Our Company was established on 12 April 2006 and acquired 100% equity interest in Jiamusi Machinery and Jixi Machinery on 16 May 2006. During the period from 12 April 2006 to 15 May 2006, our sole activities were those undertaken in connection with the acquisition of Jiamusi Machinery and Jixi Machinery. We did not conduct significant operating activities during such period, and accordingly, did not recognised any revenue or cost of sales.

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Group for the period from 12 April 2006 to 31 December 2006, the two years ended 31 December 2008 and the seven months ended 31 July 2009, and the unaudited financial statements of the Group for the seven months ended 31 July 2008, in each case, together with the accompanying notes, included elsewhere in this Prospectus. These consolidated financial statements have been prepared in accordance with IFRS, which differ in certain significant respects from generally accepted accounting principles in certain other countries. For further information, see "Appendix I — Accountants' Report of International Mining Machinery Holdings Limited". As the period covered by the 2006 Consolidated Period is different from the periods covered by the two years ended 31 December 2008 and the seven months ended 31 July 2009 respectively, the information for the 2006 Consolidated Period is not directly comparable to information as that for the years ended 31 December 2007 and 2008.

Since Jiamusi Machinery and Jixi Machinery came under the control of the Company from 16 May 2006, the financial information of Jiamusi Machinery and Jixi Machinery could not be included in the same consolidated financial statements of the Group as that for the 2006 Consolidated Period, the two years ended 31 December 2008 and the seven months ended 31 July 2009. The Company has accordingly set out the financial information for Jiamusi Machinery and Jixi Machinery in separate financial statements in Appendices IA and IB to this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below as well as in "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

We are a leading designer and manufacturer of underground longwall coal mining equipment in China. A complete underground longwall mining system consists of four core pieces of equipment, namely roadheaders, shearers, armoured-face conveyors and hydraulic roof supports. We are a market leader in China in designing and manufacturing roadheaders and shearers, the two pieces of equipment which we believe to be the most technologically sophisticated in the underground longwall mining system, and we are quickly growing our armoured-face conveyor business. By capitalising on our capabilities, the extended history of our operations (as reflected in a large installed base) and a track record of innovation, we believe that we are uniquely positioned to become among the first complete longwall system solution providers in China.

The following is a brief overview of our current product segments:

➢ *Roadheader products*. We are a leading roadheader supplier in China, with a 27% market share based on units sold in 2008, according to China National Coal Machinery Industry

Association, or CMIA. According to the same source, we also had the largest installed base of roadheaders as of 31 December 2008, based on the aggregate number of units sold from 2005 to 2008. Jiamusi Machinery, our subsidiary that designs and manufactures our roadheader products, traces its history back to 1957 and manufactured the first roadheader in China in 1976. We currently offer 24 series of roadheaders, classified by installed cutting power under the categories of light-duty, medium-duty and heavy-duty. We believe our EBZ350 series roadheaders have the highest installed cutting power among roadheaders manufactured in China today.

➢ *Shearer products*. We are the largest longwall shearer supplier in China, with a 27% market share based on units sold in 2008, according to CMIA. According to the same source, we also had the largest installed base of shearers as of 31 December 2008, based on the aggregate number of units sold from 2005 to 2008. Jixi Machinery, our subsidiary that designs and manufactures our shearer products, traces its history back to 1936 and manufactured the first shearer in China in 1953. We offer a full line of shearers to operate under a wide range of coal bed conditions, from ultra-thin coal seams of 0.65 metres to thick seams of 6 metres. We believe that we are one of the few manufacturers in China with the capability to design and manufacture shearers with total power output over 2,000KW.

➢ *Armoured-face conveyors and related products*. We established our Huainan Longwall subsidiary in 2007 as a joint venture in which we initially held a 75% equity interest. Huainan Benniu, our joint venture partner at the time, was principally engaged in the manufacture and sale of mining machinery, conveyor machinery including armoured-face conveyors, and related spare parts. As part of the joint venture arrangement, Huainan Benniu contributed substantially all of its assets for the remaining 25% interest in Huainan Longwall. Capitalising on Huainan Benniu's customer base, we generated significant sales of armoured-face conveyors and related products in 2008, which we exceeded within the first seven months of 2009. We entered into an agreement with Huainan Benniu to purchase the remaining 25% equity interest of Huainan Longwall in December 2009. Approvals and registration procedures relating to the purchase were completed on 19 January 2010, and we expect the consideration for the purchase to be paid in March 2010.

➢ *Aftermarket parts and services*. We offer a wide range of aftermarket services, including onsite service repairs, overhauls and a supply of spare parts through an extensive network of service centres and parts depots in key mining districts which are close to our customers.

Our Company was established on 12 April 2006 and acquired the 100% equity interest in Jiamusi Machinery and Jixi Machinery on 16 May 2006. For the 2006 Consolidated Period, our revenue totaled RMB545.9 million and our profit for the period totaled RMB60.2 million. From 2007 to 2008, our revenue increased from RMB857.6 million to RMB1,279.7 million, or an increase of 49.2%, and our profit for the year decreased from RMB149.8 million to RMB146.2 million, or a decrease of 2.4%, reflecting, among other things, significantly higher tax expense due to the expiration of a tax holiday at Jiamusi Machinery and Jixi Machinery. In the seven months ended 31 July 2009 compared to the same period in 2008, our revenue increased from RMB702.6 million to RMB873.0 million, or an increase of 24.3%, and our profit for the same period increased from RMB94.9 million to RMB138.4 million, or an increase of 45.8%.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the most significant factors that affect our business and results of operations include:

- *Development in the coal mining industry*. The sale of coal mining equipment is subject to cyclical fluctuations and to a variety of factors, including the supply of and demand for coal as reflected in the market prices of coal, changes in general economic conditions, interest rates, our customers' replacement or repair cycles, consolidation in the mining industry and competitive pressures. The supply of and demand for coal may be affected by factors such as the level of coal production and coal mining activity, the expected cost of developing new reserves and the cost of conducting coal mining operations. Substantially all of our sales historically have been derived from China, and as a result, an economic slowdown in China could curtail demand for coal and coal mining equipment.

- *Product mix*. Our product segments and products within a particular segment generally have different gross margins. For instance, historically, we have experienced lower margins in our armoured-face conveyor and related products segment than our roadheader and shearer segments. Furthermore, within our roadheader segment, we have generally experienced higher gross margins on our heavy-duty roadheader products than light duty roadheader products. Some of our product segments may experience higher rates of growth than other segments, which may affect our product mix and revenue mix. Changes in our product mix and revenue mix, in turn, may affect our overall gross margins and other aspects of business performance.

- *Changes in sales model*. Our sales models vary significantly among our product segments. Historically, our shearer products have been generally, and our armoured-face conveyors and related products have been primarily, sold through sales agents. For our roadheader products, our sales model has changed to one primarily relying on distributor sales during the Track Record Period. We have implemented these changes by taking into account a number of factors, such as the credit risks of the distributors as compared to the end customers and whether the covered region is a relatively mature market or a new market. Our revenue recognised on sales through sales agents includes sales commissions, which are recognised as part of selling and distribution costs. In contrast, our revenue recognised on sales to distributors does not reflect distributor markups when our products are resold to our end customers. In addition, the level of commissions paid to our sales agents vary significantly among our product segments. As a result, changes in our sales model historically have affected our gross margin on roadheader products, and may continue to affect our operating results as our sales models for different product segments are further refined.

- *Competitive dynamics*. Although all of our products are designed to operate in underground longwall coal mining, the competitive dynamics among our product segments may vary significantly. For example, in general, a significant proportion of the end customers of our roadheader products are operators of large coal mines. In contrast, the end customer base of our shearer products is highly diversified, and includes a significant number of small-mine operators. From our experience, small-mine operators are often more price-sensitive than their larger counterparts. As a result, we generally face greater pricing pressure on our shearer products than our roadheader products. As consolidation of the coal mining industry in China continues, and if the number of small-mine operators continues to decline, we expect the pricing pressure on our shearer products to stabilise.

- *Raw material prices*. Raw material cost has been one of the largest components of our cost of sales. The principal raw material used in our products is steel and steel-based components. Accordingly, changes in the availability and price of steel and steel-based components have a significant impact on our cost of sales and results of operations. We primarily purchase our steel and steel-based components in China, where the price of steel has historically fluctuated significantly.

- *Production capacity and efficiency*. Our future growth depends on our ability to continue to expand our production capacity and to enhance our production efficiency. As part of our strategy, we plan to apply a portion of the net proceeds from the Global Offering toward the expansion of production capacity. Expanding production capacity will also enhance our ability to in-source processes such as castings and surface processing that are currently outsourced but can be processed more cost-effectively in-house, thereby improving our production efficiency and product margins.

- *Regulatory environment*. Many of our end customers are underground mining companies in China. The operations of these mining companies are subject to or impacted by a wide array of regulations, including environmental, health and safety laws and regulations. PRC laws and regulations in these areas continue to evolve, and changes in these laws and regulations may affect our business and operating results. In addition, as part of the PRC Government's aim to improve operating efficiency and safety, the PRC coal mining industry is undergoing an industry consolidation. In light of this trend, it has become increasingly important for our future growth and business performance that we compete successfully in retaining and attracting customers and end customers.

In addition to the foregoing, our results of operations are also affected by general factors, including exchange rate fluctuations, changes in preferential tax treatment and competition. For more information on these and other factors and developments that may affect us, see "Risk Factors" and "Industry Overview".

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill. We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimation of the expected future cash flows from cash-generating unit could change significantly should the cash-generating unit fails to sustain the estimated growth. The carrying amount of goodwill as of 31 December 2006, 2007 and 2008 and 31 July 2009 was RMB101.2 million.

Impairment of property, plant and equipment. The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. The recoverable amount of these assets, or, where appropriate, the cash generating unit to which they belong, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires us to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment. We determine the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in the future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives of intangible assets. We determine the estimated useful lives and related amortisation charges for our intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Deferred tax assets. Deferred tax assets are recognised for all deductible temporary differences, and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Net realisable value of inventories. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The costs of raw materials comprise the purchasing costs of the materials and other costs incurred in bringing the materials to their present locations and conditions. The costs of work in progress and finished goods comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads. Write-down of inventories to net realisable value is made based on the estimated selling prices, less estimated costs to be incurred through completion and disposal. These estimates are based on current market conditions and the historical experience of selling products of a similar nature. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying amounts of inventories and the write-down/reversal in the period for which such estimate was changed.

Impairment of trade receivables. Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgment and estimates. Provision is made when there is objective evidence that we will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables, doubtful debt expenses and write-back of trade receivables in the period in which such estimate has been changed.

Warranty expenses. We generally offer a twelve-month warranty for our original equipment units, during which free warranty service for the repair and maintenance of parts or components under normal usage is provided to customers. Our management estimates the warranty provision based on the historical cost data for repairs and maintenance and sales revenue.

DESCRIPTION OF CERTAIN INCOME STATEMENT ITEMS

Revenue

Our revenue consists of sales of coal mining equipment products and parts and rendering of overhaul and other repair services on such products. Revenue represents the net invoiced value of the goods sold after value-added taxes, where applicable.

The following table sets forth our revenue by product segment for the periods indicated.

	Pre-acquisition period				The Group									
	Jiamusi Machinery		Jixi Machinery		For the period from 12 April to 31 December		For the year ended 31 December				For the seven months ended 31 July			
	For the period from 1 January 2006 to 15 May 2006				2006		2007		2008		2008		2009	
					(in millions of RMB, except percentages)									
Product segment:														
Roadheader products	161.1	92.4%	—	—	263.7	48.3%	414.6	48.3%	571.9	44.7%	341.7	48.6%	419.2	48.0%
Shearer products	—	—	107.7	80.3%	195.6	35.8%	260.3	30.4%	348.5	27.2%	188.9	26.9%	191.1	21.9%
Armoured-face conveyors and related products	—	—	—	—	—	—	—	—	140.1	11.0%	46.9	6.7%	146.5	16.8%
Aftermarket parts and services	13.3	7.6%	26.4	19.7%	86.6	15.9%	182.7	21.3%	219.2	17.1%	125.2	17.8%	116.2	13.3%
Total	174.4	100.0%	134.1	100.0%	545.9	100.0%	857.6	100.0%	1,279.7	100.0%	702.6	100.0%	873.0	100.0%

Cost of Sales

Our cost of sales consists of raw materials costs, manufacturing costs and direct labour costs. Raw materials costs primarily include our cost for the purchase of steel, outsourced parts and electric components. Manufacturing costs primarily include consumables, maintenance expenses and depreciation relating primarily to plant and equipment we own. Direct labour costs primarily include compensation and benefits we provide to manufacturing employees. The following table sets forth the components of our cost of sales for the periods indicated.

	For the period from 12 April to 31 December		For the year ended 31 December				For the seven months ended 31 July			
	2006		2007		2008		2008		2009	
	(in millions of RMB, except percentages)									
Raw materials	221.9	73.5%	368.9	73.1%	615.6	76.5%	326.8	76.9%	430.2	78.7%
Manufacturing costs	57.0	18.9%	95.1	18.9%	132.0	16.4%	68.2	16.1%	78.7	14.4%
Direct labour	23.0	7.6%	40.4	8.0%	57.0	7.1%	29.7	7%	38.0	6.9%
Total cost of sales	301.9	100.0%	504.4	100.0%	804.6	100.0%	424.7	100.0%	546.9	100.0%

The following table sets forth the components of our cost of raw materials for the periods indicated.

	For the period from 12 April to 31 December		For the year ended 31 December				For the seven months ended 31 July			
	2006		2007		2008		2008		2009	
	Amount	% of Cost of Sales	Amount	% of Cost of Sales	Amount	% of Cost of Sales	Amount	% of Cost of Sales	Amount	% of Cost of Sales
	(in millions of RMB, except percentages)									
Steel:	39.5	13%	68.8	13%	140.6	18%	63.1	15%	96.6	18%
Bar	19.2	6%	32.2	6%	53.1	7%	23.3	5%	32.4	6%
Plank	18.0	6%	32.0	6%	76.7	10%	33.9	9%	58.6	11%
Tubing	1.6	1%	3.4	1%	9.2	1%	4.3	1%	3.9	1%
Others	0.7	—	1.2	—	1.6	—	1.6	—	1.7	—
Outsourced parts	46.8	16%	86.3	17%	164.1	20%	87.8	21%	112.1	21%
Electric components	63.9	21%	95.7	19%	139.8	17%	76.0	18%	100.6	18%
Hydraulic parts	40.2	13%	63.9	13%	88.1	11%	56.0	13%	68.5	13%
Others	31.5	11%	54.2	11%	83.0	11%	43.9	10%	52.4	9%
Total raw materials	**221.9**	**74%**	**368.9**	**73%**	**615.6**	**77%**	**326.8**	**77%**	**430.2**	**79%**

Our cost of steel depends on the market price for steel, which is subject to fluctuations in both domestic and international commodities markets. In particular, we experienced increases in steel prices from 2006 to the third quarter of 2008 due to an increase in steel demand in PRC during that period.

Other Income and Gains

Our other income and gains mainly comprise sales of scrap materials and gains on disposal of property, plant and equipment.

Selling and Distribution Costs

Our selling and distribution costs mainly include commissions paid to sales agents, staff costs comprising salaries and other benefits for employees involved in selling and marketing activities, transportation costs for delivery of our products to our customers, expenses for providing repair and maintenance services and other operating expenses, including travel expenses and advertising expenses, and other miscellaneous expenses.

Administrative Expenses

Administrative expenses mainly consist of professional fees, overhead cost, staff salaries and benefits including welfare expenses, bonuses paid to our employees, management fees and consulting fees. For the 2006 Consolidated Period, our administrative expenses primarily consisted of various fees paid to parties in relation to the acquisition of Jiamusi Machinery and Jixi Machinery, namely (i) consulting fees in the amount of RMB23.9 million paid to The Jordan Company, L.P., and (ii) expenses in the amount of RMB25.6 million, which includes salaries and bonuses of directors and employees who worked on the acquisition and payments made to independent third party consultants for consulting services. We accrued management fees to TJCC Services, a related party, during the Track Record Period, and we paid consulting fees to Rubo Li and Emory Williams during the Track Record Period. These fee agreements will be terminated upon completion of the Global Offering.

Other Expenses

Other expenses mainly consist of expenses incurred in provision for obsolete inventories, impairment provision for doubtful debts, certain financial expenses and non-operational expenses, and other miscellaneous expenses.

Finance Revenue

Finance revenue mainly consists of interest income from our loans to certain related parties during the Track Record Period and our deposits in banks.

Finance Costs

Finance costs mainly consist of interest on bank borrowings and interest arising from borrowings from certain related parties during the Track Record Period, as well as interest arising from discounted bills.

Tax

Tax expense primarily consists of provisions for PRC income tax. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempt from payment of Cayman Islands income tax. Our subsidiary in Mauritius is not subject to any income tax in Mauritius. No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong.

Our subsidiaries incorporated in the PRC are subject to PRC enterprise income tax. In accordance with the relevant income tax laws and regulations of the PRC, Jiamusi Machinery and Jixi Machinery were exempted from enterprise income tax for two years commencing from the first profit-making year, which was 2006, and were entitled to a 50.0% reduction in their enterprise income tax for the subsequent three years. Therefore, from 1 January 2008 to 31 December 2010, the applicable enterprise income tax rate for Jiamusi Machinery and Jixi Machinery is 12.5%. Huainan Longwall does not enjoy any preferential tax treatment and its applicable enterprise income tax rate is 25.0% beginning 1 January 2008.

CONSOLIDATED RESULTS OF OPERATIONS

The follow table sets forth a summary of our income statement data for the years ended 31 December 2006, 2007 and 2008, and seven months ended 31 July 2008 and 2009, as derived from the Accountants' Report in Appendix I. To help potential investors better understand our financial performance for the full year in 2006, we also present below certain financial data of Jiamusi Machinery and Jixi Machinery prior to our acquisition for the period from 1 January 2006 to 15 May 2006, under the heading "Pre-acquisition period". The results of operations of Jiamusi Machinery and Jixi Machinery for the period from 16 May 2006 through 31 December 2006 were consolidated into our consolidated results of operations for the 2006 Consolidated Period. See Appendices IA and IB for further information. Operating results in any historical period may not be indicative of the results that may be expected in any future period.

	Pre-acquisition Period				Consolidated Income Statement									
	Jiamusi Machinery		Jixi Machinery		The Group									
	For the period from 1 January 2006 to 15 May 2006				For the period from 12 April to 31 December		For the year ended 31 December				For the seven months ended 31 July			
					2006		2007		2008		2008		2009	
					(in millions of RMB, except percentages)									
Revenue	174.4	100.0%	134.1	100.0%	545.9	100.0%	857.6	100.0%	1,279.7	100.0%	702.6	100.0%	873.0	100.0%
Cost of sales	(82.5)	(47.3)%	(86.1)	(64.2)%	(301.9)	(55.3)%	(504.4)	(58.8)%	(804.6)	(62.9)%	(424.7)	(60.4)%	(546.9)	(62.6)%
Gross profit	91.9	52.7%	48.0	35.8%	244.0	44.7%	353.2	41.2%	475.1	37.1%	277.9	39.6%	326.2	37.4%
Other income and gains	10.0	5.7%	28.6	21.3%	0.02	—	5.6	0.7%	7.7	0.6%	5.0	0.7%	1.3	0.1%
Selling and distribution costs	(18.7)	(10.7)%	(8.3)	(6.2)%	(36.1)	(6.6)%	(72.7)	(8.5)%	(118.3)	(9.2)%	(54.3)	(7.7)%	(57.5)	(6.6)%
Administrative expenses	(16.0)	(9.2)%	(13.2)	(9.8)%	(128.2)	(23.5)%	(130.2)	(15.2)%	(167.8)	(13.1)%	(101.7)	(14.5)%	(88.6)	(10.1)%
Other expenses	(7.2)	(4.1)%	(6.7)	(5.0)%	(15.3)	(2.8)%	(14.6)	(1.7)%	(10.0)	(0.8)%	(6.1)	(0.9)%	(6.6)	(0.8)%
Finance revenue	0.04	—	0.006	—	1.9	0.3%	4.7	0.5%	14.6	1.1%	7.4	1.1%	10.3	1.2%
Finance costs	(2.1)	(1.2)%	(3.6)	(2.7)%	(6.6)	(1.2)%	(7.3)	(0.9)%	(17.1)	(1.3)%	(10.6)	(1.5)%	(10.2)	(1.2)%
Share of (loss)/ profits of an associate	—	—	—	—	—	—	0.1	—	0.8	0.1%	(0.06)	—	(0.02)	—
Profit before tax	57.8	33.1%	44.8	33.4%	59.6	10.9%	138.9	16.2%	185.2	14.5%	117.6	16.7%	174.8	20.0%
Tax	(14.4)	(8.3)%	(8.9)	(6.6)%	0.6	0.1%	10.9	1.3%	(39.0)	(3.0)%	(22.7)	(3.2)%	(36.4)	(4.2)%
Profit for the year/ period	43.4	24.9%	36.0	26.8%	60.2	11.0%	149.8	17.5%	146.2	11.4%	94.9	13.5%	138.4	15.9%

The following table sets forth, for the periods indicated, revenue and gross profit (by amount and as a percentage of revenue) and gross margin information by product segment for the Group as well as Jiamusi Machinery and Jixi Machinery prior to our acquisition.

	Pre-acquisition period				The Group									
	Jiamusi Machinery		Jixi Machinery		For the period from 12 April to 31 December		For the year ended 31 December				For the seven months ended 31 July			
	For the period from 1 January 2006 to 15 May 2006				2006		2007		2008		2008		2009	
					(in millions of RMB, except percentages)									
Segment revenue:														
Roadheader products	161.1	92.4%	—	—	263.7	48.3%	414.6	48.3%	571.9	44.7%	341.7	48.6%	419.2	48.0%
Shearer products	—	—	107.7	80.3%	195.6	35.8%	260.3	30.4%	348.5	27.2%	188.9	26.9%	191.1	21.9%
Armoured-face conveyors and related products	—	—	—	—	—	—	—	—	140.1	11.0%	46.9	6.7%	146.5	16.8%
Aftermarket parts and services	13.3	7.6%	26.4	19.7%	86.6	15.9%	182.7	21.3%	219.2	17.1%	125.2	17.8%	116.2	13.3%
Total	174.4	100.0%	134.1	100.0%	545.9	100.0%	857.6	100.0%	1,279.7	100.0%	702.6	100.0%	873.0	100.0%
Segment gross profit:														
Roadheader products	87.7	95.4%	—	—	131.8	54.0%	195.8	55.4%	263.2	55.4%	161.1	58.0%	187.7	57.5%
Shearer products	—	—	41.1	85.6%	70.1	28.7%	96.3	27.3%	106.6	22.4%	59.1	21.3%	53.0	16.3%
Armoured-face conveyors and related products	—	—	—	—	—	—	—	—	17.5	3.7%	10.2	3.7%	37.0	11.3%
Aftermarket parts and services	4.2	4.6%	6.9	14.4%	42.1	17.3%	61.1	17.3%	87.8	18.5%	47.5	17.0%	48.5	14.9%
Total	91.9	100.0%	48.0	100.0%	244.0	100.0%	353.2	100.0%	475.1	100.0%	277.9	100.0%	326.2	100.0%
Segment gross margin:														
Roadheader products		54.4%		—		50.0%		47.2%		46.0%		47.1%		44.8%
Shearer products		—		38.2%		35.8%		37.0%		30.6%		31.3%		27.7%
Armoured-face conveyors and related products		—		—		—		—		12.5%		21.7%		25.3%
Aftermarket parts and services		31.5%		26.1%		48.6%		33.4%		40.1%		37.9%		41.7%
Total		52.7%		35.8%		44.7%		41.2%		37.1%		39.6%		37.4%

Seven Months Ended 31 July 2009 Compared to Seven Months Ended 31 July 2008

Revenue

Our revenue increased by RMB170.4 million, or 24.3%, from RMB702.6 million in the seven months ended 31 July 2008 to RMB873.0 million in the seven months ended 31 July 2009, reflecting increases in sales of roadheader products and armoured-face conveyors and related products, partially offset by a decrease in sales of aftermarket parts and services.

Roadheader products. Our revenue from roadheader products increased by RMB77.5 million, or 22.7%, from RMB341.7 million in the seven months ended 31 July 2008 to RMB419.2 million in the seven months ended 31 July 2009, primarily reflecting a combination of (i) an increase in the sales volume of heavy-duty roadheaders, and (ii) an increase in the overall average selling price of our roadheaders. We believe that the increase in the sales volume of heavy-duty roadheaders primarily reflected an increase in market demand for our heavy-duty roadheader products as well as our increasing focus on the development of these products. The increase in the average selling price of our roadheaders reflected, among other factors, an increase in the percentage of revenue derived from sales of heavy-duty roadheaders, from which we derived higher average selling prices than medium-duty and light-duty roadheaders.

Shearer products. Our revenue from shearer products increased by RMB2.2 million, or 1.2%, from RMB188.9 million in the seven months ended 31 July 2008 to RMB191.1 million in the seven months 31 July 2009, primarily reflecting an increase in the sales of ultra-thin seam shearers and medium seam shearers, resulting from an increase in the market demand for such products.

Armoured-face conveyors and related products. Our revenue from armoured-face conveyors and related products increased by RMB99.6 million from RMB46.9 million in the seven months ended 31 July 2008 to RMB146.5 million in the seven months 31 July 2009, reflecting increases in the sales volume of these products. The increase in sales volume primarily reflected our successful efforts in 2008 to ramp up operations at Huainan Longwall.

Aftermarket parts and services. Our revenue from aftermarket parts and services decreased by RMB9.0 million, or 7.2%, from RMB125.2 million in the seven months ended 31 July 2008 to RMB116.2 million in the seven months ended 31 July 2009. The decrease primarily reflected a decrease in revenue from aftermarket sales in shearer products, which we believe in turn reflected the impact of the recent financial crisis, which affected the utilisation of our shearer original equipment sold to our end customers.

Cost of sales

Cost of sales increased by RMB122.2 million, or 28.8%, from RMB424.7 million in the seven months ended 31 July 2008 to RMB546.9 million in the seven months ended 31 July 2009, primarily reflecting an increase in our revenue as we continued to expand our business and operations.

The cost of raw materials increased by RMB103.4 million, or 31.6%, from RMB326.8 million in the seven months ended 31 July 2008 to RMB430.2 million in the seven months ended 31 July 2009, primarily reflecting cost increases in major components of our raw materials costs, such as steel, outsourced parts and electrical components. We believe the increase in cost of raw materials reflected a general increase in the cost of steel as well as the increasing technical sophistication in the configuration of the parts and components we chose to utilise. The increase in steel cost was affected by the ramping up of our armoured-face conveyors and related products business in 2008, which required significant amounts of steel as raw material. Manufacturing costs increased by RMB10.5 million, or 15.4%, from RMB68.2 million in the seven months ended 31 July 2008 to RMB78.7 million in the seven months ended 31 July 2009. Direct labour costs increased by RMB8.3 million, or 27.9%, from RMB29.7 million in the seven months ended 31 July 2008 to RMB38.0 million in the seven months ended 31 July 2009, primarily reflecting an increase in the number of our manufacturing employees.

Gross profit and gross margin

Gross profit increased by RMB48.3 million, or 17.4%, from RMB277.9 million in the seven months ended 31 July 2008 to RMB326.2 million in the seven months ended 31 July 2009. Our gross profit margin decreased from 39.6% in the seven months ended 31 July 2008 to 37.4% in the seven months ended 31 July 2009, primarily reflecting a combination of (i) an increase in the percentage of revenue derived from armoured-face conveyors and related products, on which our gross margin historically has been lower than other product segments; and (ii) decreases in gross margins for our roadheader products and shearer products.

Gross margin of our roadheader products decreased from 47.1% in the seven months ended 31 July 2008 to 44.8% in the seven months ended 31 July 2009, primarily reflecting an increase in competition in the roadheader products market.

Gross margin of our shearer products decreased from 31.3% in the seven months ended 31 July 2008 to 27.7% in the seven months ended 31 July 2009, primarily reflecting decreases in the gross margins of our medium seam and thick seam shearer products, which we believe in turn reflected increasing competition in these products.

Gross profit margin of our armoured-face conveyors and related products increased from 21.7% in the seven months ended 31 July 2008 to 25.3% in the seven months ended 31 July 2009, primarily reflecting an increase in economies of scale of our production as we ramped up our operations at Huainan Longwall in 2008.

Gross profit margin of our aftermarket parts and services increased from 37.9% in the seven months ended 31 July 2008 to 41.7% in the seven months ended 31 July 2009, primarily reflecting an increase in the sales of our higher margin spare parts for roadheaders, shearers and armoured-face conveyors.

Other income and gains

Other income and gains decreased by RMB3.7 million, or 74.0%, from RMB5.0 million in the seven months ended 31 July 2008 to RMB1.3 million in the seven months ended 31 July 2009, primarily reflecting a decrease of RMB3.1 million in gain on sale of scrap materials.

Selling and distribution costs

Selling and distribution costs increased by RMB3.2 million, or 5.9%, from RMB54.3 million in the seven months ended 31 July 2008 to RMB57.5 million in the seven months ended 31 July 2009, primarily reflecting increases in commissions paid to sales agents, transportation costs and warranty provision, partially offset by decreases in travel expenses and advertising expenses.

Commissions paid to sales agents increased by RMB3.4 million, or 16.9%, from RMB20.1 million in the seven months ended 31 July 2008 to RMB23.5 million in the seven months ended 31 July 2009, primarily reflecting increasing sales of our armoured-face conveyors and related products, which we generally sell through sales agents, coupled with increasing sales of our roadheader products through sales agents as compared to distributors. The increase in cost of freight and warranty provision primarily reflected an increase in our sales volume as our business continued to expand. The decreases in our travel expenses and advertising expenses primarily reflected our increasing focus on cost management.

Administrative expenses

Administrative expenses decreased by RMB13.1 million, or 12.9%, from RMB101.7 million in the seven months ended 31 July 2008 to RMB88.6 million in the seven months ended 31 July 2009, primarily reflecting decreases in professional fees which primarily consist of auditing expenses and legal fees.

Professional fees decreased by RMB13.9 million from RMB18.7 million in the seven months ended 31 July 2008 to RMB4.8 million in the seven months ended 31 July 2009. These expenses in the seven months ended 31 July 2008 primarily related to our preparation in the first half of 2008, which was subsequently postponed for market reasons. In the seven months ended 31 July 2009 we recorded management fees of RMB10.0 million, compared to RMB10.3 million in the seven months ended 31 July 2008.

Other expenses

Other expenses increased from RMB6.1 million in the seven months ended 31 July 2008 to RMB6.6 million in the seven months ended 31 July 2009.

Finance revenue

Finance revenue increased by RMB2.9 million from RMB7.4 million in the seven months ended 31 July 2008 to RMB10.3 million in the seven months ended 31 July 2009, primarily reflecting increased lending to two related parties, namely TJCC Services and HK Siwei.

Finance costs

Finance costs decreased by RMB0.4 million from RMB10.6 million in the seven months ended 31 July 2008 to RMB10.2 million in the seven months ended 31 July 2009, primarily reflecting a decrease in interest cost arising from discounted bills.

Share of loss of associates

Share of loss of an associate decreased from RMB63,000 in the seven months ended 31 July 2008 to RMB24,000 in the seven months ended 31 July 2009, reflecting our share of loss of Tianlong Machinery and Huainan Shunli in which we hold a 20% and 25% equity interest, respectively.

Profit before tax

As a result of foregoing, our profit before tax increased by RMB57.2 million, or 48.6%, from RMB117.6 million in the seven months ended 31 July 2008 to RMB174.8 million in the seven months ended 31 July 2009.

Tax

Our tax expense increased by RMB13.7 million, or 60.4%, from RMB22.7 million in the seven months ended 31 July 2008 to RMB36.4 million in the seven months ended 31 July 2009. Our effective tax rate was approximately 19.3% and 20.8% in the seven months ended 31 July 2008 and 31 July 2009, respectively.

Profit for the period

As a result of foregoing, our profit for the period increased by RMB43.5 million, or 45.8%, from RMB94.9 million in the seven months ended 31 July 2008 to RMB138.4 million in the seven months ended 31 July 2009.

Our net profit margin increased from 13.5% in the seven months ended 31 July 2008 to 15.9% in the seven months ended 31 July 2009.

Year Ended 31 December 2008 Compared to Year Ended 31 December 2007

Revenue

Our revenue increased by RMB422.1 million, or 49.2%, from RMB857.6 million in 2007 to RMB1,279.7 million in 2008, reflecting increases in sales at each of our three product segments.

Roadheader products. Our revenue from roadheader products increased by RMB157.3 million, or 37.9%, from RMB414.6 million in 2007 to RMB571.9 million in 2008, primarily reflecting a combination of (i) an increase in the sales volume of medium-duty and heavy-duty roadheaders and (ii) an increase in the average selling price of our roadheaders. We believe that the increase in the sales volume of medium-duty and heavy-duty roadheaders reflected the increase in demand resulting from, among other things, the ongoing consolidation of the coal mining industry in China and the accompanying consolidation of coal mining operations. The increase in the average selling price of our roadheader products from 2007 to 2008 primarily reflected an increase in the percentage of revenue derived from heavy-duty and medium-duty roadheaders, which generally have higher average selling prices than light-duty roadheaders. The average price of our heavy-duty roadheader products also increased, which we believe reflected our product development efforts to improve the quality and functionality of these products.

Shearer products. Our revenue from shearer products increased by RMB88.2 million, or 33.9%, from RMB260.3 million in 2007 to RMB348.5 million in 2008, primarily reflecting an increase in the sales volume of medium seam shearers and ultra-thin seam shearers, partially offset by a decrease in the average selling price. The increase in sales volume of medium seam shearers and ultra-thin seam shearers primarily reflected the increase in demand for those products. The decrease in the average selling price of our shearer primarily reflected a decrease in the average selling price of thick seam shearers, which reflected increasing competition in this product category.

Armoured-face conveyors and related products. We began production of armoured-face conveyors and related products at Huainan Longwall in 2008 and generated revenue of RMB140.1 million in the same year.

Aftermarket parts and services. Our revenue from aftermarket parts and services increased by RMB36.5 million, or 20.0%, from RMB182.7 million in 2007 to RMB219.2 million in 2008, primarily reflecting increases in aftermarket sales in our armoured-face conveyors related products and shearer products as our installed base in these products continued to expand.

Cost of sales

Cost of sales increased by RMB300.2 million, or 59.5%, from RMB504.4 million in 2007 to RMB804.6 million in 2008, primarily reflecting an increase in our revenue as we continued to expand our business and operations, including our newly established armoured-face conveyors and related products business.

The cost of raw materials increased by RMB246.7 million, or 66.9%, from RMB368.9 million in 2007 to RMB615.6 million in 2008, primarily reflecting cost increases in major components of our raw materials costs, such as steel, outsourced parts and electrical components. We believe the increase in cost of raw materials reflected a general increase in the cost of steel as well as the increasing technical sophistication in the configuration of the parts and components we chose to utilise. The increase in steel cost was affected by the ramping up of our armoured-face conveyors and related products business in 2008, which required significant amounts of steel as raw material. Manufacturing costs increased by RMB36.9 million, or 38.8%, from RMB95.1 million in 2007 to RMB132.0 million in 2008. Direct labour increased by RMB16.6 million, or 41.1%, from RMB40.4 million in 2007 to RMB57.0 million in 2008, primarily due to an increase in the number of manufacturing employees.

Gross profit and gross margin

Gross profit increased by RMB121.9 million, or 34.5%, from RMB353.2 million in 2007 to RMB475.1 million in 2008. Our gross profit margin decreased from 41.2% in 2007 to 37.1% in 2008, primarily reflecting a combination of (i) an increase in the percentage of revenue derived from armoured-face conveyors and related products, on which the gross margin has been lower than other product segments; and (ii) a decrease in gross margin for our shearer products.

Gross margin of our roadheader products decreased from 47.2% in 2007 to 46.0% in 2008, primarily reflecting a decrease in the percentage of gross profit derived from heavy-duty roadheaders, on which we historically have derived a higher gross margin than light-duty and medium-duty roadheaders.

Gross margin of our shearer products decreased from 37.0% in 2007 to 30.6% in 2008. We believe the decrease primarily reflected increasing competition in China's shearer market as well as the effect of the recent financial crisis.

Gross profit margin of our armoured-face conveyors and related products was 12.5% in 2008.

Gross profit margin of our armoured-face conveyors and related products in the second half of 2008 was affected by a combination of (i) our efforts to increase market share in this relatively new business through competitive pricing; and (ii) an increase in raw material cost, reflecting a general increase in steel prices.

Gross profit margin of our aftermarket parts and services increased from 33.4% in 2007 to 40.1% in 2008, primarily reflecting an increase in the sales of higher margin spare parts of roadheaders.

Other income and gains

Other income and gains increased by RMB2.1 million from RMB5.6 million in 2007 to RMB7.7 million in 2008, primarily reflecting an increase in gain on sale of scrap materials in 2008 and gain on disposal of equipment.

Selling and distribution costs

Selling and distribution costs increased by RMB45.6 million, or 62.7%, from RMB72.7 million in 2007 to RMB118.3 million in 2008, primarily reflecting increases in commissions paid to agents, warranty provision, transportation expenses, freight-out and salaries and wages.

Commissions paid to agents increased by RMB20.9 million, or 70.1%, from RMB29.8 million in 2007 to RMB50.7 million in 2008, primarily due to an increase in our overall sales, and in particular, the commencement of sales of our armoured-face conveyors and related products, which we primarily sell through sales agents. Warranty provision increased by RMB7.9 million from RMB9.2 million in 2007 to RMB17.1 million in 2008, primarily reflecting the warranty provision made on our armoured-face conveyors and related products, of which we commenced sales in 2008. Cost of freight-out increased by RMB5.2 million from RMB4.3 million in 2007 to RMB9.5 million in 2008, primarily due to the increase in our sales. Salaries and wages increased by RMB4.4 million primarily reflecting the hiring of additional sales and marketing employees.

Administrative expenses

Administrative expenses increased by RMB37.6 million, or 28.9%, from RMB130.2 million in 2007 to RMB167.8 million in 2008, primarily reflecting an increase in professional fees and salaries, wages and bonus.

Professional fees increased from RMB4.7 million in 2007 to RMB23.7 million in 2008, primarily reflecting our preparation for the Global Offering in the first half of 2008. Salaries, wages and bonus increased by RMB16.4 million, primarily due to an increase in the number of administrative employees and an increase in their average salaries. We recorded management fees of RMB17.3 million in 2008, compared to RMB19.0 million in 2007.

Other expenses

Other expenses decreased from RMB14.6 million in 2007 to RMB10.0 million in 2008, primarily due to certain financial expenses, non-operating expenses and other miscellaneous expenses, which was partially offset by an increase in the provision for inventory.

Finance revenue

Finance revenue increased from RMB4.7 million in 2007 to RMB14.6 million in 2008, primarily reflecting an increase in interest income on our loans to TJCC Services and HK Siwei resulted from an increase in the principal on these loans.

Finance costs

Finance costs increased by RMB9.8 million from RMB7.3 million in 2007 to RMB17.1 million in 2008, primarily reflecting an increase in loan interest. Loan interest increased by RMB9.6 million from RMB4.9 million in 2007 to RMB14.5 million in 2008, primarily reflecting increased borrowing from TJCC Holdings.

Share of profits of associates

Our share of profits of associates increased from RMB0.1 million in 2007 to RMB0.8 million in 2008, primarily due to the profits made by Tianlong Machinery which was established in July 2008.

Profit before tax

As a result of foregoing, our profit before tax increased by RMB46.3 million, or 33.3%, from RMB138.9 million in 2007 to RMB185.2 million in 2008.

Tax

We had a tax expense of RMB39.0 million in 2008, compared to a tax credit of RMB10.9 million in 2007. Our effective tax rate was 21.1% in 2008. Jiamusi Machinery and Jixi Machinery were subject to an enterprise income tax rate of 12.5% in 2008, but were exempted from enterprise income tax in 2007. Huainan Longwall, which commenced operations in 2008, was subject to an enterprise income tax rate of 25.0% in 2008.

Profit for the year

As a result of foregoing, our profit for the year decreased by RMB3.6 million, or 2.4%, from RMB149.8 million in 2007 to RMB146.2 million in 2008.

Our net profit margin decreased from 17.5% in 2007 to 11.4% in 2008.

Year Ended 31 December 2007 and 2006 Consolidated Period

The following is a discussion of our operating results during the 2006 Consolidated Period and the full year ended 31 December 2007. Because the two periods are of different lengths, our operating results during these two periods are not directly comparable. Accordingly, prospective investors are cautioned not to infer any comparison between the results for the two accounting periods, or to place undue reliance on the following discussion. To help potential investors better understand our financial performance for the full year in 2006, we have included elsewhere in this "Financial information" section certain operating results of Jiamusi Machinery and Jixi Machinery prior to our acquisition for the period from 1 January 2006 to 15 May 2006.

Revenue

Our revenue totaled RMB545.9 million in the 2006 Consolidated Period and RMB857.6 million in 2007.

Our revenue from roadheader products totaled RMB263.7 million in the 2006 Consolidated Period and RMB414.6 million in 2007. Our revenue from shearer products totaled RMB195.6 million in the 2006 Consolidated Period and RMB260.3 million in 2007. Revenue from aftermarket parts and services totaled RMB86.6 million in the 2006 Consolidated Period and RMB182.7 million in 2007. We did not derive revenue from sales of armoured-face conveyors and related products prior to 2008.

Cost of sales

Cost of sales totaled RMB301.9 million in the 2006 Consolidated Period and RMB504.4 million in 2007.

The cost of raw materials totaled RMB221.9 million in the 2006 Consolidated Period and RMB368.9 million in 2007. Manufacturing costs totaled RMB57.0 million in the 2006 Consolidated Period and RMB95.1 million in 2007. Direct labour cost totaled RMB23.0 million in the 2006 Consolidated Period and RMB40.4 million in 2007.

Gross profit and gross margin

Gross profit totaled RMB244.0 million in 2006 and RMB353.2 million in 2007. Our gross profit margin was 44.7% in 2006 and 41.2% in 2007.

Gross margin of our roadheader products was 50.0% in the 2006 Consolidated Period and 47.2% in 2007. Gross margin of our shearer products was 35.8% in the 2006 Consolidated Period and 37.0% in 2007. Gross margin of our aftermarket parts and services was 48.6% in the 2006 Consolidated Period and 33.4% in 2007. We believe that the declining trend in the gross margins of these product segments primarily reflected the continuing increase in competition in these products.

Other income and gains

Other income and gains totaled RMB0.02 million in the 2006 Consolidated Period and RMB5.6 million in 2007.

Selling and distribution costs

Selling and distribution costs totaled RMB36.1 million in the 2006 Consolidated Period and RMB72.7 million in 2007.

Commissions paid to sales agents totaled RMB1.4 million in the 2006 Consolidated Period and RMB29.8 million in 2007. Warranty provision totaled RMB5.6 million in the 2006 Consolidated Period and RMB9.2 million in 2007. Cost of freight totaled RMB2.0 million in the 2006 Consolidated Period and RMB4.4 million in 2007.

Administrative expenses

Administrative expenses totaled RMB128.2 million in the 2006 Consolidated Period and RMB130.2 million in 2007.

For the 2006 Consolidated Period, our administrative expenses primarily consist of various fees paid to parties in relation to the acquisition of Jiamusi Machinery and Jixi Machinery, namely (i) consulting fees in the amount of RMB23.9 million paid to The Jordan Company, L.P., and (ii) expenses in the amount of RMB25.6 million, which includes salaries and bonuses of directors and employees who worked on the acquisition and payments made to independent third party consultants for consulting services. Professional fees amounted to RMB2.5 million in the 2006 Consolidated Period and RMB4.7 million in 2007. The professional fees in the 2006 Consolidated Period primarily related to our Company's acquisition of Jiamusi Machinery and Jixi Machinery. Salaries and wages totaled RMB29.6 million in 2006 and RMB44.0 million in 2007.

Other expenses

Other expenses totaled RMB15.3 million in the 2006 Consolidated Period and RMB14.6 million in 2007.

Provision for inventory totaled RMB3.5 million in the 2006 Consolidated Period and RMB2.3 million in 2007. Other miscellaneous expenses totaled RMB1.5 million in the 2006 Consolidated Period and RMB9.0 million in 2007.

Finance revenue

Finance revenue totaled RMB1.9 million in the 2006 Consolidated Period and RMB4.7 million in 2007.

Finance costs

Finance costs totaled RMB6.6 million in the 2006 Consolidated Period and RMB7.3 million in 2007. Bank loan interests totaled RMB5.5 million in the 2006 Consolidated Period and RMB4.9 million in 2007.

Share of profits of associates

Share of profits of associates was nil in the 2006 Consolidated Period and RMB0.1 million in 2007, reflecting our investment in Huainan Shunli.

Profit before tax

As a result of the foregoing, our profit before tax totaled RMB59.6 million in the 2006 Consolidated Period and RMB138.9 million in 2007.

Tax

We had a tax credit of RMB0.6 million in the 2006 Consolidated Period and RMB10.9 million in 2007. Jiamusi Machinery and Jixi Machinery were exempted from corporate income tax in the 2006 Consolidated Period and 2007.

Profit for the year

As a result of the foregoing, our profit for the year totaled RMB60.2 million in the 2006 Consolidated Period and RMB149.8 million in 2007.

Our net profit margin increased from 11.0% in the 2006 Consolidated Period to 17.5% in 2007.

DISCUSSION OF CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

The following table sets forth the components of our inventory balances as of the dates indicated as well as our turnover days of inventory for the periods indicated.

	As of and for the year ended 31 December			As of and for the year-to-date period ended 31 July
	2006	2007	2008	2009
	(in millions of RMB, except turnover days)			
Raw materials	111.4	125.5	102.8	94.1
Work in progress	85.4	157.5	200.4	168.3
Finished goods	49.2	88.0	154.6	128.5
Provision for obsolete inventories	(43.8)	(46.1)	(44.2)	(30.6)
Total	202.1	324.8	413.6	360.3
Turnover days of inventory (in days)[1]	176[2]	191	168	149

(1) Turnover days of inventory for the relevant period/year is calculated by dividing the average of the opening and closing balances of inventories for the relevant period/year by cost of sales and then multiplying this figure by the number of days in the relevant period/year. For the purposes of calculating turnover days of inventory for the 2006 Consolidated Period, we have assumed the opening balances of inventory equal the closing balances and there are 263 days for the 2006 Consolidated period calculating from 12 April 2006 (the date of incorporation of our Company) to 31 December 2006.

(2) Our Company had no operating activities from 12 April 2006 to 15 May 2006. If calculated to exclude this period, or 33 days, then the turnover days of inventory for the 2006 Consolidated Period would have been 154 days.

From 1 August 2009 to 31 December 2009, we utilised RMB269.4 million of our inventory balance as of 31 July 2009. The relatively low subsequent usage was attributable to, among other factors, delays in the delivery of finished goods to customers coming under new management as a result of the current industry consolidation in China. See "Risk Factors — Risks relating to our business and industry — PRC coal mining industry consolidation may adversely affect our business operations". In addition, the commencement of operation at some of the coal mines of our end customers were delayed, and as a result, these customers requested a delay in the delivery of our products. Our Directors believe that the existing provision for obsolete inventories is adequate.

The increases in the inventory balance from 31 December 2006 to 31 December 2007 primarily reflected the expansion of our operations, including the acquisition of inventory from Huainan Benniu, our former joint venture partner for our armoured-face conveyor business. However, we did not commence sales of armoured-face conveyors and related products until 2008, which affected the turnover days of inventory for 2007. The increase in inventory balance from 31 December 2006 to 31 December 2008 primarily reflected an increase in our production of roadheader and shearer products in 2008 in anticipation of increased sales volumes in 2009. The decrease in inventory balance from 31 December 2008 to 31 July 2009 primarily reflected increased sales volumes during this period. We believe that the decrease in the turnover days of inventory from 31 December 2007 to 31 July 2009 primarily reflected our increased focus on inventory management.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables outstanding as of the balance sheet dates indicated as well as our turnover days for our trade receivables for the periods indicated.

	As of and for the year ended 31 December			As of and for the year-to-date period ended 31 July
	2006	2007	2008	2009
	(in millions of RMB, except turnover days)			
Bill receivables	89.8	81.3	119.8	172.9
Trade receivables	303.6	526.0	612.3	862.6
Impairment provision	(11.6)	(11.6)	(12.4)	(13.2)
Total trade receivables, net of provision	292.1	514.4	599.9	849.4
Turnover days of trade receivables (in days)(1)	141(2)	172	159	175

(1) Turnover days of trade receivables for the relevant period/year is calculated by dividing the average of the opening and closing balances of trade receivables for the relevant period/year by revenue and then multiplying this figure by the number of days in the relevant period/year. For the purposes of calculating turnover days of trade receivables for the 2006 Consolidated Period, we assume the opening balances of trade receivables equal the closing balances and there are 263 days for the 2006 Consolidated period calculating from 12 April 2006 (the date of incorporation of our Company) to 31 December 2006.

(2) Our Company had no operating activities from 12 April 2006 to 15 May 2006. If calculated to exclude this period, or 33 days, then the turnover days of trade receivables for the 2006 Consolidated Period would have been 123 days.

Of our trade receivables outstanding as of 31 December 2006, 2007, 2008 and 31 July 2009, RMB80.0 million, RMB271.2 million, RMB339.4 million and RMB315.4 million, respectively, were past due but not impaired. These receivables relate to a number of independent customers, including large state-owned coal mining enterprises who have significant bargaining power on the timing of payments but have a generally positive credit profile. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

From 1 August 2009 to 31 December 2009, we collected RMB558.9 million in trade receivables and RMB162.6 million in bills receivables which were outstanding as of 31 July 2009. The relatively low settlement of trade receivables during this period was attributable to, among other factors, delays in payments from our customers coming under new management as a result of the current industry consolidation. See "Risk Factors — Risks relating to our business and industry — PRC coal mining industry consolidation may adversely affect our business operations". The settlement of trade receivables during this period was also affected by some of our end customers' efforts to preserve cash resources for business expansion in light of the ongoing financial crisis. We believe that the existing provision for the impairment of trade receivables is adequate. Our Directors believe that we will be able to collect a significant portion of the trade receivables outstanding as of 31 July 2009 by the end of March 2010.

The continual increase in the balances of our trade receivables from 31 December 2006 to 31 July 2009 was primarily due to the expansion of our operations and the increase in our sales. We believe that the increase in the turnover days of trade receivables from 2006 to 2007 primarily reflected the increasingly competitive market environment. The turnover days of trade receivables in 2008 was affected by the relatively low turnover days of trade receivables on armoured-face conveyors and related products, as we ramped up sales of these products in 2008. The increase in turnover days of trade receivables for the seven-month period from 31 December 2008 to 31 July 2009 was mainly due to an increase in our revenue and the credit period extensions granted to some of our customers that were affected by the ongoing financial crisis.

The following table sets forth an aging analysis of our trade receivables, net of impairment provisions, as of the dates indicated.

	As of 31 December			As of 31 July
	2006	2007	2008	2009
	(in millions of RMB)			
Within 90 days	229.0	186.3	284.3	446.3
91 to 180 days	63.1	159.3	200.6	224.7
181 to 365 days	—	153.5	87.7	121.3
366 days to 2 years	—	15.3	27.3	56.0
Over 2 years	—	—	—	1.1
Total	292.1	514.4	599.9	849.4

Our trade receivables of RMB56.0 million as of 31 July 2009 aged from 366 days to 2 years relate to a number of independent customers that generally have a positive credit history. We have received partial or full settlements from these customers subsequent to 31 July 2009. These customers mainly consist of state-owned enterprises who are slow in payment but maintain good business relationships with the Group. Of RMB56.0 million of the trade receivable aged 366 days or longer as of 31 July 2009, RMB38.9 million had been settled by 31 December 2009. Based on past experience, our Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As it is often the case in the coal mining machinery industry, the credit term stated in the contract may vary significantly from the actual credit period allowed by the supplier. We believe that the actual turnover days of receivables are a more meaningful measure of credit period than the credit term stated in the contracts. We are of the view that the aging of trade receivables was in line with the Group's credit policy.

We have arrangements with banks to discount certain of its bills and trade receivables to banks with recourse. With respect to our trade receivables, we assign part of our trade receivables to PRC banks under factoring agreements and receive advances from the banks. Pursuant to such factoring agreement, we pay interest on the amount advanced to us, accrued on a monthly basis. Such interest rate is determined by reference to the benchmark borrowing rate of the Peoples Bank of China for the corresponding period. We also pay an administration fee equivalent to 1% of the amount advanced to us and an invoice processing fee at RMB200 per invoice to the bank. The bank reserves the right to claim recourse under certain circumstances, including, among others, refusal or delay in payment by our customers and any legal proceeding relating to the sales contract between our customer and us regardless of whether the result of such legal proceeding is adverse to us. During the Track Record Period, we have not experienced any exercise of rights to claim recourse by banks. In addition, a portion of our customers make payments by bank notes, with maturities generally under 180 days. We may discount a certain portion of such bank notes to banks prior to their maturities with interest charged by the banks. The interest rates charged for bills discounted to banks ranged from 0.14% to 0.18% per month for the seven months ended 31 July 2009. The amount of bills and trade receivables discounted to banks under such arrangement as of 31 December 2006, 2007, 2008 and 31 July 2009 amounted to RMB23.9 million, RMB32.7 million, RMB42.3 million and RMB108.6 million, respectively. The balance of bills receivable discounted to banks may vary significantly from period to period based on maturity date and the amount of bills receivable that mature on each such date.

Prepayments, Deposits and Other Receivables

The following table sets forth the current portion of our prepayments, deposits and other receivables as of the dates indicated.

	As of 31 December			As of 31 July
	2006	2007	2008	2009
	(in millions of RMB)			
Prepayments	22.2	41.7	57.7	42.8
Deposits and other receivables	4.7	17.5	12.4	14.0
Total	26.9	59.2	70.1	56.8

Prepayments primarily consist of advances to suppliers. The increase in prepayments from 31 December 2006 to 31 December 2008 primarily reflected a combination of (i) increased sales of our products; and (ii) an increase in purchases of components from international suppliers, many of which required significant advances for new customers. As our credit profile improves during this period, our international suppliers required lower advances, which contributed to a lower prepayment balance as of 31 July 2009.

Trade Payables

The following table sets forth our trade payables outstanding as of the balance sheet dates indicated as well as our turnover days of our trade payables for the periods indicated.

	As of and for the year ended 31 December			As of and for the year-to-date period ended 31 July
	2006	2007	2008	2009
	(in millions of RMB, except turnover days)			
Trade payables	194.3	315.5	418.4	440.7
Turnover days of trade payables (in days)(1)	169(2)	184	166	166

(1) Turnover days of trade payables for the relevant period/year is calculated by dividing the average of the opening and closing balances of trade payables for the relevant period/year by cost of sales and then multiplying this figure by the number of days in the relevant period/year. For the purposes of calculating turnover days of trade payables for the 2006 Consolidated Period, we assume the opening balances of trade payables equal the closing balances and there are 263 days for the 2006 Consolidated period calculating from 12 April 2006 (the date of incorporation of our Company) to 31 December 2006.

(2) Our Company had no operating activities from 12 April 2006 to 15 May 2006. If calculated to exclude this period, or 33 days, then the turnover days of trade payables for the 2006 Consolidated Period would have been 148 days.

The continual increase in our trade payables from 31 December 2006 to 31 July 2009 primarily reflected the expansion of our operations. The relatively high turnover days of trade payables in 2007 reflected, among other factors, the increasingly competitive market environment, which also affected the turnover days of our trade receivables in 2007.

Other Payables and Accruals

The following table sets forth the components of our other payables and accruals as of the balance sheet dates indicated.

	As of 31 December			As of 31 July
	2006	2007	2008	2009
	(in millions of RMB)			
Advances from customers	11.2	24.1	84.7	64.0
Payroll payable	13.4	14.5	15.8	10.5
Value added tax payable	115.4	94.4	92.9	92.4
Accrual expenses	19.3	40.1	38.3	36.1
Welfare payable	2.2	7.8	10.5	10.7
Other payables	121.7	126.1	78.9	66.0
Total	283.2	307.1	321.1	279.6

The increase in advances from customers from 31 December 2007 to 31 December 2008 primarily reflected a combination of (i) the increase in advances from customers of our shearer products, particularly from new customers as we continue to expand our customer base; and (ii) advances from customers of our armoured-face conveyors and related products, of which we commenced sales in 2008.

Other payables primarily consist of fees that are payable to the PRC Government such as taxes other than income tax and value added tax, balances due to Heilongjiang Coal Mining Machinery Group Co., Ltd. in relation to the acquisition of Jiamusi Machinery and Jixi Machinery, payables for the purchase and construction of property, plant and equipment as well as other miscellaneous items. The decrease in other payables from 31 December 2006 to 31 July 2009 primarily reflected a combination of decreases in (i) tax payable other than income tax and value added tax (ii) balances due to Heilongjiang Coal Mining Machinery Group Co., Ltd. in relation to the acquisition of Jiamusi Machinery and Jixi Machinery.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

We have historically met our working capital needs primarily through a combination of (i) cash generated from operations; (ii) bank loans; and (iii) loans from shareholders and other related parties. Upon completion of the Global Offering, we expect to meet our working capital needs primarily through a combination of (i) cash generated from operations; (ii) bank loans; and (iii) issuances of debt and equity securities. Taking into account our cash generated by operations the net proceeds of the Global Offering and our credit facilities maintained with banks, our Directors are satisfied after due and careful inquiry that we have available sufficient working capital for the present requirements, which is for at least the next 12 months from the date of this Prospectus.

Our gearing ratio, calculated as net debt divided by the sum of net debt and capital, as of 31 December 2006, 2007, 2008 and 31 July 2009 was 86%, 70%, 61%, 58%, respectively. Net debts are defined to include interest-bearing loans, amounts due to holding company and preferred shares, less cash and cash equivalents. Capital represents total equity. The decrease in our gearing ratio from 31 December 2006 to 31 July 2009 reflected the higher rate of increase in our capital (which we believe primarily reflected the continuing expansion of our business) as compared to the rate of increase of our net debt during this period.

Net Current Assets

Our current assets primarily consist of trade and bills receivables, inventories and cash and cash equivalents. Our current liabilities primarily consist of trade and bills payables, other payables and accruals and interest-bearing loans. We had net current assets of RMB102.7 million, RMB291.6 million, RMB428.2 million, RMB40.3 million, and RMB126.0 million as of 31 December 2006, 2007 and 2008, 31 July 2009, and 30 November 2009, respectively. The table below sets forth our current assets, current liabilities and net current assets as of the date indicated.

	As of 31 December			As of 31 July	As of 30 November
	2006	2007	2008	2009	2009
	(RMB in millions)				
Current assets					
Inventories	202.1	324.8	413.6	360.3	329.6
Trade and bills receivables	381.8	595.6	719.7	1,022.3	1,085.0
Prepayments, deposits and other receivables	26.9	59.2	70.1	56.8	101.6
Cash and cash equivalents	138.5	95.7	80.9	175.7	103.1
Amounts due from shareholders	—	19.6	19.2	19.7	19.9
Amounts due from related parties	7.8	122.8	221.8	272.3	300.0
	757.2	1,217.7	1,525.4	1,907.1	1,939.2
Current liabilities					
Interest-bearing loans	96.3	120.5	113.8	250.2	215.3
Trade and bills payables	194.3	315.5	418.4	469.7	401.5
Other payables and accruals	283.2	307.1	321.1	279.6	292.5
Tax payable	78.4	67.0	52.9	30.1	46.3
Amount due to a holding company	—	74.6	126.8	160.2	177.9
Amounts due to shareholders	0.3	0.2	0.2	0.09	0.09
Amounts due to related parties	1.8	41.3	64.1	75.9	79.1
Preference shares	—	—	—	600.9	600.5
	654.5	926.1	1,097.2	1,866.8	1,813.2
Net current assets	102.7	291.6	428.2	40.3	126.0

Cash Flows

The following table sets forth our cash flows for the periods indicated.

	For the period from 12 April to 31 December	For the year ended 31 December		For the seven months ended 31 July	
	2006	2007	2008	2008	2009
	(in millions of RMB)				
Net cash inflow/(outflow) from operating activities[(1)]	55.7	110.3	208.8	126.7	(29.2)
Net cash outflow from investing activities	(335.4)	(202.5)	(206.2)	(126.9)	(49.1)
Net cash inflow/(outflow) from financing activities	419.2	52.0	(17.1)	(33.2)	173.0
Net cash increase/(decrease) in cash and cash equivalents	139.4	(40.2)	(14.5)	(33.5)	94.8
Cash and cash equivalents at incorporation date/at beginning of period/year	—	138.5	95.7	95.7	80.9
Effective of foreign exchange rate changes	(0.9)	(2.6)	(0.3)	(0.3)	(0.001)
Cash and cash equivalents at the end of period/year	138.5	95.7	80.9	62.0	175.7

(1) The net cash inflow/(outflow) from operating activities for the period ended 31 December 2006, the two years ended 31 December 2008 and the seven months ended 31 July 2009 did not include cash received from bills receivables discounted to banks prior to maturity, which was reflected in cash inflow from financing activities. These discounted bills were received from our customers as payment of trade receivables and are a common form of payment in our industry.

Operating activities

Our cash from operating activities reflects the profit before tax, adjusted for (i) non-cash items which include primarily depreciation, amortisation of land use rights amortisation of intangible assets, loss on disposal of assets, write-down of inventories to net realisable value, provision for impairment of trade receivables, finance costs, finance revenue and share of profits in an associate, and (ii) effects of changes in working capital, such as changes in trade and bills receivables and changes in inventories.

We had a net cash outflow from operating activities of RMB29.2 million in the seven months ended 31 July 2009, primarily resulting from profit before tax of RMB174.8 million, as adjusted by (i) income statement items with non-cash effects of RMB17.5 million, (ii) an outflow of RMB170.1 million for working capital adjustments, and (iii) income tax paid of RMB51.4 million. Working capital adjustments generally included: (i) an increase in trade and bills receivables of RMB303.3 million primarily reflected the credit period extensions granted to some of our customers that were affected by the ongoing financial crisis, (ii) a decrease in inventories of RMB66.9 million mainly due to rapidly growing market demand for our products and better inventory control of our raw materials and work-in-progress, increased sales, and (iii) an increase in trade and bills payables of RMB51.3 million primarily due to increase in purchase of raw materials as a result of increased orders of our products.

We had a net cash inflow from operating activities of RMB208.8 million in 2008, primarily resulting from profit before tax of RMB185.2 million, as adjusted by (i) income statement items with non-cash effects of RMB51.3 million, (ii) an inflow of RMB19.6 million for working capital adjustments, and (iii) income tax paid of RMB47.3 million. Working capital adjustments generally included: (i) an increase in trade and bills receivables of RMB124.9 million primarily reflected the credit period extensions granted to some of our customers that were affected by the ongoing financial crisis, (ii) an increase in trade and bills payables of RMB103.0 million primarily due to increase in purchase of raw materials as a result of increased sales, and (iii) an increase in inventories of RMB86.9 million due to the increase in work in progress and finished goods, resulting from increase in orders of our products.

We had a net cash inflow from operating activities of RMB110.3 million in 2007, primarily resulting from profit before tax of RMB138.9 million, as adjusted by (i) income statement items with non-cash effects of RMB47.7 million, (ii) an outflow of RMB64.9 million for working capital adjustments, and (iii) income tax paid of RMB11.4 million. Working capital adjustments generally included: (i) an increase in trade and bills receivables of RMB205.0 million as a result of increased sales, (ii) an increase in inventories of RMB112.6 million due to the increase in raw materials, work in progress and finished goods, resulting from increase in orders of our products, and (iii) an increase in trade and bills payables of RMB121.1 million primarily due to increase in purchase of raw materials as a result of increased orders of our products.

We had a net cash inflow from operating activities of RMB55.7 million for the 2006 Consolidated Period, primarily resulting from profit before tax of RMB59.6 million, as adjusted by (i) income statement items with non-cash effects of RMB44.5 million, (ii) an outflow of RMB21.1 million for working capital adjustments, and (iii) income tax paid of RMB27.3 million. Working capital adjustments generally included: (i) an increase in trade and bills receivables of RMB66.3 million as a result of increased sales, and (ii) an increase in trade and bills payables of RMB42.5 million primarily due to increase in purchase of raw materials as a result of increased orders of our products.

Investing activities

Net cash flows from investing activities primarily reflected purchase of property, plant and equipment, purchases of intangible assets and amounts due from related parties such as TJCC services and HK Siwei, offset by proceeds from and disposal of property, plant and equipment and interest received.

We had a net cash outflow from investing activities of RMB49.1 million for the seven months ended 31 July 2009, which primarily reflected (i) an increase of RMB40.8 million in amounts due from related parties and (ii) purchase of property, plant and equipment of RMB10.2 million, partially offset by proceeds of RMB1.9 million received from disposal of property, plant and equipment.

We had a net cash outflow from investing activities of RMB206.2 million for 2008, which primarily reflected (i) an increase of RMB98.7 million in amounts due from related parties, (ii) purchase of property, plant and equipment of RMB67.0 million, (iii) acquisition of intangible assets of RMB24.1 million, and (iv) our investment of RMB20.0 million in Tianlong Machinery, an associate company, partially offset by (i) interest received of RMB2.0 million and (ii) proceeds from the disposal of property, plant and equipment of RMB1.2 million.

We had a net cash outflow from investing activities of RMB202.5 million for 2007, which primarily reflected (i) an increase of RMB109.7 million in amounts due from related parties, (ii) purchase of property, plant and equipment of RMB70.7 million and (iii) purchases of available-for-sale investments of RMB7.5 million, partially offset by (i) proceeds from the disposal of property, plant and equipment of RMB2.9 million and (ii) interest received of RMB2.1 million.

We had a net cash outflow from investing activities of RMB335.4 million for the 2006 Consolidated Period, which primarily reflected (i) acquisition of subsidiaries of RMB298.3 million and (ii) purchase of property, plant and equipment of RMB32.6 million, partially offset by (a) interest received of RMB1.9 million and (b) proceeds from disposal of items of property, plant and equipment of RMB0.9 million.

Financing activities

Net cash flow from financing activities includes primarily proceeds from capital contributions and borrowings from banks, offset by loan repayments and interest payments.

We had a net cash inflow from financing activities of RMB173.0 million in the seven months ended 31 July 2009, which primarily reflected new bank loans of RMB253.5 million and proceeds of capital contributions of RMB46.7 million from equity shareholders of, partially offset by (i) repayments of bank loans of RMB117.1 million and (ii) interest paid of RMB10.2 million.

We had a net cash outflow from financing activities of RMB17.1 million in the year ended 31 December 2008, which primarily reflected (i) repayment of bank loans of RMB87.8 million and (ii) interest paid of RMB10.4 million, partially offset by new bank loans of RMB81.1 million.

We had a net cash inflow from financing activities of RMB52.0 million in 2007, which primarily reflected (i) new bank loans of RMB84.0 million and (ii) proceeds from capital contribution of the equity holders of the parent of RMB41.9 million, partially offset by (i) repayments of bank loans of RMB68.7 million and (ii) interest paid of RMB5.2 million.

We had a net cash inflow from financing activities of RMB419.2 million for the 2006 Consolidated Period, which primarily reflected (i) proceeds from capital contribution of the equity holders of the parent of RMB507.1 million and (ii) new bank loans of RMB20.0 million, partially offset by (i) repayment of bank loans of RMB101.3 million and (ii) interest paid of RMB6.6 million.

Capital Expenditures

Our capital expenditures relate primarily to acquisition of land use rights, construction of plant and facilities, and purchases of plant, machinery, office equipment and motor vehicles. Our capital expenditures were RMB36.7 million in the 2006 Consolidated Period, RMB83.5 million in 2007, RMB30.2 million in 2008, and RMB24.2 million in the seven months ended 31 July 2009. Our capital expenditures in 2006 were primarily attributable to purchases of plant, machinery and office equipment. Our capital expenditures in 2007 and 2008 were primarily attributable to construction of our Huainan Longwall industrial complex.

In the past, we have funded our capital expenditures principally through (i) cash flows from operating activities; (ii) borrowings from shareholders and related parties; and (iii) short-term bank loans. We expect our capital expenditure to be significant for the remaining period in 2009 and in the year of 2010.

Borrowings

The following table sets forth our bank and other borrowings as of the balance sheet dates indicated.

	As of 31 December			As of 31 July
	2006	2007	2008	2009
	(in millions of RMB)			
Secured bank loans	92.6	56.7	113.8	250.2
Unsecured bank loans	3.8	63.8	—	—
Loan from Controlling Shareholders	—	74.6	126.8	160.2
Amount due to other shareholders	0.3	0.2	0.2	0.1
Amount due to related parties	1.8	41.3	64.1	75.9
Total	98.5	236.6	304.9	486.4

Bank borrowings

We borrow bank loans for working capital purposes, and all of our bank loans were payable within one year. As of 31 July 2009, our outstanding bank loans bore interest at a rate per annum ranging from 5.31% to 8.22%. As of 31 December 2008, our outstanding bank loans bore interest at a rate per annum ranging from 4.86% to 11.66%. As of 31 December 2007, our outstanding bank loans bore interest at a rate per annum ranging from 6.24% to 8.02%. As of 31 December 2006, our outstanding bank loans bore interest at a rate per annum ranging from 5.54% to 7.81%.

For secured bank loans, as of 31 July 2009, we pledged assets with a value of RMB347.6 million, comprising primarily buildings and land use rights, plant and machinery, and trade and bill receivables.

Related party borrowings

As of 31 July 2009, we had total loans of RMB160.2 million outstanding from TJCC Holdings, our controlling shareholder. These loans were unsecured, bearing an interest at a rate per annum of 8% per year, and payable on demand.

The amount due to other shareholders represents our payment obligations under the consulting agreements between us and each of Rubo Li and Emory Williams. Under these agreements, we have paid Rubo Li and Emory Williams a fixed fee of US$150,000 (equivalent to approximately HK$1,163,000) and US$75,000 per year (equivalent to approximately HK$581,000), respectively, for their consulting services.

The amount due to related parties primarily represents management fees payable to TJCC Services and trade payables due to Huainan Benniu. These borrowings were unsecured, interest free and repayable on demand.

We expect our related party borrowings to be settled immediately upon the completion of the Global Offering.

Contractual Obligations

The following table sets forth our contractual obligations as of 31 July 2009.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions of RMB)				
Operating lease obligations	2.4	2.3	0.1	—	—
Commitments for the acquisition of property, plant and equipment	71.2	71.2	—	—	—
Total	73.6	73.5	0.1	—	—

Our operating lease obligations primarily consist of leases for office properties with terms from one to four years. Our commitments for acquisition of property, plant and equipment primarily consist of commitments to purchase machinery.

Contingent Liabilities

As of 31 July 2009, we had no material contingent liabilities.

CAPITAL COMMITMENTS

The following table sets forth the components of our capital expenditures contracted for but not provided in the consolidated financial statements at the balance sheet dates indicated.

	As of 31 December			As of 31 July
	2006	2007	2008	2009
	(in millions of RMB)			
Contracted, but not provided for:				
Plant and machinery	15.4	18.2	56.2	71.2
Land use rights	—	—	16.0	—
	15.4	18.2	72.2	71.2

Our capital commitments as of 31 December 2006, 2007, 2008 and 31 July 2009 primarily related to commitments to purchase machinery. We intend to finance our outstanding capital commitments through a combination of cash flow from operations and unutilised banking facilities.

INDEBTEDNESS

The following table sets forth, for the periods indicated, certain information on our short-term borrowings and preference share liabilities.

	As of 31 December			As of 31 July	As of 30 November
	2006	2007	2008	2009	2009
	(in millions of RMB)				
Bank loans:					
Secured[1]	92.6	56.7	113.8	250.2	215.3
Unsecured	3.8	63.8	—	—	—
Subtotal	96.3	120.5	113.8	250.2	215.3
Preferred share	499.8	541.2	554.2	600.9	600.5
Total	596.1	661.7	668.0	851.1	815.8

(1) We pledged our assets with a carrying amount of RMB306.0 million, comprising primarily buildings and land use rights, plant and machinery and trade and bill receivables to secure bank loans as of 30 November 2009.

As of 30 November 2009, our utilised and unutilised banking facilities were approximately RMB68.5 million and RMB88.0 million, respectively.

Our Directors confirm that there have been no material changes in our indebtedness since 30 November 2009.

OFF-BALANCE SHEET ARRANGEMENTS

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks, including changes in commodity prices, foreign exchange rates, inflation and interest rates.

In 2008, triggered by the liquidity crisis in the capital markets, global economic conditions deteriorated. Although the PRC continued to have positive GDP growth in that year, the rate of growth slowed compared to the prior year, and major economic indicators, including employment rates, levels of consumer spending and exports, declined. In addition, many financial institutions worldwide tightened lines of credit, reducing funding available for near-term economic growth. In addition, the terms of such funding, when available, became more onerous and the cost of such funding increased. Further, capital markets activity declined, also contributing to general reductions in available funding for business expansion, and the equity and currency markets exhibited high levels of volatility. We will monitor the potential impact of global economic conditions and accompanying credit tightening, as well as the creditworthiness of our customers and suppliers, and the PRC Government's fiscal stimulus and its other involvement in the economic crisis. We are not able to currently predict, however, when economic and liquidity conditions will improve, or what the full impact of these conditions will be on our financial condition and results of operations.

Commodity Price Risk

We are exposed to price fluctuations for raw materials, particularly steel, which in the aggregate represented 13.0%, 14.0%, 17.0% and 17.7%, respectively, of our total cost of sales for the 2006 Consolidated Period, the years ended 31 December 2007 and 2008 and the seven months ended 31 July 2009. Fluctuations in the prices of these raw materials and outsourced parts have a significant effect on our results of operations. We do not engage in hedging activities designed or intended to hedge against fluctuations in the price of steel or other commodities and hedging instruments related to the price of outsourced parts are not available. Moreover, we have not entered into any long-term contracts for steel or any outsourced parts.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates primarily relates to our interest-bearing borrowings. As of 31 July 2009, we had RMB250.2 million in bank borrowings that bore variable interest rates ranging from 5.31% to 8.22%, with an average interest rate at such date of 6.77%.

Additional increases in interest rates could potentially result in an increase in our cost of borrowing, which could negatively affect our business and results of operations. The PBOC-published benchmark one-year lending rates in China as of 31 December 2006, 2007 and 2008 were 6.12%, 7.47% and 5.31%, respectively.

We do not anticipate a significant impact resulting from changes in interest rates, although our future interest income and interest expenses may fluctuate in line with changes in interest rates. We have not historically used, and do not expect to use in the future, any derivative financial instruments to manage our interest rate exposure.

Foreign Exchange Risk

Substantially all of our operations are located in China. Our subsidiaries in China conduct their principal activities in Renminbi. Although our financial assets are not subject to foreign currency risk, some of our borrowings are in foreign currency. In addition, we will need to remit the proceeds from the Global Offering into China and convert them into Renminbi. The PRC Government may restrict such remittance and conversion. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and HK dollar, has been based on rates set by the PBOC. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a significant appreciation of Renminbi against the U.S. dollar. The Offer Shares are denominated in H.K. dollars. There may be a substantial time gap between the offering of the Offer Share and the conversion of the net proceeds of the offering into Renminbi and injection of the net proceeds into our PRC subsidiaries. If during this period the Renminbi significantly appreciated against the U.S. dollar, our financial condition could be adversely affected.

Inflation Risk

In 2006, 2007 and 2008, the Customer Price Index in China was 1.5%, 4.8% and 5.9%, respectively, according to the PRC National Bureau of Statistics. Our directors are of the view that inflation has not had a material effect on our results of operations.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors we confirm that we are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared based on the audited consolidated net assets of the Group as of 31 July 2009 as extracted from "Appendix I — Accountants' Report of International Mining Machinery Holdings Limited", and is adjusted as described below.

	Consolidated net tangible assets attributable to equity holders of the parent as at 31 July 2009(1)	Estimated net proceeds from the Global Offering(2)	Adjustment for certain expected material events subsequent to 31 July 2009(3)	Unaudited pro forma adjusted consolidated net tangible assets(4)	Unaudited pro forma adjusted consolidated net tangible assets per Share(5)(6)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$4.88 per Share	433,834	2,074,752	(374,424)	2,134,162	1.64	1.86
Based on an Offer Price of HK$6.38 per Share	433,834	2,730,202	(533,298)	2,630,738	2.02	2.30

(1) The consolidated net tangible assets amount attributable to equity holders of the parent as at 31 July 2009 were determined as follows:

	RMB'000
Audited consolidated net assets as set out in Appendix I	597,026
Less: Minority interests	(21,988)
Consolidated net assets attributable to equity holders of the parent	575,038
Less: Goodwill	(101,203)
Other intangible assets	(40,001)
Consolidated net tangible assets attributable to equity holders of the parent	433,834

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$4.88 per Share or HK$6.38 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Share which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from HK dollars into Renminbi at the PBOC Rate prevailing on 8 January 2010 of RMB0.88 to HK$1.00.

(3) Adjustments are made for the material events subsequent to 31 July 2009 that will take place concurrently with the Global Offering which the Directors consider to be integral to the listing and will have an impact on certain expected consolidated net tangible assets. This includes payment of a founder participation amount to Rubo Li, Emory Williams and Williams Realty pursuant to the redemption of preference shares of approximately RMB33,203,000 (equivalent to approximately US$4,860,000), payment of transaction and termination fees to TJCC Services of approximately RMB68,319,000 (equivalent to approximately US$10,000,000) and settlement of a contingent dividend held by holders

of the Shares as of a record date prior to the Global Offering of approximately RMB272,902,000 based on an Offer Price of HK$4.88 per Share or RMB431,776,000 based on an Offer Price of HK$6.38 per Share. The Directors confirm that these events will only take place upon the successful listing of the Shares on the Hong Kong Stock Exchange.

(4) Details of the valuations of the Group's properties as at 30 November 2009 are set out in "Appendix IV — Property Valuation". The revaluation surplus or deficit of properties included in buildings held for own use, construction in progress, land use rights, properties under development and completed properties held for sale was not incorporated in the Group's financial statements for the seven months ended 31 July 2009. If the revaluation surplus was recorded in the Group's financial statements, the annual depreciation expense would increase by approximately RMB1.2 million.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share amount is determined after the adjustment as described above and on the basis that 1,300,000,000 shares (being the number of Shares expected to be in issue immediately after completion of the Global Offering, without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option) are issued and outstanding.

(6) The translation of Renminbi into HK dollars has been made at the rate of RMB0.88 to HK$1.00, the PBOC rate prevailing on 8 January 2010. No representation is made that the HK dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

WORKING CAPITAL CONFIRMATION

Taking into account of a portion of the net proceeds available to us from the Global Offering, our cash and cash equivalents on hand, our available credit facilities and cash generated from future operations, our Directors are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2009

We believe that on the bases as set out in Appendix III to this Prospectus and in the absence of unforeseen circumstances as set forth in Rule 11.17 of the Listing Rules, our estimated consolidated profit attributable to equity holders of the Company for the year ended 31 December 2009 is expected to be not less than RMB226.9 million under IFRS.

PROPERTY INTERESTS AND PROPERTY VALUATION

Property Valuation

Savills Valuation and Professional Services Limited, an independent property valuer, has valued the Group's property interests as of 30 November 2009 and is of the opinion that the value of its property interests in aggregate was approximately RMB324 million as of 30 November 2009. There is a net revaluation surplus, representing the excess market value of the properties over their book value as of 31 July 2009. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set forth in Appendix IV to this Prospectus.

Reconciliation of Appraised Property Values with Net Book Values

Disclosure of the reconciliation between the valuation of the interests in properties attributable to the Group and such property interests in the Group's balance sheets as of 31 July 2009 contained in the Accountants' Report of International Mining Machinery Holdings Limited as required under Rule 5.07 of Listing Rules is set forth below.

	RMB'000
Buildings included in property, plant and equipment[(1)]	136,722
Land use rights[(1)]	142,650
Net book value as of 31 July 2009	279,372
Movement from 1 August 2009 to 30 November 2009	
Add: Addition during the period	1,417
Less: Depreciation and amortisation during the period	(3,591)
Net book value as of 30 November 2009	277,198
Valuation surplus	46,792
Valuation as of 30 November 2009	323,990

(1) For the purpose of this reconciliation, only properties with proper title certificates are included.

CONTINGENT DIVIDEND BASED ON DISTRIBUTABLE PROFITS AS OF 31 DECEMBER 2009

On 24 January 2010, pursuant to the resolutions of our Board of Directors and the holders of our ordinary shares and preferred shares, we declared and approved the Contingent Dividend range of US$40.1 million (equivalent to approximately HK$310.8 million) to US$63.2 million (equivalent to approximately HK$489.9 million) to the Pre-IPO Ordinary Shareholders, which has been determined based on our available distributable profits and the Offer Price range. The calculation of Contingent Dividend to be paid is set out in "Future Plans and Use of Proceeds — Use of Proceeds". The Contingent Dividend is designed to distribute to our Pre-IPO Ordinary Shareholders a significant portion of our existing retained profits, while assuring that we will continue to operate with sufficient liquidity resources, and to benefit from the use of a substantial amount of the net proceeds from the Global Offering. In view of these objectives, and because the net proceeds from the Global Offering cannot be determined as of the Latest Practicable Date, we have designed the Contingent Dividend to be determined based on the final Offer Price.

Our Cayman Islands counsel have confirmed and our Directors, based on the confirmation by our Cayman Islands counsel, have confirmed that the declaration of a range of dividend is in compliance with Cayman Islands law and the Company's Articles of Association. The final amount of the Contingent Dividend is subject to determination based on the Offer Price and will be paid out of the net proceeds of the Global Offering. Please refer to "Summary — Use of Proceeds" for more information on the calculation and payment of the Contingent Dividend out of the proceeds of the Global Offering.

Although we had no distributable reserves as of 31 July 2009, profits were available for distribution from our subsidiaries to us. As of the date of declaration of the Contingent Dividend on 24 January 2010, our subsidiary, TJCC IMM Jiamusi had declared dividends with an aggregate amount of US$86.9 million (equivalent to approximately HK$673.5 million) to us. After taking into account the estimated expenses of the Company, including expenses relating to the Global Offering, withholding tax payable and other expenses for the relevant periods, we estimate that our distributable profits as of 31 December 2009 to be approximately US$63.2 million (equivalent to approximately HK$489.9 million), which is sufficient to pay for any Contingent Dividend amount within the range declared by our Board of Directors on 24 January 2010.

The Contingent Dividend will be determined based on the Offer Price and our distributable profits as reflected in the audited financial statements of the Company for the financial year ended 31 December 2009. Our Group's retained earnings as of 31 July 2009 were approximately RMB471.6 million (equivalent to approximately US$69.0 million). We estimate our profit attributable to equity holders of the parent for the five month period ended 31 December 2009 to be approximately RMB90.4 million (equivalent to approximately US$13.2 million), which represents the difference between (i) our estimate of profit attributable to equity holders of the parent for the year ended 31 December 2009, and (ii) the audited profit attributable to equity holders of the parent for the seven months ended 31 July 2009. We will only pay the Contingent Dividend after completion of the annual audit for the financial year ended 31 December 2009. Our 2009 annual results announcement will disclose whether there is sufficient distributable profits to pay the amount of Contingent Dividend so determined. The amount of Contingent Dividend so determined will be paid out of the net proceeds of the Global Offering into a designated account of the Company, which will be paid to the Pre-IPO Ordinary Shareholders within five days after publication of the 2009 annual results announcement.

Investors in the Global Offering should note that they will not be entitled to participate in the Contingent Dividend, and therefore, any distributable profits available for distribution to our Shareholders after the Global Offering will exclude the amount of the Contingent Dividend to be paid to the Pre-IPO Ordinary Shareholders.

DIVIDEND POLICY

Our directors may declare dividends, if any, after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and other factors that our Directors deem relevant. The distribution of dividend for any financial year shall be subject to Shareholders' approval.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable profits.

Taking into account the factors set forth above, we currently intend to distribute to our Shareholders approximately 20% of our annual distributable profit attributable to owners of our Company in respect of the financial year ending 31 December 2010 and each financial year thereafter. However, such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividends in such manner or declare or pay dividends at all. On 24 January 2010, we declared the Contingent Dividend to the Pre-IPO Ordinary Shareholders to be paid out of part of the net proceeds of the Global Offering. For details regarding the Contingent Dividend, please refer to "— Contingent Dividend Based on Distributable Profits as of 31 December 2009" above. The Contingent Dividend was declared on a one-time basis.

The amount of the Contingent Dividend is not indicative of our future profits or the dividends that we may declare or pay in the future. See "Risk Factors — Risks Relating to Our Shares and the Global Offering — We cannot assure you that we will declare dividends in the future" in the Prospectus. Cash dividends on our Shares, if any, will be paid in HK dollars.

RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

During the Track Record Period, we incurred certain related party transactions. See "Reorganisation", "Relationship with Our Controlling Shareholders", "Connected Transactions" and Notes 28 and 39 of Appendix I to this Prospectus for more information on the related party transactions entered between us and our related parties. We expect that the related party transactions, excluding our exempted continuing connected transactions with Mr. Rubo Li, will be terminated immediately upon the completion of the Global Offering.

DISTRIBUTABLE RESERVES

As of 31 July 2009, the Company has no distributable reserves. As of the date of declaration of the contingent dividend on 24 January 2010, the distributable reserves of the Company are expected to be no less than approximately US$63.2 million (equivalent to approximately HK$489.9 million), including US$57.6 million in dividends (equivalent to approximately HK$446.4 million) for the period from 16 May 2006 to 31 December 2008 declared by TJCC IMM Jiamusi to us and US$29.3 million dividend (equivalent to approximately HK$227.1 million) for the year ended 31 December 2009 declared by TJCC IMM Jiamusi to us, and after taking into account certain estimated expenses of the Company.

MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position since 31 July 2009 (being the date to which our Company's latest consolidated audited financial results were prepared) and there is no event since 31 July 2009 which would materially affect the information shown in the Accountants' Report of International Mining Machinery Holdings Limited set out in Appendix I to this Prospectus.

WAIVER FROM RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES ORDINANCE

Rule 4.04(1) of the Listing Rules stipulates that our Company is required to include in this Prospectus an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this Prospectus.

Paragraph 27 of Part I of the Third Schedule to the Companies Ordinance requires our Company to set out in this Prospectus a statement as to, *inter alia*, the gross trading income or sales turnover during the three years preceding the date of this Prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance requires our Company to include in this Prospectus a report by the auditors with respect to, *inter alia*, the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this Prospectus.

The Accountants' Report of our Group for the period from 12 April 2006 (date of incorporation of the Company), to 31 December 2006, each of the two financial years ended 31 December 2007 and 2008 and the seven months ended 31 July 2009 has been prepared and is set forth in Appendix I to this Prospectus. However, strict compliance with Rule 4.04 of the Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would create undue burden on us, as there would not be sufficient time for us and the Reporting Accountants to finalise the audited financial statements for the full financial year ended 31 December 2009 for inclusion in this Prospectus.

In such circumstances, an application has been made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such a waiver has been granted by the Hong Kong Stock Exchange on condition that (i) the Listing Date will not be more than three months after the latest financial year-end, i.e. by 31 March 2010; and (ii) Rule 8.06 of the Listing Rules is to be complied with, in that the latest financial period reported on by the Reporting Accountants of our Company as set out in the Accountants' Report in Appendix I to this Prospectus shall not end more than six months before the date of this Prospectus.

An application has also been made to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance in relation to the inclusion of the Accountants' Report for the full financial year ended 31 December 2009 in this Prospectus on the ground that it would be unduly burdensome for the Company to do so within a short period of time after 31 December 2009 and a certificate of exemption has been granted by the SFC under section 342(A) of the Companies Ordinance subject to the conditions that particulars of the exemption are set out in this Prospectus and this Prospectus is issued on or before 29 January 2010.

Our Directors have confirmed that they have performed sufficient due diligence on our Group to ensure that, up to the date of this Prospectus, there has been no material adverse change in the financial position or prospects of our Group since 31 July 2009 and that there is no event since 31 July 2009 which would adversely and materially affect the information shown in the Accountants' Report of our Group as set forth in Appendix I to this Prospectus. The Directors consider that all information that is reasonably necessary for our potential investors to make an informed assessment of our activities and financial position has been included in this Prospectus, and the granting of such exemption is unlikely to prejudice the interest of our potential investors. Any material event which has arisen since 31 July 2009 has been disclosed under the section headed "Subsequent Event" in section III of the Accountants' Report set out in Appendix I to this Prospectus.