	23	523	3,776	6,896	8,388
Investments in associates	25	8,249	16,677	58,001	66,239
Investments in jointly controlled entities	26	—	8,338	7,925	7,665
Available-for-sale investments	27	8,335	8,335	8,335	48,335
Deferred tax assets	29	28,511	49,320	54,019	65,780
Other non-current assets	30	—	—	—	138,000
		630,339	1,374,416	1,926,756	2,262,306
Current Assets					
Prepaid lease payments	20	3,319	4,559	5,047	5,929
Inventories	31	1,074,543	1,299,984	1,644,019	2,257,254
Trade and other receivables	32	1,797,599	2,344,807	2,904,096	3,515,254
Financial assets designated as at fair value through profit or loss	33	—	—	110,000	—
Tax recoverable		360	651	29,046	2,344
Pledged bank deposits	34	251,699	392,463	577,594	441,576
Bank balances and cash	34	1,007,203	3,636,274	3,238,928	2,878,059
		4,134,723	7,678,738	8,508,730	9,100,416
Current Liabilities					
Trade and other payables	35	1,243,134	2,058,476	2,503,750	3,060,233
Advances from customers		1,532,132	1,596,500	1,673,937	1,299,523
Tax liabilities		35,198	53,148	10,210	17,582
Borrowings	36	100,000	70,000	15,000	10,000
		2,910,464	3,778,124	4,202,897	4,387,338
Net Current Assets		1,224,259	3,900,614	4,305,833	4,713,078
Total Assets Less Current Liabilities		1,854,598	5,275,030	6,232,589	6,975,384
Capital and Reserves					
Share capital	38	560,000	700,000	700,000	1,400,000
Share premium		21,421	2,581,823	2,581,823	1,881,823
Reserves		914,625	1,713,195	2,592,253	3,320,168
Equity attributable to owners of the Company		1,496,046	4,995,018	5,874,076	6,601,991
Non-controlling interests		63,582	145,042	274,542	294,915
Total Equity		1,559,628	5,140,060	6,148,618	6,896,906
Non-current Liabilities					
Borrowings	36	275,000	115,000	65,000	49,500
Other non-current liabilities	37	19,970	19,970	18,971	28,978
		294,970	134,970	83,971	78,478

Company's Statements of Financial Position

	NOTES	At December 31, 2009	At December 31, 2010	At December 31, 2011	At June 30, 2012
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	19	276,240	775,071	1,144,655	1,203,531
Prepaid lease payments	20	138,443	175,988	209,468	239,782
Investment properties	21	12,106	11,751	11,392	11,193
Intangible assets		255	3,503	5,391	6,654
Investments in subsidiaries	24	78,830	173,350	485,579	485,579
Investments in associates		4,449	11,987	38,641	46,758
Available-for-sale investments	27	8,335	8,335	8,335	8,335
Loan receivables from a subsidiary	28	20,000	50,000	50,000	50,000
Deferred tax assets	29	21,988	35,150	41,150	48,526
Other non-current assets	30	—	—	—	38,000
		560,646	1,245,135	1,994,611	2,138,358
Current Assets					
Prepaid lease payments	20	2,860	3,692	3,520	4,395
Inventories	31	957,545	978,758	1,148,054	1,767,519
Trade and other receivables	32	1,587,104	2,005,598	2,571,309	3,044,106
Loan receivables from subsidiaries	28	—	—	40,000	40,000
Financial assets designated as at fair value through profit or loss	33	—	—	110,000	—
Tax recoverable		—	—	28,027	2,343
Pledged bank deposits	34	251,699	379,038	520,480	410,907
Bank balances and cash	34	965,809	3,520,768	2,720,271	2,512,317
		3,765,017	6,887,854	7,141,661	7,781,587
Current Liabilities					
Trade and other payables	35	1,079,932	1,624,054	1,964,389	2,541,458
Advances from customers		1,498,324	1,542,025	1,528,786	1,135,508
Tax liabilities		30,451	44,335	—	—
Borrowings	36	100,000	50,000	—	—
		2,708,707	3,260,414	3,493,175	3,676,966
Net Current Assets		1,056,310	3,627,440	3,648,486	4,104,621
Total Assets Less Current Liabilities		1,616,956	4,872,575	5,643,097	6,242,979
Capital and Reserves					
Share capital	38	560,000	700,000	700,000	1,400,000
Share premium		21,421	2,581,823	2,581,823	1,881,823
Reserves	39	815,565	1,570,782	2,342,303	2,942,684
Equity attributable to owners of the Company		1,396,986	4,852,605	5,624,126	6,224,507
Total Equity		1,396,986	4,852,605	5,624,126	6,224,507
Non-current Liabilities					
Borrowings	36	200,000	—	—	—
Other non-current liabilities	37	19,970	19,970	18,971	18,472
		219,970	19,970	18,971	18,472

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Statutory surplus reserve	Other reserves	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2009	560,000	21,421	27,532	692	272,894	882,539	25,379	907,918
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	736	736
Acquisition of a subsidiary (note 40)	—	—	—	—	—	—	21,128	21,128
Profit and total comprehensive income for the year	—	—	—	—	630,414	630,414	16,339	646,753
Disposal of a subsidiary (note 41)	—	—	—	(692)	—	(692)	—	(692)
Transfer	—	—	57,244	—	(57,244)	—	—	—
Dividends (note 17)	—	—	—	—	(16,215)	(16,215)	—	(16,215)
Balance at December 31, 2009	560,000	21,421	84,776	—	829,849	1,496,046	63,582	1,559,628
Issue of A shares (note 38)	140,000	2,560,402	—	—	—	2,700,402	—	2,700,402
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	22,660	22,660
Acquisition of a subsidiary (note 40)	—	—	—	—	—	—	51,379	51,379
Profit and total comprehensive income for the year	—	—	—	—	882,570	882,570	10,221	892,791
Transfer	—	—	83,922	—	(83,922)	—	—	—
Dividends (note 17)	—	—	—	—	(84,000)	(84,000)	—	(84,000)
Dividends declared to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(2,800)	(2,800)
Balance at December 31, 2010	700,000	2,581,823	168,698	—	1,544,497	4,995,018	145,042	5,140,060
Profit and total comprehensive income for the year	—	—	—	—	1,194,058	1,194,058	19,192	1,213,250
Capital contribution from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	113,420	113,420
Transfer	—	—	108,652	—	(108,652)	—	—	—
Dividends (note 17)	—	—	—	—	(315,000)	(315,000)	—	(315,000)
Dividends declared to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	(3,112)	(3,112)
Balance at December 31, 2011	700,000	2,581,823	277,350	—	2,314,903	5,874,076	274,542	6,148,618
Profit and total comprehensive income for the period	—	—	—	—	811,915	811,915	20,373	832,288
Capitalization of share premium	700,000	(700,000)	—	—	—	—	—	—
Dividends (note 17)	—	—	—	—	(84,000)	(84,000)	—	(84,000)
Balance at June 30, 2012	1,400,000	1,881,823	277,350	—	3,042,818	6,601,991	294,915	6,896,906
Balance at December 31, 2010	700,000	2,581,823	168,698	—	1,544,497	4,995,018	145,042	5,140,060
Profit and total comprehensive income for the period (Unaudited)	—	—	—	—	590,283	590,283	7,873	598,156
Balance at June 30, 2011 (Unaudited)	700,000	2,581,823	168,698	—	2,134,780	5,585,301	152,915	5,738,216

Note: In accordance with the relevant PRC laws and regulations and the Articles of Association of the relevant companies, the Company and its PRC subsidiaries are required to appropriate 10% of their profit after taxation as reported in their statutory financial statements prepared under the PRC generally accepted accounting principles to the statutory surplus reserve. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant companies.

The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalization issue. However, when converting the statutory surplus reserve of the Company and its subsidiaries into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant companies.

Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES					
Profit before tax	773,220	1,064,359	1,421,026	783,126	989,637
Adjustments for:					
Finance costs	17,503	19,078	6,904	4,639	2,039
Interest income	(11,429)	(16,434)	(66,048)	(35,738)	(45,837)
Share of profit of associates	(449)	(8,428)	(11,640)	(3,430)	(8,238)
Share of profit of jointly controlled entities	—	(617)	(606)	(319)	(307)
Depreciation of property, plant and equipment	33,295	43,111	86,866	23,144	67,346
Depreciation of investments properties	214	355	359	178	199
Amortization of intangible assets	140	359	1,179	475	942
Release of prepaid lease payments	1,831	3,938	4,992	2,567	2,965
Impairment loss recognized in respect of goodwill	2,197	4,319	—	—	—
Allowance provided for doubtful debts	36,948	49,207	56,052	14,011	55,025
Write-down (reversal of write-down) of inventories	—	10,017	(210)	—	264
Gain on disposal of property, plant and equipment	(713)	(2,712)	(2,206)	(458)	(3,632)
Gain on disposal of prepaid lease payments	—	—	(1,890)	—	—
Gain on disposal of a subsidiary	(692)	—	—	—	—
Operating cash flows before movements in working capital	852,065	1,166,552	1,494,778	788,195	1,060,403
Decrease (increase) in inventories	312,734	(120,745)	(343,825)	(133,170)	(613,499)
Increase in trade and other receivables	(631,471)	(464,442)	(614,707)	(146,411)	(634,558)
Increase in trade and other payables	249,370	377,581	207,248	251,838	589,194
Increase (decrease) in advances from customers	(96,635)	64,368	77,437	(181,878)	(374,414)
Cash generated from operations	686,063	1,023,314	820,931	578,574	27,126
Income taxes paid	(109,250)	(172,380)	(283,808)	(207,620)	(135,036)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	576,813	850,934	537,123	370,954	(107,910)

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES					
Interest received	11,429	16,434	66,048	13,800	22,562
Assets-related government grants received	19,970	—	—	—	10,506
Dividends received from jointly controlled entities	—	—	385	—	1,201
Proceeds on disposal of property, plant and equipment	2,330	6,367	4,113	3,214	4,990
Purchases of property, plant and equipment	(119,100)	(485,236)	(414,139)	(272,054)	(238,373)
Payments for prepaid lease payments	(143,024)	(61,999)	(78,682)	(28,693)	(33,387)
Purchases of other intangible assets	(219)	(3,539)	(4,299)	(1,460)	(2,434)
Purchase of financial assets designated as at fair value through profit or loss	—	—	(110,000)	—	(118,883)
Proceeds on disposal of financial assets designated as at fair value through profit or loss	—	—	—	—	230,040
Purchases of available-for-sale investments	—	—	—	—	(40,000)
Acquisition of investment in associates	(7,000)	—	(21,500)	(21,500)	—
Acquisition of a subsidiary (note 40)	(8,880)	(9,505)	—	—	—
Disposal of a subsidiary (note 41)	(3,652)	—	—	—	—
Placement of bank deposits with original maturity over three months	—	(1,950,000)	—	—	—
Withdrawal of bank deposits with original maturity over three months	—	—	520,000	300,000	220,000
Payment of pledged bank deposits.	—	(649,401)	(1,102,804)	(573,340)	(421,701)
Withdrawal of pledged bank deposits	—	508,637	917,673	391,861	557,719
Prepayment for establishment of an associate (note 30)	—	—	—	—	(38,000)
Advance to a third party for potential investments (note 30)	—	—	—	—	(100,000)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(248,146)	(2,628,242)	(223,205)	(188,172)	54,240
FINANCING ACTIVITIES					
Issue of A shares	—	2,700,402	—	—	—
Listing expense	—	(9,478)	—	—	(10,141)
Capital contribution from a non-controlling shareholder of a subsidiary	736	22,660	113,420	—	—
Proceeds from new borrowings raised	302,000	140,000	15,000	3,000	—
Repayment of borrowings	(304,899)	(330,000)	(120,000)	(60,000)	(20,500)
Interest paid	(17,503)	(19,078)	(6,904)	(4,639)	(2,039)
Dividends paid	(21,466)	(48,127)	(192,780)	—	(54,519)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(41,132)	2,456,379	(191,264)	(61,639)	(87,199)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,535	679,071	122,654	121,143	(140,869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	719,668	1,007,203	1,686,274	1,686,274	1,808,928
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
Represented by bank balances and cash (note 34)	1,007,203	1,686,274	1,808,928	1,807,417	1,668,059

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established in the PRC on December 28, 2008 as a joint stock company with limited liability under the Company Law of the PRC after a reorganization of ZCMM, a state owned enterprise in the PRC. In the opinion of the directors of the Company, the parent of the Company is the State-owned Assets Supervision and Administration Commission of Henan Provincial People's Government ("Henan SASAC") of the PRC Government.

On August 3, 2010, the Company completed its initial public offering and listing of 140,000,000 A shares on the Shanghai Stock Exchange under the stock code 601717.SS.

The respective addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporation Information" of the Prospectus. The Group is engaged in the manufacturing of coal mining machinery.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

During the Track Record Period, the Company has been the holding company of its subsidiaries, namely 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.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows reflect the Group's performance and cash flow throughout the Track Record Period, or since the date of establishment or acquisition of the relevant subsidiaries where this is a shorter period. The consolidated statements of financial position as at December 31, 2009, 2010, 2011 and June 30, 2012 present the assets and liabilities of the companies now comprising the Group, taking into account the subsidiaries which had been acquired or established as at the relevant dates during the Track Record Period.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has applied all IFRSs which are effective for the Group's financial year beginning on January 1, 2012 consistently throughout the Track Record Period.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations which are not yet effective:

IFRSs (Amendments)	Annual Improvements to IFRSs 2009-2011 Cycle[1]
IFRS 1 (Amendments)	Government Loans[1]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[1]
IFRS 9	Financial Instruments[2]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
IFRS 10, IFRS 11 and IFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[4]
IFRS 9	Financial Instruments[2]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after January 1, 2013
2 Effective for annual periods beginning on or after January 1, 2015
3 Effective for annual periods beginning on or after July 1, 2012
4 Effective for annual periods beginning on or after January 1, 2014

The Group has not early adopted these new and revised standards, amendments or interpretations in the preparation of the Financial Information. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no significant impact on the Financial Information except for the following:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC 12 *Consolidation — Special Purpose Entities*. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities — Non-Monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time. The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the accounting policies set out below which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity attributable to the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognize as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace the share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed at the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sales of coal mining machinery in the ordinary course of business is recognized when the respective machinery have been completed, delivered to and accepted by the buyers. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from the sale of materials and spare parts is recognized when the goods are delivered and title has passed.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the standard cost method.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are financial assets designated as at FVTPL on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortized cost, using the effective interest method.

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, canceled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Revenue recognition

The Group sells hydraulic roof supports and is required to install them on the customers' premises. The directors of the Company were required to consider whether it is appropriate to recognize the revenue from these transactions when the hydraulic roof supports are delivered to the customers, or whether it is more appropriate to recognize the revenue upon completion of installation of hydraulic roof supports.

In making their judgment, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. As the installation is an integral part of the transaction and the installation process is not simple in nature, the directors consider the installation cannot be unbundled from the sales of hydraulic roof supports and the significant risks and rewards of the transaction could only be transferred to the customers upon the completion of installation. Thus, the directors are satisfied that recognition of the revenue from sales of hydraulic roof supports upon the completion of installation is appropriate.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives and residual values of property, plant and equipment and investment properties

The Group estimates the useful lives residual values and related depreciation charges for its items of property, plant and equipment and investment properties. This estimate is based on the management's experience of the actual useful lives and residual values of items of property, plant and equipment and investment properties of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives and residual values are less than previously estimated. The carrying amounts of property, plant and equipment as at December 31, 2009, 2010, 2011 and June 30, 2012 were RMB412,024,000, RMB1,058,807,000, RMB1,495,868,000 and RMB1,602,846,000 respectively. The carrying amounts of investment proprieties as at December 31, 2009, 2010, 2011 and June 30, 2012 were RMB12,106,000, RMB11,751,000, RMB11,392,000 and RMB11,193,000 respectively.

Write-down of inventories

Inventories are carried at the lower of cost and net realizable value. The Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price lower than their carrying amount or are slow-moving or obsolete, the Group will write down inventories in the current year. As at December 31, 2009, 2010, 2011 and June 30, 2012 the carrying amounts of inventories were RMB1,074,543,000, RMB1,299,984,000, RMB1,644,019,000 and RMB2,257,254,000 respectively.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (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 at December 31, 2009, 2010, 2011 and June 30, 2012 the carrying amount of trade receivables were RMB1,009,201,000, RMB1,622,589,000 and RMB1,714,978,000 and RMB2,580,885,000 respectively.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 36, and equity attributable to owners of the Company, comprising share capital, share premium and other reserves.

The management of the Company reviews the capital structure on an annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Financial assets				
Financial assets designated as at fair value through profit or loss	—	—	110,000	—
Loans and receivables (including cash and cash equivalents)	2,862,593	6,112,372	6,199,455	6,472,704
Available-for-sale investments	8,335	8,335	8,335	48,335
Total	2,870,928	6,120,707	6,317,790	6,521,039
Financial liabilities				
Amortized cost	1,602,454	2,221,661	2,559,753	3,091,089
The Company				
Financial assets				
Financial assets designated as at fair value through profit or loss	—	—	110,000	—
Loans and receivables (including cash and cash equivalents)	2,675,502	5,675,571	5,306,231	5,520,665
Available-for-sale investments	8,335	8,335	8,335	8,335
Total	2,683,837	5,683,906	5,424,566	5,529,000
Financial liabilities				
Amortized cost	1,370,818	1,662,991	1,952,584	2,530,362

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks for the Track Record Period.

(i) Currency risk

The primary economic environment in which the company and its principal subsidiaries operate is the PRC and their functional currency is RMB. However, certain transactions of the company and its principal subsidiaries including sales and purchases of goods are denominated in foreign currencies.

The Group and the Company currently do not have a foreign currency hedging policy but the management of the Group and the Company monitors foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the group's and company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group and the Company				
Assets:				
US$	23,449	22,696	74,136	49,092
EUR	1,673	633	424	455
Liabilities:				
US$	42,060	22,812	215,807	3,012
EUR	34,922	31,843	29,514	28,460

The Group and the Company are mainly exposed to the foreign currency risk between US$/RMB and EUR/RMB.

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% appreciation and depreciation in each relevant against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. 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 where the relevant foreign currencies change 5% against RMB.

	Year ended at December 31,			Six months ended at June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group and the Company				
US$ impact				
— if US$ strengthens against RMB....	(930)	(5)	(7,084)	1,958
— if US$ weakens against RMB	930	5	7,084	(1,958)
Euro impact				
— if EUR strengthens against RMB ...	(1,662)	(1,560)	(1,454)	(1,190)
— if EUR weakens against RMB	1,662	1,560	1,454	1,190

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the Track Record Period.

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 36 for details of these borrowings). The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and variable-rate borrowings (see notes 34 and 36 for details of these pledged bank deposits, bank balances and borrowings, respectively). Currently, the Group does not have a specific policy to manage its interest rate risk, but the management will closely monitor interest rate exposures and consider hedging significant interest rate risk should the need arise.

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

	Year ended at December 31,			Six months ended at June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Increase in post-tax profit for the year/period	856	1,348	1,172	1,197
The Company				
Increase in post-tax profit for the year/period	821	1,250	731	886

The post-tax profit for the year/period would have decreased by the same amount as mentioned above if the interest rates on variable-rate pledged bank deposits and bank balances had been 10 basis points lower and all other variables were held constant.

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

	Year ended at December 31,			Six months ended at June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Decrease in post-tax profit for the year/period	(3,188)	(1,573)	(680)	(506)
The Company				
Decrease in post-tax profit for the year/period	(2,550)	(425)	—	—

The post-tax profit for the year/period after taking into consideration the capitalization of interest would have increased by the same amount as mentioned above if the interest rates on variable-rate borrowings had been 100 basis points lower and all other variables were held constant.

Credit risk

As at December 31, 2009, 2010, 2011 and June 30, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management of the Company reviews the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the Group's credit risk is significantly reduced.

The Group and the company have concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the majority of the counterparties are state-owned banks with good reputation or banks with good credit rating assigned by international credit-rating agencies and with good reputation.

The Group and the Company have concentration of credit risk on the Group's and the Company's trade receivables and bills receivable. For trade receivables and bills receivable, most of the large customers are located in the PRC. The five largest trade receivables represented approximately 32.08%, 18.85%, 15.44% and 18.17% of the trade receivables and bills receivable of the Group and approximately 36.59%, 21.39%, 18.59% and 21.96% of the trade receivables and bills receivable of the Company as at December 31, 2009, 2010, 2011 and June 30, 2012 respectively.

The Company also has concentration of credit risk on its loan receivables from subsidiaries. The balances of loan receivables from three subsidiaries amounted to RMB20,000,000, RMB50,000,000, RMB90,000,000 and RMB90,000,000 as at December 31, 2009, 2010, 2011 and June 30, 2012, respectively. Please refer to note 28 of Section I for details.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cashflows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
As at December 31, 2009								
Trade and other payables	—	878,821	348,633	—	—	—	1,227,454	1,227,454
Borrowings	5.1	4,773	111,853	119,298	156,147	20,673	412,744	375,000
		883,594	460,486	119,298	156,147	20,673	1,640,198	1,602,454
As at December 31, 2010								
Trade and other payables	—	1,302,426	734,235	—	—	—	2,036,661	2,036,661
Borrowings	5.6	51,969	25,451	19,364	100,788	9,889	207,461	185,000
		1,354,395	759,686	19,364	100,788	9,889	2,244,122	2,221,661
As at December 31, 2011								
Trade and other payables	—	1,695,079	784,674	—	—	—	2,479,753	2,479,753
Borrowings	6.4	1,286	18,418	4,155	67,502	—	91,361	80,000
Financial guarantee contracts	—	5,246	—	—	—	—	5,246	—
		1,701,611	803,092	4,155	67,502	—	2,576,360	2,559,753
As at June 30, 2012								
Trade and other payables	—	2,475,067	556,522	—	—	—	3,031,589	3,031,589
Borrowings	6.3	10,823	2,305	51,549	—	—	64,677	59,500
Financial guarantee contracts	—	11,900	—	—	—	—	11,900	—
		2,497,790	558,827	51,549	—	—	3,108,166	3,091,089

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cashflows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company								
As at December 31, 2009								
Trade and other payables....	—	768,186	302,632	—	—	—	1,070,818	1,070,818
Borrowings	4.9	3,665	108,525	105,063	100,405	—	317,658	300,000
		771,851	411,157	105,063	100,405	—	1,388,476	1,370,818
As at December 31, 2010								
Trade and other payables....	—	892,887	720,104	—	—	—	1,612,991	1,612,991
Borrowings	5.0	50,007	—	—	—	—	50,007	50,000
		942,894	720,104	—	—	—	1,662,998	1,662,991
As at December 31, 2011								
Trade and other payables....	—	1,282,078	670,506	—	—	—	1,952,584	1,952,584
As at June 30, 2012								
Trade and other payables....	—	1,985,952	544,410	—	—	—	2,530,362	2,530,362

The Group and the Company are also exposed to liquidity risk in relation to the endorsed and derecognized bills receivable (see note 46 of Section I for details). The following table details the Group's remaining contractual maturity in respect of the endorsed and derecognized bills receivable. The table has been drawn up based on the undiscounted cash flows maturity in respect of the endorsed and derecognized bills receivable based on the earliest date on which the Group may be required to pay. In the opinion of the directors of the Company, the risk of the default in payment of the endorsed and derecognized bills receivable is low because all endorsed and derecognized bills receivable are issued and guaranteed by the reputable PRC banks. The maximum exposure to the Group that may result from the default is the total undiscounted cash flows of the endorsed and derecognized bills receivable.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cashflows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
As at December 31, 2009 . .	—	462,438	191,575	—	—	—	654,013	—
As at December 31, 2010 . .	—	461,546	415,526	—	—	—	877,072	—
As at December 31, 2011 . .	—	807,804	619,694	—	—	—	1,427,498	—
As at June 30, 2012	—	526,528	1,324,242	—	—	—	1,850,770	—
The Company								
As at December 31, 2009 . .	—	357,835	107,305	—	—	—	465,140	—
As at December 31, 2010 . .	—	209,921	178,465	—	—	—	388,386	—
As at December 31, 2011 . .	—	320,862	352,540	—	—	—	673,402	—
As at June 30, 2012	—	413,360	228,050	—	—	—	641,410	—

Fair value

The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices and ask prices respectively.

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

8. REVENUE

The Group is engaged in the manufacture and sale of coal mining machinery. The Group's revenue arises on sales of hydraulic roof supports, steel and other materials trading, the sales of spare parts and other coal mining equipment for the Track Record Period.

The following table sets forth a breakdown of the Group's revenue for the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of hydraulic roof supports ...	4,062,709	4,593,394	5,641,994	2,675,225	3,272,235
Revenue from steel and other materials trading..................	583,041	1,247,850	1,854,653	613,792	1,120,575
Sales of spare parts	308,634	450,132	393,797	213,748	154,773
Sales of other coal mining equipment.........................	29,861	52,511	122,444	55,764	145,400
Other revenue	10,164	14,427	47,194	27,743	30,624
	4,994,409	6,358,314	8,060,082	3,586,272	4,723,607

9. SEGMENT INFORMATION

The Group identifies an operating segment which is a component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses; and (b) whose operating results are reviewed regularly by the executive directors, the chief operating decision maker, to make decisions about resources allocation and performance assessment.

The Group has only one operating segment which is the manufacture of coal mining machinery and the Group's operating results before tax are reviewed regularly by the Group's chief operating decision maker to make decisions about resources allocation and performance assessment. As no other discretionary financial information is provided to the Group's chief operating decision maker, no segment information is presentation other than the entity-wide information.

Information about major customers

The following illustrates the revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A	1,045,805	N/A[1]	1,333,428	1,177,527	522,000
Customer B	N/A[1]	N/A[1]	935,058	N/A[1]	475,600

1. The corresponding revenue did not contribute over 10% of the total sales of the Group.

Geographical information

The analysis of revenue by geographical location of customers for the Track Record Period is as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The PRC	4,977,369	6,274,596	7,851,914	3,472,895	4,443,208
Russia	16,988	82,756	202,359	109,908	280,399
Other countries	52	962	5,809	3,469	—
	4,994,409	6,358,314	8,060,082	3,586,272	4,723,607

No geographical segment information for assets is presented as the Group's non-current assets are mostly located in the PRC, which is considered to be one geographical location with similar risks and returns.

10. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants (Note)	14,145	25,307	25,203	—	14,100
Interest income on bank deposits	11,429	16,434	66,048	35,738	45,837
	25,574	41,741	91,251	35,738	59,937

Note: Government grants mainly represent unconditional government grants received from the local government for compensation of research and development expenses incurred.

11. OTHER GAINS AND LOSSES

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain on disposal of property, plant and equipment	713	2,712	2,206	458	3,632
Gain on disposal of prepaid lease payments	—	—	1,890	—	—
Gain on disposal of a subsidiary	692	—	—	—	—
Gain on disposal of held for trading investment	—	—	—	—	17,320
Net foreign exchange gains (losses)	890	(839)	6,546	(131)	(450)
Allowance for doubtful debts	(36,948)	(49,207)	(56,052)	(14,011)	(55,025)
Write-down of inventories	—	(10,017)	210	—	(264)
Impairment loss recognized in respect of goodwill	(2,197)	(4,319)	—	—	—
Others	720	(1,081)	842	627	(665)
	(36,130)	(62,751)	(44,358)	(13,057)	(35,452)

12. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on:					
Bank loans and other borrowings wholly repayable within five years	15,942	16,009	7,857	5,116	2,505
Bank loans and other borrowings not wholly repayable within five years	1,561	4,625	—	—	—
Less: Capitalization	—	(1,556)	(953)	(477)	(466)
	17,503	19,078	6,904	4,639	2,039

13. INCOME TAX EXPENSE

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
— PRC enterprise income tax	140,383	192,584	223,184	198,909	168,252
Under (over) provision in prior years:					
— PRC enterprise income tax	—	(2,545)	(10,709)	(10,709)	858
Deferred tax:					
— Current year/period	(13,916)	(18,826)	(8,114)	(3,230)	(11,761)
— Attributable to change in applicable tax rate	—	355	3,415	—	—
	(13,916)	(18,471)	(4,699)	(3,230)	(11,761)
	126,467	171,568	207,776	184,970	157,349

The tax rates of the major group entities for the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
The Company (Note 1)	**15%**	**15%**	**15%**	**25%**	**15%**
ZMJ Comprehensive Equipment (Note 2)	25%	15%	15%	15%	15%
ZMJ Hydraulic Control (Note 3)	25%	15%	15%	15%	15%
ZMJ Material Trading	25%	25%	25%	25%	25%
ZMJ Longwall Machinery	25%	25%	25%	25%	25%
ZMJ Lu An Xinjiang	25%	25%	25%	25%	25%
ZMJ Shun Li Machinery	N/A	25%	25%	25%	25%
ZMJ Siberia	N/A	N/A	20%	20%	20%
ZMJ Foundry	N/A	N/A	25%	N/A	25%
Huaxuan Investment	N/A	N/A	25%	N/A	25%

Note 1: The Company received the High and New Technology Enterprises Certificate on October 28, 2011, which entitles to a preferential tax rate of 15% from January 1, 2011 to December 31, 2013. The company previously was entitled to a preferential tax rate of 15% in 2009 and 2010 under a separate certificate, which expired on December 31, 2010. Since the Company had not yet received the renewed High and New Technology Enterprises Certificate by June 30, 2011 and the previous one was expired at that time, the income tax expense for the six months ended June 30, 2011 was calculated based on the statutory income tax rate of 25%.

Note 2: ZMJ Comprehensive Equipment received the High and New Technology Enterprises Certificate on November 8, 2010 and is entitled to a preferential tax rate of 15% from January 1, 2010 to December 31, 2012.

Note 3: ZMJ Hydraulic Control received the High and New Technology Enterprises Certificate on August 8, 2010 and is entitled to a preferential tax rate of 15% from January 1, 2010 to December 31, 2012.

The tax charge for the Track Record Period can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	773,220	1,064,359	1,421,026	783,126	989,637
Tax at the PRC enterprise income tax rate of 15% (June 30, 2011: 25%) (Note)	115,983	159,654	213,154	195,782	148,446
Tax effect of share of profit of associates and jointly control entities	(67)	(1,357)	(1,837)	(937)	(1,282)
Tax effect of expenses not deductible for tax purpose	2,438	2,562	2,630	2,498	1,698
Under/(over) provision in prior years	—	(2,545)	(10,709)	(10,709)	858
Tax effect of tax losses not recognized	1,504	2,654	1,646	839	1,896
Effect of different tax rate of subsidiaries	9,725	10,245	3,151	(2,503)	5,733
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rate	—	355	3,415	—	—
Others — additional deduction of research and development expenses	(3,116)	—	(3,674)	—	—
	126,467	171,568	207,776	184,970	157,349

Note: Since the Company had not yet received the renewed High and New Technology Enterprises Certificate by June 30, 2011 and the previous certificate was expired at that time, the income tax expense for the six months ended June 30, 2011 was calculated based on the statutory income tax rate of 25%.

Details of deferred taxation for the Track Record Period are set out in note 29.

14. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation for property, plant and equipment	33,295	43,111	86,866	23,144	67,346
Depreciation for investment properties	214	355	359	178	199
Amortization of intangible assets	140	359	1,179	475	942
Release of prepaid lease payments	1,831	3,938	4,992	2,567	2,965
	35,480	47,763	93,396	26,364	71,452
Employee benefits expenses (including directors):					
— Salaries and other benefits	289,140	353,524	367,795	190,756	191,511
— Retirement benefit scheme contributions	31,765	35,423	43,467	24,189	27,612
	320,905	388,947	411,262	214,945	219,123
Auditors' remuneration	500	780	680	340	340
Impairment loss on trade and other receivables	36,948	49,207	56,052	14,011	55,025
Cost of inventories recognized as an expense	3,745,659	4,723,766	6,108,032	2,581,730	3,388,673
Research and development expenses	59,722	86,953	104,143	55,828	46,194
Gross rental income from investment properties	(1,179)	(2,168)	(2,125)	(1,063)	(1,338)
Less: direct operating expenses from investment properties that generated rental income	254	697	654	328	304
	(925)	(1,471)	(1,471)	(735)	(1,034)
Operating lease rentals in respect of rented premises	5,454	5,348	5,966	2,612	2,612

15. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid and payable to directors and supervisors for the Track Record Period are as follows:

	For the year ended December 31, 2009				
	Salaries and other benefits	Performance related incentive payments	Retirement benefit scheme contributions	Directors' fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Jiao Chengyao	167	350	85	—	602
Mr. Shao Chunsheng	159	333	84	—	576
Mr. Xiang Jiayu	159	333	69	—	561
Mr. Guo Haofeng	137	439	93	—	669
Mr. Wang Xinying	137	266	69	—	472
Sub-total	759	1,721	400	—	2,880
Non-executive directors					
Mr. Zhou Shuiwen	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors					
Mr. Gao Guoan	—	—	—	80	80
Mr. Li Bin	—	—	—	80	80
Mr. Luo Jiamang	—	—	—	80	80
Sub-total	—	—	—	240	240
Supervisors					
Ms. Shi Aizhen	112	99	30	—	241
Mr. Ni Heping	165	182	58	—	405
Mr. Jia Jingcheng	108	101	30	—	239
Mr. Chen Fugang	—	—	—	—	—
Mr. Liu Xiaobing	—	—	—	—	—
Mr. Li Shouyu	—	—	—	—	—
Ms. Ren Na	—	—	—	—	—
Sub-total	385	382	118	—	885
Total	1,144	2,103	518	240	4,005

	For the year ended December 31, 2010				
	Salaries and other benefits	Performance related incentive payments	Retirement benefit scheme contributions	Directors' fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Jiao Chengyao	271	248	94	—	613
Mr. Shao Chunsheng	271	223	94	—	588
Mr. Xiang Jiayu	271	223	80	—	574
Mr. Guo Haofeng	220	363	104	—	687
Mr. Wang Xinying	220	266	75	—	561
Sub-total	1,253	1,323	447	—	3,023
Non-executive directors					
Mr. Zhou Shuiwen	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors					
Mr. Gao Guoan	—	—	—	80	80
Mr. Li Bin	—	—	—	80	80
Mr. Luo Jiamang	—	—	—	80	80
Sub-total	—	—	—	240	240
Supervisors					
Ms. Shi Aizhen	142	118	34	—	294
Mr. Ni Heping	220	302	68	—	590
Mr. Jia Jingcheng	148	116	34	—	298
Mr. Chen Fugang	—	—	—	—	—
Mr. Liu Xiaobing	—	—	—	—	—
Mr. Li Shouyu	—	—	—	—	—
Ms. Ren Na	—	—	—	—	—
Sub-total	510	536	136	—	1,182
Total	1,763	1,859	583	240	4,445

	For the year ended December 31, 2011				
	Salaries and other benefits	Performance related incentive payments	Retirement benefit scheme contributions	Directors' fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Jiao Chengyao	273	248	78	—	599
Mr. Shao Chunsheng	273	223	80	—	576
Mr. Xiang Jiayu	273	223	73	—	569
Mr. Guo Haofeng	297	192	94	—	583
Mr. Wang Xinying	222	301	64	—	587
Sub-total	1,338	1,187	389	—	2,914
Non-executive directors					
Mr. Zhou Shuiwen	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors					
Mr. Gao Guoan	—	—	—	80	80
Mr. Li Bin	—	—	—	80	80
Mr. Luo Jiamang	—	—	—	80	80
Sub-total	—	—	—	240	240
Supervisors					
Mr. Ni Heping	223	317	86	—	626
Mr. Jia Jingcheng	127	115	38	—	280
Mr. Xu Yongen	127	125	38	—	290
Ms. Xu Mingkai	106	105	38	—	249
Mr. Ding Hui	220	287	75	—	582
Mr. Li Shouyu	—	—	—	—	—
Ms. Ren Na	—	—	—	—	—
Sub-total	803	949	275	—	2,027
Total	2,141	2,136	664	240	5,181

	For the six months ended June 30, 2011			
	Salaries and other benefits	Retirement benefit scheme contributions	Directors' fee	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Executive directors				
Mr. Jiao Chengyao	136	40	—	176
Mr. Shao Chunsheng	136	40	—	176
Mr. Xiang Jiayu	136	36	—	172
Mr. Guo Haofeng	148	46	—	194
Mr. Wang Xinying	112	32	—	144
Sub-total	668	194	—	862
Non-executive directors				
Mr. Zhou Shuiwen	—	—	—	—
Sub-total	—	—	—	—
Independent non-executive directors				
Mr. Gao Guoan	—	—	40	40
Mr. Li Bin	—	—	40	40
Mr. Luo Jiamang	—	—	40	40
Sub-total	—	—	120	120
Supervisors				
Mr. Ni Heping	112	44	—	156
Mr. Jia Jingcheng	64	20	—	84
Mr. Xu Yongen	64	20	—	84
Mr. Xu Mingkai	54	20	—	74
Mr. Ding Hui	110	36	—	146
Mr. Li Shouyu	—	—	—	—
Ms. Ren Na	—	—	—	—
Sub-total	404	140	—	544
Total	1,072	334	120	1,526

	For the six months ended June 30, 2012			
	Salaries and other benefits	Retirement benefit scheme contributions	Directors' fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Jiao Chengyao	138	34	—	172
Mr. Shao Chunsheng	138	34	—	172
Mr. Xiang Jiayu	262	32	—	294
Mr. Fu Zugang	212	44	—	256
Mr. Wang Xinying	212	28	—	240
Sub-total	962	172	—	1,134
Independent non-executive directors				
Mr. Lin Zhijun	—	—	72	72
Mr. Gao Guoan	—	—	40	40
Mr. Li Bin	—	—	40	40
Mr. Luo Jiamang	—	—	40	40
Sub-total	—	—	192	192
Supervisors				
Mr. Ni Heping	156	32	—	188
Mr. Jia Jingcheng	90	18	—	108
Mr. Xu Yongen	68	12	—	80
Mr. Xu Mingkai	74	14	—	88
Mr. Ding Hui	146	28	—	174
Mr. Wang Tiehan	78	14	—	92
Mr. Lv Yu	—	—	—	—
Sub-total	612	118	—	730
Total	1,574	290	192	2,056

During the Track Record Period, no remuneration was paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or supervisors has waived any remuneration during the Track Record Period.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three were directors or supervisors of the Company for the year ended December 31, 2009 and December 31, 2011 and six months ended June 30, 2011 (unaudited) and June 30, 2012, respectively, whose emoluments are included in the disclosures in note 15 above. The five highest paid individuals for the year ended December 31, 2010 were all directors or supervisors of the Company and details of their emoluments are included in note 15 above.

The emoluments of the remaining two individuals for the year ended December 31, 2009 and December 31, 2011 and six months ended June 30, 2011 (unaudited) and June 30, 2012 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	273	N/A	519	260	414
Performance related incentive payments	905	N/A	598	—	—
Retirement benefit scheme contributions	131	N/A	161	80	68
	1,309	N/A	1,278	340	482

The emoluments for each of the highest paid individuals (others than directors) during the Track Record Period were less than HKD1,000,000.

During the Track Record Period, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group (other than directors) as an inducement to join or upon joining the Group or as compensation for loss of office.

17. DIVIDENDS

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends recognized as distribution during the year/period:					
— 2008 Final (RMB0.03 per share)	16,215	—	—	—	—
— 2009 Final (RMB0.15 per share)	—	84,000	—	—	—
— 2011 Interim (RMB0.45 per share)	—	—	315,000	—	—
— 2011 Final (RMB0.12 per share)	—	—	—	—	84,000
	16,215	84,000	315,000	—	84,000

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for each of the three years ended December 31, 2009, 2010, 2011 and the six months ended June 30, 2011 and 2012 is based on the following data:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earning for the purpose of basic and diluted earnings per share (profit for the year/period attributable to owners of the Company)	630,414	882,570	1,194,058	590,283	811,915
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,120,000,000	1,236,666,666	1,400,000,000	1,400,000,000	1,400,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has been retrospectively adjusted for the capitalization of share premium on March 12, 2012. Please refer to note 38 of Section I for details.

The Company did not have any dilutive potential ordinary shares in issue during the Track Record Period.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group						
COST						
At January 1, 2009	72,196	207,707	30,096	7,105	5,649	322,753
Additions	—	—	5,326	807	110,998	117,131
Acquired on acquisition of a subsidiary	57,801	22,418	781	71	—	81,071
Transfer	23,834	37,175	—	—	(61,009)	—
Disposals	(416)	(1,149)	(2,487)	(68)	—	(4,120)
At December 31, 2009	153,415	266,151	33,716	7,915	55,638	516,835
Additions	4,603	1,538	5,163	3,057	591,910	606,271
Acquired on acquisition of a subsidiary	25,641	49,216	3,091	5,748	3,582	87,278
Transfer	12,123	34,659	—	1,019	(47,801)	—
Disposals	—	(691)	(6,961)	(20)	—	(7,672)
At December 31, 2010	195,782	350,873	35,009	17,719	603,329	1,202,712
Additions	1,753	33,426	14,536	865	475,254	525,834
Transfer	549,040	414,754	—	40,240	(1,004,034)	—
Disposals	—	(546)	(3,981)	(279)	—	(4,806)
At December 31, 2011	746,575	798,507	45,564	58,545	74,549	1,723,740
Additions	606	9,063	2,618	295	163,100	175,682
Transfer	50,348	74,542	—	2,282	(127,172)	—
Disposals	—	(2,330)	(3,375)	—	—	(5,705)
At June 30, 2012	797,529	879,782	44,807	61,122	110,477	1,893,717
DEPRECIATION						
At January 1, 2009	9,274	50,424	10,866	3,455	—	74,019
Provided for the year	3,779	22,850	5,490	1,176	—	33,295
Eliminated on disposals	(237)	(641)	(1,570)	(55)	—	(2,503)
At December 31, 2009	12,816	72,633	14,786	4,576	—	104,811
Provided for the year	5,063	31,314	5,649	1,085	—	43,111
Eliminated on disposals	—	(286)	(3,722)	(9)	—	(4,017)
At December 31, 2010	17,879	103,661	16,713	5,652	—	143,905
Provided for the year	16,565	52,395	6,165	11,741	—	86,866
Eliminated on disposals	—	(151)	(2,616)	(132)	—	(2,899)
At December 31, 2011	34,444	155,905	20,262	17,261	—	227,872
Provided for the period	10,953	47,755	3,477	5,161	—	67,346
Eliminated on disposals	—	(1,459)	(2,888)	—	—	(4,347)
At June 30, 2012	45,397	202,201	20,851	22,422	—	290,871
CARRYING VALUES						
At December 31, 2009	140,599	193,518	18,930	3,339	55,638	412,024
At December 31, 2010	177,903	247,212	18,296	12,067	603,329	1,058,807
At December 31, 2011	712,131	642,602	25,302	41,284	74,549	1,495,868
At June 30, 2012	752,132	677,581	23,956	38,700	110,477	1,602,846

All the buildings are located in the PRC. The Group was in process of obtaining the relevant property ownership certificates for buildings with a net book value of RMB30,838,000, RMB61,403,000, RMB582,671,000 and RMB73,787,000 as at December 31, 2009, 2010, 2011 and June 30, 2012, respectively. In the opinion of the directors of the Company, the relevant property ownership certificates can be obtained in due time without incurring significant costs.

	Buildings	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company						
COST						
At January 1, 2009	44,277	177,012	25,762	5,803	5,642	258,496
Additions	—	—	4,433	569	102,905	107,907
Transfer	20,962	33,553	—	—	(54,515)	—
Disposals	(189)	(856)	(2,003)	(52)	—	(3,100)
At December 31, 2009	65,050	209,709	28,192	6,320	54,032	363,303
Additions	—	—	3,990	—	528,941	532,931
Transfer	10,880	31,619	—	680	(43,179)	—
Disposals	—	(199)	(6,529)	(2)	—	(6,730)
At December 31, 2010	75,930	241,129	25,653	6,998	539,794	889,504
Additions	—	10,482	11,627	—	408,355	430,464
Transfer	498,745	399,414	—	38,495	(936,654)	—
Disposals	—	(11,031)	(4,298)	(1,182)	—	(16,511)
At December 31, 2011	574,675	639,994	32,982	44,311	11,495	1,303,457
Additions	—	—	1,557	8	105,233	106,798
Transfer	7,897	66,645	—	2,272	(76,814)	—
Disposals	—	(1,431)	(3,134)	—	—	(4,565)
At June 30, 2012	582,572	705,208	31,405	46,591	39,914	1,405,690
DEPRECIATION						
At January 1, 2009	6,393	41,517	9,708	3,001	—	60,619
Provided for the year	2,805	19,554	4,793	983	—	28,135
Eliminated on disposals	(21)	(369)	(1,249)	(52)	—	(1,691)
At December 31, 2009	9,177	60,702	13,252	3,932	—	87,063
Provided for the year	3,301	22,341	4,423	714	—	30,779
Eliminated on disposals	—	(96)	(3,311)	(2)	—	(3,409)
At December 31, 2010	12,478	82,947	14,364	4,644	—	114,433
Provided for the year	9,306	31,713	4,475	8,055	—	53,549
Eliminated on disposals	—	(5,162)	(3,111)	(907)	—	(9,180)
At December 31, 2011	21,784	109,498	15,728	11,792	—	158,802
Provided for the period	7,502	32,896	2,366	4,310	—	47,074
Eliminated on disposals	—	(997)	(2,720)	—	—	(3,717)
At June 30, 2012	29,286	141,397	15,374	16,102	—	202,159
CARRYING VALUES						
At December 31, 2009	55,873	149,007	14,940	2,388	54,032	276,240
At December 31, 2010	63,452	158,182	11,289	2,354	539,794	775,071
At December 31, 2011	552,891	530,496	17,254	32,519	11,495	1,144,655
At June 30, 2012	553,286	563,811	16,031	30,489	39,914	1,203,531

All the buildings are located in the PRC. The Company was in process of obtaining the relevant ownership property certificates for the buildings with a net book value of RMB26,560,000, RMB36,341,000, RMB506,909,000 and RMB14,752,000 as at December 31, 2009, 2010, 2011 and June 30, 2012, respectively. In the opinion of the directors of the Company, the relevant property ownership certificates can be obtained in due time without incurring significant costs.

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis taking into account their residual value, at the following rates per annum:

Buildings	2.71%–3.17%
Plant and machinery	9.50%
Motor vehicles	19.00%
Other equipment	19.00%

20. PREPAID LEASE PAYMENTS

	At December 31,			At June 30,
	2009	**2010**	**2011**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
The Group				
Analysed for reporting purpose as:				
Current asset	3,319	4,559	5,047	5,929
Non-current asset	160,591	217,412	284,320	313,860
	163,910	221,971	289,367	319,789

The prepaid lease payments are all in respect of land use rights located in the PRC held under a medium-term lease of 50 years.

The Group was in the process of obtaining the relevant land use right certificates for the leasehold land with a net book value of RMB2,019,000, RMB43,213,000, RMB55,547,000 and RMB67,680,000 as at December 31, 2009, 2010, 2011 and June 30, 2012, respectively. In the opinion of the directors of the Company, the relevant land use right certificates can be obtained in due time without significant costs.

The Group pledged leasehold land with a net book value of RMB19,695,000 as at December 31, 2011 (December 31, 2009, 2010 and June 30, 2012: Nil) to secure banking facilities granted to the Group.

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Analysed for reporting purpose as:				
Current asset	2,860	3,692	3,520	4,395
Non-current asset	138,443	175,988	209,468	239,782
	141,303	179,680	212,988	244,177

The prepaid lease payments are all in respect of land use rights located in the PRC held under a medium-term lease of 50 years.

The Company was in the process of obtaining the relevant land use right certificates for the leasehold land with a net book value of RMB41,237,000, RMB40,405,000 and RMB67,680,000 as at December 31, 2010, 2011 and June 30, 2012, respectively. In the opinion of the directors of the Company, the relevant land use right certificates can be obtained in due time without significant costs.

21. INVESTMENT PROPERTIES

	Buildings
	RMB'000
The Group and the Company	
COST	
At January 1, 2009	10,031
Additions	2,560
At December 31, 2009, 2010, 2011 and June 30, 2012	12,591
DEPRECIATION	
At January 1, 2009	271
Provided for the year	214
At December 31, 2009	485
Provided for the year	355
At December 31, 2010	840
Provided for the year	359
At December 31, 2011	1,199
Provided for the period	199
At June 30, 2012	1,398
CARRYING VALUES	
At December 31, 2009	12,106
At December 31, 2010	11,751
At December 31, 2011	11,392
At June 30, 2012	11,193

As at December 31, 2009, 2010, 2011 and June 30, 2012, the fair values of the Group's investment properties were RMB13,274,000, RMB14,285,000, RMB15,010,000 and RMB15,240,000, respectively. The fair values have been arrived at based on a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified and professional valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The address of Jones Lang LaSalle Corporate Appraisal and Advisory Limited is 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong. The valuation was determined by the depreciated replacement cost method, which the directors of the Company are of the view that it is the best estimate of the fair value of these investment properties.

The above investment properties are depreciated on a straight-line basis at, taking into account their residual value, the following rates per annum:

Buildings	2.71%-3.17%

All the buildings are located in the PRC. The Company had not obtained the relevant property certificates for buildings with a net book value of RMB10,949,000, RMB10,639,000, RMB10,325,000 and RMB10,126,000 as at December 31, 2009, 2010, 2011 and June 30, 2012, respectively.

22. GOODWILL

	RMB'000
COST	
At January 1, 2009	—
Arising on acquisition of a subsidiary	2,197
At December 31, 2009	2,197
Arising on acquisition of a subsidiary	4,319
At December 31, 2010, 2011 and June 30, 2012	6,516
IMPAIRMENT	
At January 1, 2009	—
Impairment loss recognized in the year	2,197
At December 31, 2009	2,197
Impairment loss recognized in the year	4,319
At December 31, 2010, 2011 and June 30, 2012	6,516
CARRYING VALUES	
At December 31, 2009, 2010, 2011 and June 30, 2012	—

23. INTANGIBLE ASSETS

	Software
	RMB'000
COST	
At January 1, 2009	1,736
Additions	219
Acquired on acquisition of a subsidiary	39
At December 31, 2009	1,994
Additions	3,539
Acquired on acquisition of a subsidiary	73
At December 31, 2010	5,606
Additions	4,299
At December 31, 2011	9,905
Additions	2,434
At June 30, 2012	12,339
AMORTIZATION	
At January 1, 2009	1,331
Provided for the year	140
At December 31, 2009	1,471
Provided for the year	359
At December 31, 2010	1,830
Provided for the year	1,179
At December 31, 2011	3,009
Provided for the period	942
At June 30, 2012	3,951
CARRYING VALUES	
At December 31, 2009	523
At December 31, 2010	3,776
At December 31, 2011	6,896
At June 30, 2012	8,388

Software has a definite useful life and is amortized on a straight-line basis over five years.

24. INVESTMENTS IN SUBSIDIARIES

	Year ended December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Unlisted investment in directly owned subsidiaries, at cost	78,830	173,350	485,579	485,579

25. INVESTMENTS IN ASSOCIATES

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in unlisted associates	7,800	7,800	37,484	37,484
Share of post-acquisition profits and other comprehensive income, net of dividends received	449	8,877	20,517	28,755
	8,249	16,677	58,001	66,239

As at December 31, 2009, 2010, 2011 and June 30, 2012, the Group had interests in the following associates:

Name of entity	Place of registration	Proportion of nominal value of paid-in capital				Proportion of voting power held				Principal activities
		December 31,			June 30,	December 31,			June 30,	
		2009	2010	2011	2012	2009	2010	2011	2012	
鄭州煤機速達配件服務有限公司 ZMJ Suda Parts and Services Co., Ltd.	The PRC	40%	40%	40%	40%	40%	40%	40%	34%	Aftermarket services
鄭州煤機(江西)綜機設備有限公司 ZMJ (Jiangxi) Comprehensive Equipment Co., Ltd.	The PRC	38%	38%	38%	38%	38%	38%	38%	38%	Manufacture of parts

Name of entity	Place of registration	Proportion of nominal value of paid-in capital				Proportion of voting power held				Principal activities
		December 31,			June 30,	December 31,			June 30,	
		2009	2010	2011	2012	2009	2010	2011	2012	
大同煤礦集團機電裝備中北機械有限公司 Datong Coal Mining Group Zhongbei Electromechanical Equipment Machinery Co., Ltd.	The PRC	—	—	31%	31%	—	—	31%	31%	Manufacture of machinery
新疆克瑞鄭煤機重型機械股份有限公司 Xinjiang Kerui ZMJ Heavy Machinery Co., Ltd.	The PRC	—	—	35%	35%	—	—	35%	35%	Manufacture of machinery

The summarized financial information in respect of the Group's associates is set out below:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	43,650	160,277	381,646	550,443
Total liabilities	(22,394)	(116,628)	(238,673)	(374,148)
Net assets..........................	21,256	43,649	142,973	176,295
Group's share of net assets of associates	8,249	16,677	58,001	66,239

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	11,763	198,798	275,390	299,727
Profit for the year/period	1,256	22,393	29,107	28,637
Group's share of profits and other comprehensive income of associates for the year/period ..	449	8,428	11,640	8,238

26. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of investment in unlisted jointly controlled entities	—	7,721	7,721	7,721
Share of post-acquisition profits and other comprehensive income, net of dividends received	—	617	204	(56)
	—	8,338	7,925	7,665

As at December 31, 2009, 2010, 2011 and June 30, 2012, the Group had interests in the following jointly controlled entities:

Name of entity	Place of registration	Proportion of nominal value of paid-in capital				Proportion of voting power held				Principal activities
		December 31,			June 30,	December 31,			June 30,	
		2009	2010	2011	2012	2009	2010	2011	2012	
淮南菲利普斯採礦機械製造有限公司 Huainan Phillips Mining Machinery Manufacturing Co., Ltd.	The PRC	—	40%	40%	40%	—	33%	33%	33%	Manufacture of machinery
淮南阿蘭維斯特電器有限公司 Huainan Allen West Electromechanical Equipment Co., Ltd.	The PRC	—	40%	40%	40%	—	33%	33%	33%	Manufacture of machinery
淮南舜立煤礦機械設備檢修有限公司 Huainan Shun Li Coal Mining Machinery Maintenance Co., Ltd.	The PRC	—	40%	40%	40%	—	33%	33%	33%	Maintenance of machinery

The summarized financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	—	15,437	15,507	15,038
Non-current assets	—	1,790	1,611	1,693
Current liabilities	—	8,887	9,191	9,066
Non-current liabilities	—	2	2	—

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Income recognized in profit or loss	—	5,262	15,873	5,630
Expenses recognized in profit or loss	—	4,645	15,267	5,323

27. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Unlisted equity securities (Note)	8,335	8,335	8,335	48,335
The Company				
Unlisted equity securities	8,335	8,335	8,335	8,335

Note: Included in unlisted equity securities as at June 30, 2012 is the Group's investment in 無錫市盛力達機械工程有限公司 Wuxi Sheng Li Da Machinery Engineering Co., Ltd. ("Sheng Li Da"), a private company incorporated in the PRC, with a carrying amount of RMB40,000,000 (December 31, 2009, 2010 and 2011: Nil). The investment represents a 2% holding of the ordinary shares of Sheng Li Da.

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

28. LOAN RECEIVABLES FROM SUBSIDIARIES

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Current portion —				
ZMJ Comprehensive Equipment (Note 1)	—	—	20,000	20,000
ZMJ Longwall Machinery (Note 1)	—	—	20,000	20,000
	—	—	40,000	40,000
Non-current portion —				
ZMJ Material Trading (Note 2)	20,000	50,000	50,000	50,000
	20,000	50,000	90,000	90,000

Note 1: The amounts due from ZMJ Comprehensive Equipment and ZMJ Longwall Machinery were denominated in RMB, unsecured and will be repaid within twelve months. The balances carried interest at 6.6% per annum as at December 31, 2011 and June 30, 2012.

Note 2: The amount due from ZMJ Material Trading was denominated in RMB, unsecured, interest-free, and has no fixed repayment term. In the opinion of the directors of the Company, the amount will not be repaid within twelve months from the end of each reporting period and are therefore classified as a non-current asset.

29. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Deferred tax assets	28,511	49,320	54,019	65,780
The Company				
Deferred tax assets	21,988	35,150	41,150	48,526

The following are the major deferred tax assets recognized and movements thereon during the Track Record Period:

	Bad debt provision	Write-down of inventory	Other provision	Accrued expense	Unrealized profit	Others	Total
The Group							
At January 1, 2009	10,015	497	466	—	1,767	1,835	14,580
Credit (charge) to profit or loss	6,011	—	(19)	8,313	(840)	451	13,916
Acquisition of subsidiary	15	—	—	—	—	—	15
At December 31, 2009	16,041	497	447	8,313	927	2,286	28,511
Credit (charge) to profit or loss	7,727	2,504	676	9,564	641	(2,286)	18,826
Acquisition of subsidiary	2,338	—	—	—	—	—	2,338
Effect of change in tax rate	(355)	—	—	—	—	—	(355)
At December 31, 2010	25,751	3,001	1,123	17,877	1,568	—	49,320
Credit (charge) to profit or loss	8,441	(31)	24	73	(393)	—	8,114
Effect of change in tax rate	(2,276)	(1,002)	(137)	—	—	—	(3,415)
At December 31, 2011	31,916	1,968	1,010	17,950	1,175	—	54,019
Credit (charge) to profit or loss	10,774	40	—	2,122	(1,175)	—	11,761
At June 30, 2012	42,690	2,008	1,010	20,072	—	—	65,780

	Bad debt provision	Write-down of inventory	Accrued expense	Others	Total
The Company					
At January 1, 2009	6,850	497	—	1,835	9,182
Credit (charge) to profit or loss	4,042	—	8,313	451	12,806
At December 31, 2009	10,892	497	8,313	2,286	21,988
Credit (charge) to profit or loss	5,884	—	9,564	(2,286)	13,162
At December 31, 2010	16,776	497	17,877	—	35,150
Credit (charge) to profit or loss	5,927	—	73	—	6,000
At December 31, 2011	22,703	497	17,950	—	41,150
Credit (charge) to profit or loss	7,973	—	(597)	—	7,376
At June 30, 2012	30,676	497	17,353	—	48,526

At the end of each reporting period, the Group has the following unrecognized unused tax losses:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Unused tax losses	7,648	18,264	24,847	32,433

No deferred tax asset has been recognized in relation to the above tax losses due to the unpredictability of future profit streams.

The expiry dates of the above unrecognized tax losses are as follow:

	At December 31,			At June 30,
Expiry dates	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2014	7,648	7,648	7,648	7,648
December 31, 2015	—	10,616	10,616	10,616
December 31, 2016	—	—	6,583	6,583
December 31, 2017	—	—	—	7,586
	7,648	18,264	24,847	32,433

30. OTHER NON-CURRENT ASSETS

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Prepayment for establishment of an associate (Note i)...........	—	—	—	38,000
Advance to a third party for potential investments (Note ii) .	—	—	—	100,000
	—	—	—	138,000
The Company				
Prepayment for establishment of an associate (Note i)...........	—	—	—	38,000

Note i: The amount represents the Group's prepayment for the establishment of 黑龍江鄭龍煤礦機械有限公司 (Heilongjiang Zhenglong Coal Mining Machinery Co., Ltd) ("Heilongjiang Zhenglong"). It was subsequently established on July 20, 2012 and the Group holds 47.5% of equity interest in Heilongjiang Zhenglong.

Note ii: In April 2012, Huaxuan Investment, then a subsidiary of the Company, entered into an agreement with 華軟投資(上海)有限公司 (Huaruan Investment (Shanghai) Co., Ltd) ("Huaruan Investment"), a subsidiary of Huaxin Investment, the then non-controlling shareholder of Huaxuan Investment, pursuant to which Huaruan Investment agrees to identify investment opportunities to be invested jointly by Huaxuan Investment and Huaruan Investment. Pursuant to such agreement, Huaxuan Investment has remitted to Huaruan Investment RMB100 million by June 30, 2012, to be held in escrow by Huaruan Investment for investment purpose. According to the agreement, if no formal investment contract is signed by April 2013, Huaxuan Investment may request Huaruan Investment to repay the remitted sum to Huaxuan Investment. As at June 30, 2012, no investment had been made.

31. INVENTORIES

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Raw materials and consumables	327,524	558,102	604,915	822,208
Work in progress	137,504	192,072	437,207	485,260
Finished goods	609,515	549,810	601,897	949,786
	1,074,543	1,299,984	1,644,019	2,257,254

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Raw materials and consumables	293,004	404,020	385,553	554,516
Work in progress	102,782	123,855	254,998	363,305
Finished goods	561,759	450,883	507,503	849,698
	957,545	978,758	1,148,054	1,767,519

32. TRADE AND OTHER RECEIVABLES

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Bills receivable	557,232	416,588	622,673	396,062
Trade receivables				
— due from third parties	1,091,632	1,704,151	1,867,701	2,763,432
— due from related parties	7,911	57,384	41,265	63,114
Less: allowance for doubtful debts	(90,342)	(138,946)	(193,988)	(245,661)
	1,566,433	2,039,177	2,337,651	2,976,947
Prepayments to suppliers	182,154	235,275	435,230	326,424
Other taxes recoverable	11,754	25,897	85,933	135,761
Deposits	32,292	35,488	27,004	32,364
Staff advances	2,893	3,783	4,561	9,104
Interest receivable	—	—	—	22,960
Other receivables	4,883	8,600	17,506	17,916
Dividends receivable from a jointly controlled entity	—	—	634	—
Less: allowance for doubtful debts	(2,810)	(3,413)	(4,423)	(6,222)
	231,166	305,630	566,445	538,307
Total trade and other receivables	1,797,599	2,344,807	2,904,096	3,515,254
The Company				
Bills receivable	542,258	372,328	561,010	337,017
Trade receivables				
— due from third parties	921,316	1,390,746	1,494,409	2,273,145
— due from related parties	7,911	36,090	22,481	27,972
Less: allowance for doubtful debts	(69,227)	(109,037)	(147,616)	(200,336)
	1,402,258	1,690,127	1,930,284	2,437,798
Prepayments to suppliers	125,300	111,992	296,112	182,690
Prepayments to subsidiaries for purchase of materials and spare parts	15,938	151,886	217,384	227,196
Other taxes recoverable	7,872	15,955	82,333	126,779
Deposits	31,992	34,547	24,090	30,290
Staff advances	2,282	535	1,877	5,952
Interest receivable	—	—	—	22,118
Other receivables	4,854	3,360	16,082	15,448
Dividends receivable from a subsidiary	—	—	6,888	—
Less: allowance for doubtful debts	(3,392)	(2,804)	(3,741)	(4,165)
	184,846	315,471	641,025	606,308
Total trade and other receivables	1,587,104	2,005,598	2,571,309	3,044,106

The Group generally require its customers to make installment payments based on certain production or delivery milestones as follows:

At the signing of the sales contract	30% of the total contract price
Before volume production or delivery	30% of the total contract price
Upon completion of installation of our products at our customers' mining sites	30% of the total contract price
Upon expiration of warranty period (typically one year)	10% of the total contract price

However, as the Group seeks to develop long-term relationships with its customers, it attempts to accommodate the customers' requests and, as such, the payment schedule of sales contracts may vary on a case-by-case basis. For long-term and/or large customers with positive credit profiles, or selected customers with whom the Group intends to develop long-term relationships, it may reduce the percentage of the initial installment or extend their payment terms.

For the installment payments, the Group generally allows a credit period of up to 90 days to its third-party customers. The credit period provided to a customer can vary significantly based on a number of factors, including the Group's relationship with the customer, the customer's credit profile and payment history, total contract value and market conditions. The following is an aged analysis of bills receivables and trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Within 90 days	513,294	903,599	667,665	1,435,886
Over 90 days but within 1 year	966,009	1,004,160	1,389,537	1,314,946
Over 1 year but within 2 years	79,880	108,687	256,485	179,187
Over 2 years within 3 years	7,250	22,731	23,964	46,928
	1,566,433	2,039,177	2,337,651	2,976,947

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Within 90 days	471,740	751,882	531,590	1,128,860
Over 90 days but within 1 year	870,329	838,489	1,178,273	1,116,615
Over 1 year but within 2 years	56,259	83,055	203,113	153,242
Over 2 years within 3 years	3,930	16,701	17,308	39,081
	1,402,258	1,690,127	1,930,284	2,437,798

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not changed during the Track Record Period.

Most of the Group's customers are major coal mining enterprises in the PRC. The Group will monitor and review the credit conditions of the coal mining enterprises on a timely basis. In the opinion of the directors of the Company, the Group has no significant credit risks because those coal mining enterprises have good reputation and long term relationship with the Group.

Aging of trade receivables which are past due but not impaired

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Over 90 days but within 1 year . . .	104,074	243,067	261,035	396,432
Over 1 year but within 2 years . . .	79,880	108,687	256,485	179,187
Over 2 years but within 3 years . .	7,250	22,731	23,964	46,948
	191,204	374,485	541,484	622,567

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Over 90 days but within 1 year . . .	33,922	131,657	142,827	275,207
Over 1 year but within 2 years . . .	56,259	83,055	203,113	153,242
Over 2 years but within 3 years . .	3,930	16,701	17,308	39,081
	94,111	231,413	363,248	467,530

The Group has provided fully for all receivables over 3 years because historical experience is such that receivables are past due beyond 3 years are generally not recoverable.

The Group did not provide an allowance on the remaining past due receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience and subsequent settlement. The Group does not hold any collateral over these balances.

Movement of allowance for doubtful debts on trade and other receivables

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Opening balance	56,204	93,152	142,359	198,411
Provided for the year/period	36,948	49,207	56,052	55,025
Write off	—	—	—	(1,553)
Closing balance	93,152	142,359	198,411	251,883

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Opening balance	45,666	72,619	111,841	151,357
Provided for the year/period	26,953	39,222	39,516	54,697
Write off	—	—	—	(1,553)
Closing balance	72,619	111,841	151,357	204,501

The Group and the Company first assess whether objective evidence of impairment exists individually for trade and other receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group or the Company determine that no objective evidence of impairment exists for an individually assessed trade and other receivables, whether significant or not, it includes the trade and other receivables in a group with similar credit risk characteristics including industry, geographical location, collateral type, past-due status and other relevant factors and collectively assesses them for impairment. Trade and other receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Included in the allowance for doubtful debts of the Group are individually impaired trade receivables with an aggregate balance of RMB40,444,000, RMB53,079,000, and RMB150,161,000 and RMB151,971,000 as at December 31, 2009, 2010, 2011 and June 30, 2012 respectively, which have been placed in significant financial difficulties. The Group holds collateral of RMB35,355,000 over these balances as at December 31, 2011 and June 30, 2012 (December 31, 2009 and 2010: nil) and has provided fully for the balances that exceeds the amount of the collateral.

Included in the allowance for doubtful debts of the Company are individually impaired trade receivables with an aggregate balance of RMB34,900,000, RMB44,445,000, RMB133,148,000 and RMB137,038,000 as at December 31, 2009, 2010, 2011 and June 30, 2012 respectively, which have been placed in significant financial difficulties. The Company holds collateral of RMB35,355,000 over these balances as at December 31, 2011 and June 30, 2012 (December 31, 2009 and 2010: nil) and has provided fully for the balances that exceeds the amount of the collateral.

33. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group and the Company				
Financial assets designated as at fair value through profit or loss — structured deposit (Note)	—	—	110,000	—

Note: The amounts represent short-term deposits with banks, which carry variable returns based on the return of portfolios of debt investments as invested by the banks. The deposit at the end of 2011 matured on January 15, 2012 and the principal of RMB110,000,000 and interest of RMB611,000 was received on the same date.

34. BANK BALANCES AND CASH / PLEDGED BANK DEPOSITS

Bank balances and cash of the Group and the Company comprise cash and short-term bank deposits. The bank balances carry interest at market rates which range from 0.36% to 2.25%, 0.36% to 2.75%, 0.50% to 3.50% and 0.44% to 3.50% per annum as at December 31, 2009, 2010, 2011, June 30, 2012, respectively.

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Cash	891	465	127	184
Bank deposits with original maturity within three months or less	1,006,312	1,685,809	1,808,801	1,667,875
Cash and cash equivalents	1,007,203	1,686,274	1,808,928	1,668,059
Bank deposits with original maturity over three months	—	1,950,000	1,430,000	1,210,000
Bank balances and cash	1,007,203	3,636,274	3,238,928	2,878,059

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Cash	674	253	33	29
Bank deposits with original maturity within three months or less.	965,135	1,570,515	1,290,238	1,302,288
Cash and cash equivalents	965,809	1,570,768	1,290,271	1,302,317
Bank deposits with original maturity over three months	—	1,950,000	1,430,000	1,210,000
Bank balances and cash	965,809	3,520,768	2,720,271	2,512,317

Pledged bank deposits represent deposits pledged to banks to secure bank acceptance bills and letters of guarantee and are therefore classified as current assets. The pledged bank deposits carry interest at market rates which range from 0.36% to 2.25%, 0.36% to 2.75%, 0.50% to 3.50% and 0.44% to 3.50% per annum as at December 31, 2009, 2010, 2011, June 30, 2012, respectively.

35. TRADE AND OTHER PAYABLES

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Bills payable (Note i)	327,300	561,236	966,703	793,909
Trade payables (Note i)				
— due to third parties	629,813	941,560	1,005,013	1,666,072
— due to related parties	—	4,734	—	4,618
	957,113	1,507,530	1,971,716	2,464,599
Dividends payable	3,575	42,248	164,468	197,061
Dividends payable to a non-controlling shareholder of a subsidiary	—	—	3,112	—
Salary and bonus payables	126,381	191,896	181,013	179,191
Amount due to a non-controlling shareholder of a subsidiary (Note ii)	—	128,421	59,287	105,219
Deposits (Note iii)	7,449	26,096	10,412	17,254
Deferred income to be recognized within one year (Note iv)	6,822	8,980	8,282	8,781
Other taxes payable	8,858	12,835	15,715	19,863
Accruals and other payables (Note v)	64,535	64,361	54,852	43,593
Housing funds held on behalf of staff (Note vi)	68,401	76,109	34,893	24,672
	1,243,134	2,058,476	2,503,750	3,060,233

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Bills payable (Note i)	333,800	559,296	875,610	760,559
Trade payables (Note i)				
— due to third parties	434,273	600,401	593,358	1,079,922
— due to subsidiaries	37,920	66,561	61,953	244,527
	805,993	1,226,258	1,530,921	2,085,008
Dividends payable	3,575	42,248	164,468	197,061
Salary and bonus payables	123,122	185,056	173,087	170,699
Deposits (Note iii)	7,449	25,739	9,491	16,042
Deferred income to be recognized within one year (Note iv)	6,822	6,980	6,329	6,828
Other taxes payable	2,292	4,083	5,476	4,268
Accruals and other payables (Note v)	62,278	57,581	39,724	36,883
Housing funds held on behalf of staff (Note vi)	68,401	76,109	34,893	24,669
	1,079,932	1,624,054	1,964,389	2,541,458

(i) Trade payables and bills payable comprise amounts outstanding for trade purchase. Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers. The following is an aged analysis of bills payables and trade payables presented based on invoice date at the end of each reporting period:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Within 90 days	741,677	1,206,717	1,645,921	1,621,045
Over 90 days but within 1 year	169,291	175,226	233,354	651,799
Over 1 year	46,145	125,587	92,441	191,755
	957,113	1,507,530	1,971,716	2,464,599
The Company				
Within 90 days	688,157	1,084,400	1,392,475	1,490,376
Over 90 days but within 1 year	88,012	68,167	92,199	442,875
Over 1 year	29,824	73,691	46,247	151,757
	805,993	1,226,258	1,530,921	2,085,008

(ii) The balance represents the amount due to a non-controlling shareholder of ZMJ Shun Li Machinery. The amount is unsecured, interest-free and repayable on demand.

(iii) Deposits represent the deposits received from suppliers for purchasing equipment, construction and other services.

(iv) Deferred income to be recognized within one year represents the government subsidies received by the Group towards certain research projects. The amount has been treated as deferred income and will be transferred to income for the relevant projects.

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

(vi) The balance represents the funds received from staff and held by the Company on their behalf for disbursement of the development costs of staff quarters.

36. BORROWINGS

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Bank loans	373,000	183,000	70,000	49,500
Other loans	2,000	2,000	10,000	10,000
	375,000	185,000	80,000	59,500
Secured (Note 1)	—	—	5,000	—
Unsecured (Note 2)	375,000	185,000	75,000	59,500
	375,000	185,000	80,000	59,500
Fixed-rate borrowings	22,000	12,000	15,000	10,000
Variable-rate borrowings (Note 3)	353,000	173,000	65,000	49,500
	375,000	185,000	80,000	59,500

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Bank loans	300,000	50,000	—	—
Unsecured	300,000	50,000	—	—
Fixed-rate borrowings	20,000	—	—	—
Variable-rate borrowings (Note 3)	280,000	50,000	—	—
	300,000	50,000	—	—

Note 1: The balance represented the bank loan pledged by the land use right of a subsidiary as at December 31, 2011.

Note 2: The balances included the bank loans guaranteed by Lu An Xinjiang Coal Chemical (Group) Co., Ltd., the non-controlling shareholder of ZMJ Lu An Xinjiang amounting to RMB73,000,000, RMB73,000,000, RMB15,000,000 and nil as at December 31, 2009, 2010, 2011 and June 30, 2012 respectively.

Note 3: Variable-rate borrowings carry interest range from the People's Bank of China Benchmark Rate ("PBOCBR") minus a discount of 10% to PBOCBR.

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Carrying amount repayable:				
Within one year	100,000	70,000	15,000	10,000
More than one year, but not exceeding two years	110,000	13,000	—	49,500
More than two year, but not exceeding five years	148,000	95,000	65,000	—
More than five years	17,000	7,000	—	—
	375,000	185,000	80,000	59,500
Less: Amounts shown under current liabilities	(100,000)	(70,000)	(15,000)	(10,000)
Amounts shown under non-current liabilities	275,000	115,000	65,000	49,500

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Carrying amount repayable:				
Within one year	100,000	50,000	—	—
More than one year, but not exceeding two years	100,000	—	—	—
More than two year, but not exceeding five years	100,000	—	—	—
	300,000	50,000	—	—
Less: Amounts shown under current liabilities	(100,000)	(50,000)	—	—
Amounts shown under non-current liabilities	200,000	—	—	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group and the Company's borrowings are as follows:

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
Effective interest rate: — The Group				
Fixed-rate borrowings	4.8% to 7.2%	5.3% to 7.2%	6.6%	6.6%
Variable-rate borrowings	4.8% to 5.9%	5.0% to 6.1%	6.2% to 7.0%	6.0% to 6.2%
Effective interest rate: — The Company				
Fixed-rate borrowings	4.8% to 5.3%	N/A	N/A	N/A
Variable-rate borrowings	4.8% to 4.9%	5.0%	N/A	N/A

37. OTHER NON-CURRENT LIABILITIES

	The Group			
	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income over one year	19,970	19,970	18,971	28,978

In 2009, the Group received a government subsidy of RMB19,970,000 in respect of construction of its new plant. In March 2012, ZMJ Shun Li Machinery received a government subsidy of RMB10,506,000 in respect of construction of its new plant. The amounts have been treated as deferred income and will be transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets.

38. SHARE CAPITAL OF THE COMPANY

Details of issued and fully paid share capital of the Company are as follows:

	Year ended December 31,			Six months ended June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
A shares of RMB1.00 each				
At beginning of year/period	560,000	560,000	700,000	700,000
Issued upon listing on the Shanghai Stock Exchange (Note i)	—	140,000	—	—
Capitalization of the share premium (Note ii)	—	—	—	700,000
At end of year/period (Note iii)	560,000	700,000	700,000	1,400,000

Note i: On August 3, 2010, the Company issued and allotted a total of 140,000,000 A shares of RMB1.00 each in the Company at a consideration of RMB20.00 per share, representing share capital of RMB140,000,000 and share premium after deducting listing related costs of RMB2,560,402,000 upon completion of its initial public offering and listing on the Shanghai Stock Exchange.

Note ii: Pursuant to the shareholders' resolutions passed at the 2011 General Meeting of the Company held on February 28, 2012, the Company declared a final cash dividend of RMB0.12 per share in respect of the year ended December 31, 2011 and by way of capitalization of share premium, issued 700,000,000 new A Shares (on the basis of the Company's total issued share capital comprising 700,000,000 A Shares as of December 31, 2011) to all holders of A Shares whose names appeared on the Company's register of members as at the closing of trading on the Shanghai Stock Exchange on March 12, 2012, on the basis of 10 new A Shares for every 10 then issued A Shares.

Note iii: 560,000,000, 285,600,000 and 571,200,000 A Shares were subject to a lock-up periods of 7 to 31 months, 19 months and 13 months as at December 31, 2010, 2011 and June 30, 2012 respectively.

39. RESERVES

The Company

	Statutory surplus earnings	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2009	27,532	231,814	259,346
Profit and total comprehensive income for the year	—	572,434	572,434
Transfer	57,244	(57,244)	—
Dividends	—	(16,215)	(16,215)
Balance at December 31, 2009	84,776	730,789	815,565
Profit and total comprehensive income for the year	—	839,217	839,217
Transfer	83,922	(83,922)	—
Dividends	—	(84,000)	(84,000)
Balance at December 31, 2010	168,698	1,402,084	1,570,782
Profit and total comprehensive income for the year	—	1,086,521	1,086,521
Transfer	108,652	(108,652)	—
Dividends	—	(315,000)	(315,000)
Balance at December 31, 2011	277,350	2,064,953	2,342,303
Profit and total comprehensive income for the period	—	684,381	684,381
Dividends	—	(84,000)	(84,000)
Balance at June 30, 2012	277,350	2,665,334	2,942,684

40. ACQUISITION OF SUBSIDIARIES

Acquisition of ZMJ Lu An Xinjiang

On November 16, 2009, the Company acquired 54% equity interest in ZMJ Lu An Xinjiang from an independent third party for a cash consideration of RMB27,000,000. The acquisition has been accounted for using acquisition method. ZMJ Lu An Xinjiang is engaged in the manufacture of mining machinery. ZMJ Lu An Xinjiang was acquired so as to continue the expansion of the Group's manufacture of mining machinery.

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	81,071
Prepaid lease payments	17,351
Intangible assets	39
Deferred tax assets	15
Inventories	7,682
Trade and other receivables	3,439
Bank balances and cash	18,120
Trade and other payables	(8,786)
Borrowings	(73,000)
	45,931
Goodwill arising on acquisition:	
Consideration transferred — cash	27,000
Plus: Non-controlling interests	21,128
Less: Net assets acquired	(45,931)
Goodwill arising on acquisition	2,197
Net cash outflow arising on acquisition:	
Cash consideration paid	(27,000)
Less: Bank balances and cash acquired	18,120
	(8,880)

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,439,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB3,500,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB61,000.

The non-controlling interests in ZMJ Lu An Xinjiang recognized at the acquisition date was measured at the non-controlling interests' proportionate share of the recognized amounts of ZMJ Lu An Xinjiang's identifiable net assets and amounted to RMB21,128,000.

Acquisition-related costs amounting to RMB360,000 have been excluded from the consideration transferred and have been recognized as an expense in the current year, within the administrative expenses line item in the consolidated statement of comprehensive income.

Included in the profit for 2009 is a loss of RMB3,579,000 attributable to the additional business generated by ZMJ Lu An Xinjiang. Revenue for 2009 includes RMB2,466,000 generated from ZMJ Lu An Xinjiang.

Had the acquisition been completed on January 1, 2009, total group revenue for the year would have been RMB5,000,974,000, and profit for the year would have been RMB642,789,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2009, nor is it intended to be a projection of future results.

Acquisition of ZMJ Shun Li Machinery

On November 10, 2010, the Company acquired 57.97% equity interest in ZMJ Shun Li Machinery from an independent third party for a cash consideration of RMB75,180,000. The acquisition has been accounted for using the acquisition method. ZMJ Shun Li Machinery is engaged in the manufacture of mining machinery. ZMJ Shun Li Machinery was acquired so as to continue the expansion of the Group's manufacture of mining machinery.

Assets acquired and liabilities recognized at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	87,278
Intangible assets	73
Interests in jointly controlled entities	7,721
Deferred tax assets	2,338
Inventories	114,713
Trade and other receivables	131,973
Bank balances and cash	65,675
Trade and other payables	(287,531)
	122,240
Goodwill arising on acquisition:	
Consideration transferred — cash	75,180
Plus: Non-controlling interests	51,379
Less: net assets acquired	(122,240)
Goodwill arising on acquisition	4,319
Net cash outflow arising on acquisition:	
Cash consideration paid	(75,180)
Less: Bank balances and cash acquired	65,675
	(9,505)

The fair value of trade and other receivables at the date of acquisition amounted to RMB131,973,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB138,622,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB6,649,000.

The non-controlling interests in ZMJ Shun Li Machinery recognized at the acquisition date was measured at the non-controlling interest's proportionate share of the recognized amounts of ZMJ Shun Li Machinery's identifiable net assets and amounted to RMB51,379,000.

Acquisition-related costs amounting to RMB200,000 have been excluded from the consideration transferred and have been recognized as an expense in the current year, within the administrative expenses line item in the consolidated statement of comprehensive income.

Included in the profit for 2010 is loss of RMB1,359,000 attributable to the additional business generated by ZMJ Shun Li Machinery. Revenue for 2010 includes RMB40,196,000 generated from ZMJ Shun Li Machinery.

Had the acquisition been completed on January 1, 2010, total group revenue for the year would have been RMB6,779,837,000, and profit for the year would have been RMB896,892,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2010, nor is it intended to be a projection of future results.

41. DISPOSAL OF A SUBSIDIARY

On March 25, 2009, the Group disposed of its subsidiary, Zhengzhou Coal Mining Machinery Property Management Co., Ltd. (鄭州煤機物業管理有限公司) to an independent third party. The net assets of Zhengzhou Coal Mining Machinery Property Management Co., Ltd. at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Trade and other receivables	691
Bank balances and cash	3,652
Trade and other payables	(4,343)
Net assets disposed of	—
Consideration receive:	—
Gain on disposal of a subsidiary:	
Consideration received and receivable	—
Net assets disposed	—
Cumulative other comprehensive income	692
Gain on disposal	692
Net cash outflow arising on disposal:	
Cash consideration received	—
Less: Bank balances and cash disposed of	(3,652)
	(3,652)

42. OPERATING LEASES

The Group as lessee

	At December 31,			At June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the report period:					
Land	5,454	5,348	5,966	2,612	2,612

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	5,224	5,224	5,224	5,224
In the second to fifth years inclusive	20,894	20,894	20,894	20,894
Over five years	73,129	67,906	62,682	58,764
	99,247	94,024	88,800	84,882

Operating lease payments represent rentals payable by the Group for certain parcels of land that it occupies. The leases are negotiated for terms of 20 years.

The Group as lessor

Property rental incomes earned were RMB1,179,000, RMB2,168,000, RMB2,125,000 and RMB1,338,000 for the three years ended December 31, 2009, 2010, 2011 and six months ended June 30, 2012, respectively. The leases are negotiated for terms of 1 year to 8 years.

Equipment rental incomes earned were Nil, RMB2,087,000, RMB26,549,000 and RMB14,414,000 for the three years ended December 31, 2009, 2010, 2011 and six months ended June 30, 2012, respectively. The equipment rental lease was negotiated for a term of 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,758	1,819	1,754	1,945
In the second to fifth years inclusive	5,646	4,011	2,272	1,468
	7,404	5,830	4,026	3,413

43. CAPITAL COMMITMENTS

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the Financial Information	118,261	348,643	124,833	59,158
Capital expenditure in respect of the acquisition of land use right authorized but not contracted for	—	—	56,591	25,911
	118,261	348,643	181,424	85,069

44. RETIREMENT BENEFIT PLANS

The Group's full-time employees in the PRC are covered by a government-operated defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement scheme at a rate of 20% of employees' basic salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions and the contributions are due.

During the Track Record Period, the total amounts contributed by the Group to the scheme in the PRC and charged to the profit or loss:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts contributed and charged to the profit or loss	31,765	35,423	43,467	24,189	27,612

45. RELATED PARTY TRANSACTIONS

As defined in note 1 of Section I, in the opinion of the directors of the Company, the parent of the Company is Henan SASAC of the PRC government and that the Group is subject to the control of the PRC government. In accordance with IAS 24, entities that are controlled, jointly controlled or significantly influenced by the PRC government ("PRC government related entities") are regarded as related parties of the Group. Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group. Nevertheless, the Group represented that the following captures the material related parties taking into account the exemption under IAS 24.

(1) The Group and Henan SASAC

The Group has transactions with entities controlled, jointly controlled or significantly influenced by Henan SASAC ("Henan SASAC related entities") and the transactions details are as follow:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of finished goods	179,873	171,935	567,847	104,403	102,136
Purchase of raw materials	317,791	507,144	554,925	250,806	401,001

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and June 30, 2012, revenue from Henan SASAC related entities accounted for 3.6%, 2.7%, 7.0%, 2.9% and 2.2%, respectively, of total revenue. Purchases from Henan SASAC related entities for the same periods accounted for 8.5%, 10.7%, 9.1%, 9.7% and 11.8% respectively, of total cost of sales.

The directors are of the opinion that the above transactions with Henan SASAC related entities were conducted in the ordinary course of business.

The details of outstanding balances with Henan SASAC and Henan SASAC related entities are set as follow:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from Henan SASAC related entities	153,598	143,025	147,892	165,565
Amount due to Henan SASAC	3,050	3,050	3,050	3,050

Except for the amount due to Henan SASAC which is unsecured, interest-free and repayable on demand, all the amounts due from Henan SASAC related entities are from trade sales or purchases.

(2) The Group and other PRC government related entities

Apart from the significant transactions with Henan SASAC related entities set out above, during the Track Record Period, the Group's transactions with other PRC government related entities are collectively significant as a large portion of its sales of goods, purchases of materials, most of bank deposits, borrowings, other general banking facilities and the relevant interest income earned and expenses incurred during the Track Record Period are transacted with banks owned/controlled by the PRC government.

In the opinion of the directors of the Company, the transactions with PRC government related entities are activities in the ordinary course of the Group's business and entered into under normal commercial terms and conditions, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established its approval process for sales of goods and purchases of materials and its financing policy for borrowings, such approval process and financing policy do not depend on whether the counterparties are government related entities or not.

(3) The Group and its associates and jointly controlled entities

The Group had the following significant transactions with its associates and jointly controlled entities during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Trade sales					
Associates	6,761	61,397	60,711	18,298	52,957
Jointly controlled entities	—	—	10,369	5,092	4,891
	6,761	61,397	71,080	23,390	57,848
Trade purchases					
An associate	—	2,934	—	—	1,099
Jointly controlled entities	—	—	11,400	5,094	5,449
	—	2,934	11,400	5,094	6,548

The Group had the following outstanding balances with its associates and jointly controlled entities at the end of each reporting period:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from other related parties				
Associates	7,911	53,648	38,841	61,050
Jointly controlled entities	—	3,736	2,424	2,064
	7,911	57,384	41,265	63,114
Amounts due to other related parties				
An associate	—	4,734	—	4,618
	—	4,734	—	4,618

Except dividends receivable from a jointly controlled entity of RMB634,000 as at December 31, 2011 and June 30, 2012, all the other amounts due from or to other related parties are from trade sales or purchases.

(4) Remuneration of key management personnel

The remuneration of directors and other members of key management during the Track Record Period were as follows:

	Year ended December 31,			Six months ended June 30,	
	2009	2010	2011	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term benefits	5,329	5,188	5,229	1,495	2,429
Post-employment benefits	758	852	760	380	340
	6,087	6,040	5,989	1,875	2,769

Key management represents the directors and other senior management personnel disclosed in the Prospectus. The remuneration of key management personnel is determined with reference of the performance to individuals and market trends.

46. CONTINGENT LIABILITIES

As at December 31, 2011 and June 30, 2012, the Group issued financial guarantees of RMB22,000,000 and RMB22,000,000, respectively, to banks in respect of banking facilities granted to an associate, of which RMB5,246,000 and RMB11,900,000, respectively have been utilized by the associate as at December 31, 2011 and June 30, 2012, respectively. In the opinion of the directors of the Company, the fair value of the financial guarantee provided by the Group is not significant.

During the Track Record Period, the Group has endorsed and derecognized certain bills receivable for the settlement of trade and other payables. In the opinion of the directors of the Company, the risk of the default in payment of the endorsed and derecognized bills receivable is low because all endorsed and derecognized bills receivable are issued and guaranteed by the reputable PRC banks. The maximum exposure to the Group that may result from the default of these endorsed and derecognized bills receivable at the end of each of reporting period are as follows:

	At December 31,			At June 30,
	2009	2010	2011	2012
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Outstanding endorsed bills receivable with recourse	654,013	877,072	1,427,498	1,850,770
The Company				
Outstanding endorsed bills receivable with recourse	465,140	388,386	673,402	641,410

47. EVENT AFTER THE REPORTING PERIOD

Pursuant to a shareholders' resolution of Huaxuan Investment, then a subsidiary of the Company, which was passed at the shareholders' meeting of Huaxuan Investment held on July 27, 2012, the registered capital of Huaxuan Investment will increase from RMB500,000,000 to RMB650,000,000. Upon the completion of the capital increase, the previous non-controlling shareholder, Huaxin Investment will own 53.85% of the equity interest of Huaxuan Investment. Also, pursuant to such resolution, effective from July 27, 2012, Huaxin Investment is entitled to exercise 53.85% voting power at shareholders' meetings and has the power to appoint the majority of the members of the board of directors of Huaxuan Investment.

In the opinion of the directors of the Company, the Company has ceased to control, but has significant influence over, Huaxuan Investment since July 27, 2012. Therefore, as at July 27, 2012, Huaxuan Investment was deemed to be disposed and ceased to be a subsidiary and became an associate of the Company. The transaction did not result in any gain or loss on deemed disposal of Huaxuan Investment.

II. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Under the arrangements presently in force, the aggregate remuneration payable to the Company's directors and supervisors for the year ending December 31, 2012, excluding discretionary bonus, is estimated to be approximately RMB4.0 million.

Saved as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors and supervisors in respect of the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to June 30, 2012.

Yours faithfully,
DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong