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OVERVIEW

We are a leading manufacturer of roadheaders for coal mining and we are also a one-stop coal mining solutions and comprehensive coal mining equipment provider with strong research and development capabilities. We have the ability to design and manufacture a comprehensive range of coal mining equipment in accordance with the specific requirements of our customers with respect to excavating, coal mining, structural support and underground coal conveying functions.

We are the largest manufacturer of roadheaders for coal mining in the PRC, according to a report by the China National Coal Mining Machinery Industry Association (中國煤炭機械工業協會) published at www.coalchina.org.cn in July 2009, which ranks domestic manufacturers of roadheaders by the total number of roadheaders sold in 2008. According to the same report, we also successfully developed China's first fully-automated combined coal mining unit in 2008, which integrates coal mining, structural support and coal conveying functions with a centralised control system into a single coal mining unit. This allows for automated control of coal mining operations and transportation at the work site, as well as a variety of other support functions and significantly enhances the safety and efficiency levels of coal mining. To meet the demands of our other customers, we also offer manually-controlled combined coal mining units. As at 30 September 2009, we had entered into 10 sales contracts for our combined coal mining units, amounting to a total contract price of approximately RMB511.0 million (including 17% value-added tax). Of the 10 sales contracts, we had delivered products, with total contract value amounting to approximately RMB136.0 million, to our customers and we expect to deliver products with contract value of approximately RMB223.6 million to our customers by the end of 2009.

We have invested heavily in building a strong research and development platform. We have established a research headquarter, which is responsible for implementing the overall planning and co-ordination of research and development projects, and five research institutions, which are responsible for the research and development of excavating machinery, coal mining machinery, scraper conveyors, hydraulic structural support equipment and coal mine transportation vehicles, respectively. As at the Latest Practicable Date, we had successfully registered 146 patents, and had 80 patents pending registration, with the State Intellectual Property Office of China.

We believe our strong research and development capabilities have allowed us to develop new and innovative products. To further strengthen our market position in the coal mining industry, we have already started designing and manufacturing coal mine transportation vehicles, for which we expect to enter into sales contracts by the end of 2009. In recognition of our outstanding and continuing research and development efforts, we have been granted an approval by the PRC Ministry of Human Resources and Social Security (國家人力資源和社會保障部) to establish a National Postdoctoral Scientific Research Base (國家級博士後科研工作站). Furthermore, we have been accredited as a National High New Technology Enterprise in 2008, and our products have received numerous awards, including the Shenyang Technology Revitalisation Award and the Certificate of Technology Achievement. In addition, we have prepared a research report entitled "Ideas for Developing a Large-scale Coal Machinery and Equipment Manufacturing Group" (培育大型煤炭機械裝備製造集團發展思路) in 2008 which was awarded the third prize by the China National Coal Machinery Industry Association (中國煤炭機械工業協會).

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Our production facilities are strategically located in Shenyang City, Liaoning Province, which is an industrial base in Northeast China. Shenyang City is in close proximity to major coal mining sites and is a major rail and highway transportation hub in Northeast China. We have set up an extensive service network, with 11 service centres and 44 service outlets, covering 19 provinces throughout China near major mining sites where our customers operate.

We have experienced significant growth in sales revenue and profit in recent years. For the years ended 31 December 2006, 2007 and 2008, our total sales revenue was RMB159.9 million, RMB461.6 million and RMB1,146.8 million, respectively, representing a CAGR of approximately 167.8%. For the six months ended 30 June 2009, we had total sales revenue of RMB891.6 million, representing an increase of 103.3% as compared to the corresponding period in 2008. For the years ended 31 December 2006, 2007 and 2008, our profit for the year was RMB18.4 million, RMB141.4 million and RMB211.9 million, respectively, representing a CAGR of approximately 239.4%. For the six months ended 30 June 2009, our profit for the period was RMB250.2 million, representing an increase of 222.0% as compared to the corresponding period in 2008.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- we have strong research and development capabilities;
- we are a leading manufacturer of roadheaders for coal mining in China;
- we have strong manufacturing capabilities and advanced production management;
- we are capable of providing integrated equipments and solutions in accordance with the specific requirements of our customers;
- we have established an integrated service system to provide prompt, efficient and comprehensive services to our customers; and
- our management team has extensive industry experience and our employees are highly skilled.

OUR BUSINESS STRATEGIES

We aim to develop and maintain a product portfolio with a leading position in each of our product segments. In particular, we aspire to become a leading one-stop coal mining solutions and comprehensive coal mining equipment provider in China. We intend to achieve this by focusing on the following strategies:

- maintain and further strengthen our competitiveness and expand our customer base;
- expand and upgrade our production capacity to satisfy growing market demand;

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- expand our product portfolio and increase vertical integration; and
- continue to invest in research and development and develop new products.

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
IFRS					
Revenue	159,857	461,600	1,146,789	438,616	891,583
Cost of sales	(77,947)	(233,312)	(612,414)	(222,026)	(453,570)
Gross profit.	81,910	228,288	534,375	216,590	438,013
Other income	4,965	12,793	23,676	12,302	13,412
Selling and distribution costs	(30,935)	(71,657)	(165,601)	(64,834)	(85,462)
Administrative expenses	(32,431)	(69,735)	(113,621)	(44,294)	(72,320)
Other expenses	(2,654)	(14,868)	(33,535)	(29,489)	(15,488)
Finance costs	(2,740)	(6,908)	(21,247)	(9,347)	(3,825)
Share of profits and losses of an associate	—	4,479	(57)	(1,321)	4,325
Profit before tax	18,115	82,392	223,990	79,607	278,655
Tax	300	59,030	(12,121)	(1,892)	(28,440)
Profit for the year/period.	<u>18,415</u>	<u>141,422</u>	<u>211,869</u>	<u>77,715</u>	<u>250,215</u>
Attributable to:					
Equity holders of the Company	9,947	106,066	189,044	66,478	250,215
Minority interests.	8,468	35,356	22,825	11,237	—
	<u>18,415</u>	<u>141,422</u>	<u>211,869</u>	<u>77,715</u>	<u>250,215</u>
Dividends	—	—	—	—	197,087
Earnings per Share attributable to Equity Holders of the Company					
Basic	<u>RMB0.01</u>	<u>RMB0.07</u>	<u>RMB0.13</u>	<u>RMB0.04</u>	<u>RMB0.17</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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Selected Information from Statements of Financial Position

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total current assets	235,681	929,771	1,995,099	2,054,339
Total non-current assets	<u>140,074</u>	<u>753,488</u>	<u>1,127,238</u>	<u>639,405</u>
Total assets	375,755	1,683,259	3,122,337	2,693,744
Total current liabilities	280,330	1,160,685	1,211,628	805,200
Total non-current liabilities	<u>2,513</u>	<u>288,240</u>	<u>336,138</u>	<u>260,845</u>
Total liabilities	282,843	1,448,925	1,547,766	1,066,045
Net current assets (liabilities)	<u>(44,649)</u>	<u>(230,914)</u>	<u>783,471</u>	<u>1,249,139</u>
EQUITY				
Equity attributable to equity holders of the Company	69,684	175,750	1,574,571	1,627,699
Minority interests	<u>23,228</u>	<u>58,584</u>	<u>—</u>	<u>—</u>
Total equity	<u>92,912</u>	<u>234,334</u>	<u>1,574,571</u>	<u>1,627,699</u>

Selected Combined Cash Flow Information

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash inflow (outflow) from operating activities	(674)	(12,630)	(147,989)	(57,790)	47,154
Net cash inflow (outflow) from investing activities	(28,234)	(200,940)	(455,697)	(110,072)	392,153
Net cash inflow (outflow) from financing activities	41,932	230,976	631,762	143,923	(225,233)
Net increase/(decrease) in cash and cash equivalents	13,024	17,406	28,076	(23,939)	214,074
Cash and cash equivalents at beginning of year/period	1,283	14,307	31,713	31,713	59,789
Cash and cash equivalents at end of year/period	14,307	31,713	59,789	7,774	273,863

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DIVIDEND POLICY

We may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendation of our Directors and approval of our Shareholders. Under the Articles, our Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. The decision to pay dividends will be reviewed in light of factors such as the results of our operations, financial condition and position, and other factors deemed relevant.

PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles which differ from generally accepted accounting principles in other jurisdictions, including IFRS. PRC law also requires foreign-invested enterprises such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

FUTURE PLANS

Our key objectives are to:

- Maintain and further strengthen our competitiveness and expand our customer base;
- Expand and upgrade our production capacity to satisfy growing market demand;
- Expand our product portfolio and increase vertical integration; and
- Continue to invest in research and development and develop new products.

We plan to construct our new production facilities and related infrastructure in several phases from 2009 to 2010. The first phase will mainly involve constructing several production facilities and related infrastructure at our new site in Shenyang Economic and Technological Development Area from October 2009 to April 2010. The second phase will mainly involve constructing an administrative office building, a research and development centre, and a comprehensive service centre starting April 2010. The third phase will mainly involve constructing our logistic centre, product testing centre, warehouses and others starting April 2011. During this period, we also plan to upgrade and expand our existing production facilities in Shenyang. The new production facilities and expanded existing production facilities are expected to increase our production capacity. We expect to be able to produce approximately 780 roadheaders, 55 combined coal mining units and 100 coal mine transportation vehicles by the end of 2011.

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RISK FACTORS

We believe the Global Offering there are involves certain risks associated with our operations and with investing in us. These can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; and (iii) risks relating to China. Please refer to the section headed "Risk Factors" in this document for further details.

Risks Relating to Our Business

- Our business performance depends heavily on the level of coal exploration and production activities in China.
- Fluctuations in the prices of steel and other raw materials could significantly affect our business performance and results of operations.
- We depend on third parties to deliver steel, certain other raw materials, components and services that meet our quality standards in a timely manner to manufacture our products.
- We rely on a limited number of key customers and the loss of any of these customers may have a material and adverse effect on our business, financial position and results of operations.
- Our products may become obsolete due to technological developments in the market and our research and development activities may not yield the benefits that we expect.
- Our business and reputation may be affected by potential product liability claims, litigation, complaints or negative publicity in relation to our products' quality and safety.
- We may encounter unexpected difficulties in implementing our strategies for future growth.
- Our success is dependent on retaining and hiring qualified personnel and there may be a material adverse impact on our business if we are unable to secure qualified personnel for our operations.
- We rely on the PRC market and we may be unable to adjust our resources to other markets if the economic slowdown in China persists.
- Our interests may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our other Shareholders' best interests and any negative publicity relating to our affiliates may have a negative impact on our reputation.
- Our historical dividend may not be indicative of our future dividends.

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- We may be unable to obtain adequate financing or generate sufficient cash from our operations to fund our capital requirements.
- We may not be able to enforce our own intellectual property rights, or we may be subject to claims from third parties for the infringement of their intellectual property rights.
- Our existing production facilities are located in one location in close proximity to one another. Any damage or disruption at any of these facilities could have a material adverse effect on our financial condition and results of operations.
- We have limited insurance coverage for our production facilities or business interruption and may incur damages arising from fire, natural disasters or production accidents.
- We may experience difficulties in expanding into overseas markets.
- Our operations are subject to social insurance contributions under the PRC national and local labour laws and regulations.

Risks Relating to Our Industry

- Changes in the PRC government's policies in relation to the industry in which we or our customers operate may materially and adversely affect our business, financial position and results of operations.
- Prolonged disruptions to the global credit and capital markets and their impact on the PRC economy may materially and adversely affect our liquidity, results of operations, financial position, prospects and future expansion plans.
- The industry in which we operate is highly competitive.

Risks Relating to China

- The political and economic policies of the PRC government may affect our business operations.
- Uncertainties with respect to the PRC legal system may have a material and adverse effect on us.
- Any occurrence of a widespread public health problem, such as SARS or H1N1 influenza A, could have a material adverse effect on our results of operations.
- We may be deemed as a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on worldwide income.
- Dividends payable by us to our foreign investors and gains on the sales of our Shares may become subject to withholding tax under PRC tax laws.

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- PRC government control of currency conversion and future movements in exchange rates may adversely affect our business operations and our ability to utilise our cash efficiently or remit dividends.
- Failure to comply with SAFE regulations relating to establishment of offshore special purpose companies by PRC residents may materially and adversely affect our business, financial position and results of operations.
- It may be difficult to effect service of process upon us or our directors or executive officers who reside in China, or to enforce against us or them in China any judgments obtained from non-PRC courts.
- We enjoy certain PRC government incentives. Expirations of, or changes to, these incentives may materially and adversely affect our business, financial position and results of operations.