The following is the full text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

29 January 2010

The Board of Directors
International Mining Machinery Holdings Limited
UBS AG, Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information of International Mining Machinery Holdings Limited (formerly known as "TJCC IMM Holdings Ltd.", the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated cash flow statements of the Group for the period from 12 April 2006 (date of incorporation) to 31 December 2006 and each of the two years ended 31 December 2007 and 2008 and the seven-month period ended 31 July 2009 (the "Relevant Periods"), the consolidated and company statements of financial position as at 31 December 2006, 2007 and 2008 and 31 July 2009, and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), and the financial information for the seven-month period ended 31 July 2008 (the "31 July 2008 Financial Information"), for inclusion in the Prospectus of the Company dated 29 January 2010 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was incorporated in the Cayman Islands on 12 April 2006 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, for the purpose of acting as a holding company of the subsidiaries now comprising the Group, details of which are set out in Note 1 of Section II below.

As at the date of this report, no statutory audited financial statements have been prepared by the Company and the subsidiaries incorporated in the Cayman Islands and Mauritius since their respective dates of incorporation as there is no statutory requirement for them to provide statutory audited financial statements. We have, however, performed our own independent audit of all relevant transactions of the Company and these subsidiaries for the Relevant Periods. The statutory audited financial statements of the Company's subsidiaries established in Mainland China, the People's Republic of China (the "PRC"), were prepared in accordance with the relevant accounting principles and financial regulations applicable to the respective companies and were audited by auditors other than Ernst & Young, Certified Public Accountants, Hong Kong, the details of which are set out in Note 5 of Section II below.

The directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB") (the "IFRS Financial Statements"), which were audited by Ernst & Young Hua Ming.

The Financial Information has been prepared by the Directors based on the IFRS Financial Statements and in accordance with IFRSs.

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion based on our audit on the Financial Information and to express a conclusion on financial information for 31 July 2008 Financial Information based on our review.

Procedures performed in respect of the Financial Information

For the purpose of this report, we have carried out an independent audit on the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs"), and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). No adjustments were deemed necessary to the IFRS Financial Statements in preparing this Accountants' Report for inclusion in the Prospectus.

Procedures performed in respect of the 31 July 2008 Financial Information

For the purpose of this report, we have also performed a review of the 31 July 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 July 2008 Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information for the Relevant Periods gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December

2006, 2007 and 2008 and 31 July 2009 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the 31 July 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 July 2008 Financial Information is not prepared, in all material aspects, in accordance with IFRSs.

I. FINANCIAL INFORMATION

Consolidated income statements

	Notes	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	7	545,878	857,633	1,279,693	702,624	873,018
Cost of sales		(301,898)	(504,387)	(804,564)	(424,730)	(546,858)
Gross profit		243,980	353,246	475,129	277,894	326,160
Other income and gains	7	17	5,570	7,743	5,014	1,254
Selling and distribution costs		(36,091)	(72,695)	(118,250)	(54,290)	(57,472)
Administrative expenses		(128,220)	(130,163)	(167,802)	(101,657)	(88,578)
Other expenses		(15,328)	(14,567)	(10,023)	(6,076)	(6,578)
Finance revenue	8	1,858	4,703	14,646	7,388	10,290
Finance costs	8	(6,603)	(7,314)	(17,058)	(10,624)	(10,211)
Share of profit/(loss) of associates	21	—	142	767	(63)	(24)
PROFIT BEFORE TAX	9	59,613	138,922	185,152	117,586	174,841
Income tax — income/(expense)	11	583	10,891	(38,990)	(22,669)	(36,401)
PROFIT FOR THE PERIOD/YEAR		60,196	149,813	146,162	94,917	138,440
Attributable to:						
Equity holders of the parent		60,196	151,436	150,354	96,162	135,643
Minority interests		—	(1,623)	(4,192)	(1,245)	2,797
		60,196	149,813	146,162	94,917	138,440
Earnings per share — Basic	13	0.08	0.19	0.19	0.12	0.17

Consolidated statements of comprehensive income

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the period/year	60,196	149,813	146,162	94,917	138,440
Other comprehensive income:					
Exchange realignment	9,008	29,101	31,335	29,120	164
Total comprehensive income for the period/year	69,204	178,914	177,497	124,037	138,604
Attributable to:					
Equity holders of the parent	69,204	180,537	181,689	125,282	135,807
Minority interests	—	(1,623)	(4,192)	(1,245)	2,797
	69,204	178,914	177,497	124,037	138,604

Consolidated statements of financial position

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	230,025	282,732	279,340	264,119
Land use rights	16	132,897	129,773	126,649	142,650
Goodwill	19	101,203	101,203	101,203	101,203
Other intangible assets	17	52,002	40,116	48,909	40,001
Available-for-sale investments	18	—	7,500	7,500	7,500
Investments in associates	21	500	642	21,281	20,932
Deferred tax assets	22	10,752	8,959	10,257	8,041
Prepayments, deposits and other receivables	25	1,147	1,886	38,674	27,298
		528,526	572,811	633,813	611,744
CURRENT ASSETS					
Inventories	23	202,136	324,805	413,645	360,287
Trade and bills receivables	24	381,849	595,606	719,689	1,022,267
Prepayments, deposits and other receivables	25	26,872	59,235	70,135	56,802
Cash and cash equivalents	26	138,472	95,698	80,933	175,693
Amount due from a shareholder	27	—	19,560	19,181	19,684
Amounts due from related parties	28	7,836	122,761	221,799	272,329
		757,165	1,217,665	1,525,382	1,907,062
CURRENT LIABILITIES					
Interest-bearing loans	30	96,332	120,452	113,760	250,221
Trade and bills payables	31	194,320	315,463	418,413	469,742
Other payables and accruals	32	283,234	307,071	321,120	279,615
Tax payable		78,414	66,974	52,881	30,075
Amount due to holding company	29	—	74,632	126,760	160,231
Amounts due to shareholders	27	321	205	156	85
Amounts due to related parties	28	1,830	41,296	64,108	75,928
Preference shares	34	—	—	—	600,903
		654,451	926,093	1,097,198	1,866,800
NET CURRENT ASSETS		102,714	291,572	428,184	40,262
TOTAL ASSETS LESS CURRENT LIABILITIES		631,240	864,383	1,061,997	652,006
NON-CURRENT LIABILITIES					
Deferred tax liabilities	22	54,984	42,300	49,395	54,980
Preference shares	34	499,757	541,158	554,180	—
		554,741	583,458	603,575	54,980
Net Assets		76,499	280,925	458,422	597,026
EQUITY					
Equity attributable to equity holders of the parent:					
Ordinary share capital	33	73	78	78	78
Reserves	35	76,426	257,464	439,153	574,960
		76,499	257,542	439,231	575,038
Minority interests		—	23,383	19,191	21,988
Total Equity		76,499	280,925	458,422	597,026

Consolidated statements of changes in equity

	Equity attributable to equity holders of the parent							
	Ordinary share capital	Share premium account	Statutory reserve fund	Retained earnings	Exchange fluctuation reserve	Total	Minority interests	Total equity
	RMB'000 (Note 33)	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At date of incorporation, 12 April 2006	—	—	—	—	—	—	—	—
Issue of shares	73	7,222	—	—	—	7,295	—	7,295
Total comprehensive income for the period	—	—	—	60,196	9,008	69,204	—	69,204
Transfer from retained earnings	—	—	10,092	(10,092)	—	—	—	—
As at 31 December 2006 and 1 January 2007	73	7,222	10,092	50,104	9,008	76,499	—	76,499
Issue of shares	5	501	—	—	—	506	—	506
Total comprehensive income for the year	—	—	—	151,436	29,101	180,537	(1,623)	178,914
Incorporation of a subsidiary	—	—	—	—	—	—	25,006	25,006
Transfer from retained earnings	—	—	15,890	(15,890)	—	—	—	—
As at 31 December 2007 and 1 January 2008	78	7,723	25,982	185,650	38,109	257,542	23,383	280,925
Total comprehensive income for the year	—	—	—	150,354	31,335	181,689	(4,192)	177,497
As at 31 December 2008 and 1 January 2009	78	7,723	25,982	336,004	69,444	439,231	19,191	458,422
Total comprehensive income for the period	—	—	—	135,643	164	135,807	2,797	138,604
As at 31 July 2009	78	7,723	25,982	471,647	69,608	575,038	21,988	597,026
As at 1 January 2008	78	7,723	25,982	185,650	38,109	257,542	23,383	280,925
Total comprehensive income for the period	—	—	—	96,162	29,120	125,282	(1,245)	124,037
As at 31 July 2008	78	7,723	25,982	281,812	67,229	382,824	22,138	404,962

Consolidated cash flow statements

	Notes	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		59,613	138,922	185,152	117,586	174,841
Adjustments for:						
Depreciation of items of property, plant and equipment	9	14,462	27,902	32,854	18,757	18,453
Amortisation of land use rights	9	1,953	3,124	3,124	1,823	1,972
Amortisation of other intangible assets	9	7,429	11,886	15,269	6,934	8,908
(Gain)/loss on disposal of items of property, plant and equipment	9	871	5	(463)	(92)	1,034
Write-down/(reversal) of inventories to net realisable value	9	3,505	2,286	(1,948)	3,453	(13,550)
Provision for impairment of trade receivables	9	11,558	54	835	—	766
Finance costs	8	6,603	7,314	17,058	10,624	10,211
Finance revenue	8	(1,858)	(4,703)	(14,646)	(7,388)	(10,290)
Share of (loss)/profit of associates		—	(142)	(767)	63	24
		104,136	186,648	236,468	151,760	192,369
(Increase) in trade and bills receivables		(66,283)	(205,011)	(124,918)	(186,572)	(303,344)
Decrease/(increase) in prepayments, deposits and other receivables		19,213	(32,363)	(10,900)	(65,990)	11,106
Decrease/(increase) in inventories		4,565	(112,625)	(86,892)	(59,252)	66,908
Increase in trade payables		42,544	121,143	102,950	158,658	51,329
(Decrease)/increase in other payables and accruals		(23,268)	50,001	64,522	100,184	(41,338)
Increase in amount due to holding company		—	74,632	52,128	48,513	33,471
Increase in amounts due to related parties and shareholders		2,151	39,350	22,763	7,720	11,749
		83,058	121,775	256,121	155,021	22,250
Income tax paid		(27,343)	(11,440)	(47,286)	(28,326)	(51,406)
Net cash inflow/(outflow) from operating activities		55,715	110,335	208,835	126,695	(29,156)

Consolidated cash flow statements — (Continued)

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of items of property, plant and equipment	(32,575)	(70,713)	(66,994)	(44,742)	(10,240)
Purchase of items of intangible assets	—	—	(24,062)	—	—
Purchase of associates	(500)	—	(20,000)	—	—
Proceeds from disposal of items of property, plant and equipment	928	2,886	1,206	97	1,930
Acquisition of subsidiaries	(298,269)	—	—	—	—
Purchases of available-for-sale investments	—	(7,500)	—	—	—
Increase in amounts due from related parties	(6,891)	(109,725)	(98,718)	(84,222)	(40,828)
(Increase)/decrease in amount due from a shareholder	—	(19,560)	379	735	(503)
Interest received	1,858	2,079	2,037	1,197	589
Net cash outflow from investing activities	(335,449)	(202,533)	(206,152)	(126,935)	(49,052)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from capital contribution — equity holders of the parent	507,052	41,908	—	—	46,719
New bank loans	20,000	84,000	81,060	92,861	253,523
Repayment of bank loans	(101,298)	(68,680)	(87,752)	(115,452)	(117,062)
Interest paid	(6,603)	(5,228)	(10,449)	(10,624)	(10,211)
Net cash inflow/(outflow) from financing activities	419,151	52,000	(17,141)	(33,215)	172,969
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	139,417	(40,198)	(14,458)	(33,455)	94,761
Cash and cash equivalents at incorporation date/at beginning of year/period	—	138,472	95,698	95,698	80,933
Effect of foreign exchange rate changes	(945)	(2,576)	(307)	(290)	(1)
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	138,472	95,698	80,933	61,953	175,693

Statements of financial position of the Company

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Investments in subsidiaries	20	369,857	345,981	323,719	323,610
CURRENT ASSETS					
Cash and cash equivalents	26	71,021	8,212	1,617	5,458
Amounts due from subsidiaries	28	1,098	77,851	79,509	128,862
Amount due from a shareholder	27	—	19,560	19,181	19,684
Amounts due from related parties	28	7,836	122,761	210,960	244,508
		79,955	228,384	311,267	398,512
CURRENT LIABILITIES					
Amount due to a holding company	29	—	74,632	126,760	160,231
Amounts due to shareholders	27	321	205	156	85
Amount due a related party	28	1,830	19,974	35,775	45,727
Preference shares	34	—	—	—	600,903
		2,151	94,811	162,691	806,946
NET CURRENT ASSETS / (LIABILITIES)		77,804	133,573	148,576	(408,434)
TOTAL ASSETS LESS CURRENT LIABILITIES		447,661	479,554	472,295	(84,824)
NON-CURRENT LIABILITIES					
Preference shares	34	499,757	541,158	554,180	—
Net liabilities		(52,096)	(61,604)	(81,885)	(84,824)
EQUITY					
Ordinary share capital	33	73	78	78	78
Reserves	35	(52,169)	(61,682)	(81,963)	(84,902)
Total deficits		(52,096)	(61,604)	(81,885)	(84,824)

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 12 April 2006 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the manufacture and sale of mining machinery in Mainland China. The registered office of the Company is located at Walker House, PO Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands.

On 14 April 2006, the Company acquired the entire issued share capital of International Mining Machinery Limited, a company incorporated in Mauritius ("IMM Mauritius"). On 16 May 2006, IMM Mauritius acquired the entire equity interests of Jiamusi Coal Mining Machinery Co., Ltd. ("Jiamusi Machinery") and Jixi Coal Mining Machinery Co., Ltd. ("Jixi Machinery"), companies registered in the PRC, from Heilongjiang Coal Mining Machinery Group Co., Ltd. ("HCMMG"). Pursuant to the acquisition above, Jiamusi Machinery and Jixi Machinery became wholly-owned subsidiaries of the Company, as set out in Note 5 of Section II below.

In the opinion of the Directors, the Company's holding company is TJCC Holdings Ltd., which was incorporated in the Cayman Islands. TJCC Holdings Ltd.'s controlling shareholder is The Resolute Fund, L.P., which is a limited partnership, established under the laws of the state of Delaware in the United States. The Jordan Company, L.P., which was incorporated in the state of Delaware in the United States, manages The Resolute Fund, L.P.

2. BASIS OF PREPARATION

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the costs of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

For the consolidated Financial Information, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

The Financial Information has been prepared in accordance with IFRSs which comprise standards and interpretations approved by the IASB that are applicable to the Relevant Periods and the disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. NET CURRENT LIABILITIES

As at 31 July 2009, the net current liabilities and deficit in assets of the Company amounted to RMB408,434,000 and RMB84,824,000, respectively. The Directors have prepared the Financial

Information on a going concern basis notwithstanding the net current liabilities and deficit in assets of the Company because the holding company, TJCC Holdings Ltd. has undertaken to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due. The Directors confirm that the financial support from the holding company will discontinue upon listing.

Pursuant to the resolutions of the directors of TJCC IMM Jiamusi Holdings Ltd. ("TJCC IMM Jiamusi") passed on 23 December 2009 and 31 December 2009, TJCC IMM Jiamusi declared special dividends of US$15,821,000 (equivalent to approximately RMB108,087,000) and US$41,814,000 (equivalent to approximately RMB285,669,000), respectively, to the Company.

4.1 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in this Financial Information.

IFRS 1 (Revised)	*First-time Adoption of IFRSs*[1]
IFRS 3 (Revised)	*Business Combinations*[1]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
IFRIC 17	*Distributions of Non-cash Assets to Owners*[1]
IFRIC 18	*Transfers of Assets from Customers*[2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[3]
IAS 32 Amendment	*Classifications of Rights Issues*[4]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[5]
IAS 24 (Revised)	*Related Party Transactions*[6]
IFRIC 14	*Prepayments of a Minimum Funding Requirement*[6]
IFRS 9	*Financial Instruments*[7]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfer of assets from customers received on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the IASB has also issued *Improvements to IFRSs 2009** which sets out amendments to a number of IFRSs resulting from its annual improvements project published in April 2009. Except for the amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 which are effective for annual periods beginning on or after 1 July 2009, the remaining amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first time-time adopters. As the Group is not a first-time adopter of IFRS, the amendments will not have any financial impact on the Group.

* The improvements to IFRSs 2009 includes amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16.

The IFRS 1 Amendments provide relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the exiting exemption relating to decommissioning liabilities has also been revised. The amendments will not have any material financial impact on the Group.

The revised IFRS 3 introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. The changes introduced by the revised IFRS 3 and revised IAS 27 are to be applied prospectively and will affect the accounting of future acquisitions and transactions with minority interests.

The amendment to IAS 39 addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

IFRIC 17 standardises practice in the accounting for all non-reciprocal distributions of non-cash assets to owners. This new interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The interpretation is unlikely to have any material financial impact on the Group.

IFRIC 18 provides guidance on the accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. As the Group has no transfers of assets from customers during the Relevant Periods, the interpretation is unlikely to have any significant financial impact on the Group.

The amendments to IFRS 2 clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements. The amendments to IFRS 2 also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 — Group and Treasury Share Transactions*.

The IAS 32 Amendment revises the definition of financial liabilities such that right, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. As the Group currently has no such rights, options or warrants in issue, the amendments is unlikely to have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of financial liability are renegotiated and resulted in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not renegotiated the terms of a financial liability and issued equity to settle the financial liability, the interpretation is unlikely to have any material financial impact on the Group.

The revised IAS 24 clarifies and simplifies the definition of a related party. The revised standard also provides a partial exemption for government-related entities to disclose details of all transactions and balances with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The revision is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendment requires an equity which is subject to minimum funding requirements to treat the benefit of an early payment for future services as a pension asset. The revision is unlikely to have any financial impact on the Group.

The new IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. It will be effective for annual periods beginning on or after 1 January 2013, with early adoption permitted.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs and IFRICs upon initial application. Except for the Revised IFRS 3 and IAS 27 which will have an impact on future business combinations and transactions with minority interests and IFRS 9, the Group anticipates that these new and revised IFRSs and IFRICs are unlikely to have any significant impact on the Group's results of operations and financial position.

4.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the Financial Information set out in this report, which conforms with IFRSs, are set out below:

These policies have been consistently applied to all the years/periods presented.

Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combination to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statements to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment loss. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statements and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition. Goodwill arising on acquisition is recognised in the consolidated statements of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identifiable asset on the consolidated statements of financial position. The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within the unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred and the title has been passed to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) Rendering of services

Revenue from the rendering of services is recognised when such services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity; and *(c) Interest income*

Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, *i.e.*, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the income statements in the period in which they are incurred.

Foreign currencies

The Financial Information is presented in Renminbi ("RMB"), which is the Company's presentation currency. Each entity within the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are initially recorded using the functional currency rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas entities within the Group are currencies other than RMB. As at the reporting date, the assets and liabilities of these entities are translated into RMB at the exchange rates ruling at the reporting date and, their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statements.

For the purpose of the consolidated cash flow statements, the cash flows of overseas entities within the Group are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequent recurring cash flows of overseas entities within the Group which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statements over the expected useful life of the relevant asset by equal annual instalments.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statements or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward 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 carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Dividends

Dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statements in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 to 40 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statements in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery under construction or installation and testing which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life 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 reporting date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets include customer bases which were acquired through acquisitions of subsidiaries and are recognised according to their fair values on the acquisition date. Customer bases are amortised over their estimated useful lives of five years based on management's estimates.

A summary of the policies applied to the Group's intangible assets is as follows:

	Customer bases	**Patents**	**Know how**
Useful lives	5 years	8 years	5 years
Amortisation method used	Amortised on a straight line basis over the life of customer base	Amortised on a straight line basis over the life of the patent	Amortised on a straight line basis over the life of the Know how
Internally generated or acquired	Acquired	Acquired	Acquired

Research and development costs

All research costs are charged to the income statements as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Land use rights

Land use rights are stated at cost less accumulated amortisation and any impairment losses. Land use rights are amortised on the straight-line basis over the lease terms of 50 years.

Impairment of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined, net of depreciation/amortisation had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statements in the period in which it arises.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the reporting date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on these financial assets are recognised in the income statements. The net fair value gain or loss recognised in the income statements do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" above.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statements when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statements.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (*i.e.*, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statements. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated income statements, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statements.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statements.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- ➢ the rights to receive cash flows from the asset have expired;
- ➢ the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- ➢ the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, an amount due to holding company, amounts due to related parties and interest-bearing bank loans are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statements.

Gains and losses are recognised in the consolidated income statements when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statements. The net fair value gain or loss recognised in the income statements does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statements.

Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of statements of financial position, cash and cash equivalents comprise cash on hand and at banks and term deposits, which are not restricted as to use.

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.

Net realisable value is based on estimated selling prices, less estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is included in finance cost in the income statements.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company, other than legal title, are accounted for as finance leases. At the inception of finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated income statements so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to the income statements on the straight-line basis over the lease terms.

Retirement benefits

Obligatory retirement benefits in the form of contributions under a defined contribution retirement scheme administered by local government agencies are charged to the income statements as incurred.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

(i) Impairment of goodwill

The Group determines 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 the Group 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 units fail to sustain the estimated growth. The carrying amount of goodwill as at 31 December 2006, 2007 and 2008 and 31 July 2009 was RMB101,203,000. Further details are given in Note 19.

(ii) 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 judgement and estimates. Provision is made when there is objective evidence that the Group 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.

(iii) 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 Note 3.2: Impairment of non-financial assets other than goodwill. The recoverable amount of an asset, or, where appropriate, the cash-generating unit to which it belongs, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group 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.

(iv) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its 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 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.

(v) Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its 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 reporting date.

(vi) Net realisable value of inventories

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature which could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each reporting date.

(vii) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward 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 carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement 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.

(viii) Warranty expenses

The Group offers a twelve-month warranty for its products, during which free warranty service for the repair and maintenance of parts or components under normal usage is provided to customers. Management estimates warranty provisions based on historical cost data for repairs and maintenance and sales.

5. PARTICULARS OF COMPANIES COMPRISING THE GROUP AND ASSOCIATES

Particulars of the companies comprising the Group and associates at 31 July 2009 are set out below:

Name of company	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital	Attributable equity interest of the Company		Principal activities
			Direct	Indirect	
			%	%	
Subsidiaries					
International Mining Machinery Limited[(1)]	Mauritius 14 April 2006	US$1	100	—	Investment holding
TJCC IMM Siwei Holdings Ltd.[(1)]	Cayman Islands 16 February 2007	US$1	100	—	Investment holding
TJCC IMM Jiamusi Holdings Ltd.[(1)]	Cayman Islands 26 January 2007	US$1	100	—	Investment holding
TJCC IMM Jixi Holdings Ltd.[(1)]	Cayman Islands 26 January 2007	US$1	100	—	Investment holding
TJCC IMM AFC Holdings Ltd.[(1)]	Cayman Islands 16 February 2007	US$1	100	—	Investment holding
International Mining Machinery Jiamusi Holdings Limited[(2)]	Hong Kong 31 January 2007	HK$10	—	100	Investment holding
International Mining Machinery Jixi Holdings Limited[(2)]	Hong Kong 31 January 2007	HK$10	—	100	Investment holding
International Mining Machinery AFC Holdings Limited[(2)]	Hong Kong 22 February 2007	HK$10	—	100	Investment holding
Jiamusi Coal Mining Machinery Co., Ltd.[(3)(a)]	PRC/Mainland China 4 September 2002	RMB69,980,000	—	100	Manufacture and sale of coal mining machinery
Jixi Coal Mining Machinery Co., Ltd.[(3)(a)]	PRC/Mainland China 19 September 2001	RMB92,380,000	—	100	Manufacture and sale of coal mining machinery
Huainan Long Wall Coal Mining Machinery Co., Ltd.[(4)(b)]	PRC/Mainland China 27 June 2007	RMB100,000,000	—	75	Manufacture and sale of coal mining machinery

Name of company	Place and date of incorporation/ registration and operations	Nominal value of registered/ paid-up capital	Attributable equity interest of the Company Direct	Indirect	Principal activities
			%	%	
Associates					
Huainan Shunli Coal Mining Machinery Repairing Co., Ltd.(5)(c)	PRC/Mainland China 29 November 2006	RMB2,000,000	—	25	Repair service for coal mining machinery
Neimenggu Tianlong Coal Mining Machinery Repairing Co., Ltd.(6)(d)	PRC/Mainland China 17 July 2008	RMB100,000,000	—	20	Repair service for coal mining machinery

Notes:

(1) No audited financial statements have been prepared for companies incorporated in the Cayman Islands and Mauritius, as they are not subject to any statutory audit requirements in their jurisdictions of establishment.

(2) The statutory financial statements for the period/year ended 31 December 2007 and 2008 were audited by Ernst & Young, Certified Public Accountants registered in Hong Kong.

(3) The statutory financial statements for the years ended 31 December 2006, 2007 and 2008 were audited by Heilongjiang Donglian Certified Public Accountants Co., Ltd. (黑龍江東聯會計師事務所有限公司), Certified Public Accountants registered in Mainland China.

(4) The statutory financial statements for the period/year ended 31 December 2007 and 2008 were audited by Huainan Jiusheng Certified Public Accountants (淮南九盛會計師事務所), Certified Public Accountants registered in Mainland China.

(5) The statutory financial statements for the years ended 31 December 2007 and 2008 were audited by Anhui Zhongxin Certified Public Accountants (安徽眾信會計師事務所), Certified Public Accountants registered in Mainland China.

(6) The statutory financial statements for the period ended 31 December 2008 were audited by Eerduosi Hongzheng Certified Public Accountants (鄂爾多斯鴻正會計師事務所), Certified Public Accountants registered in Mainland China.

* The English names of the subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(a) On 16 May 2006, the Group acquired a 100% equity interest in Jiamusi Machinery and Jixi Machinery from HCMMG for a total consideration of RMB361,268,000. The results of Jixi Machinery and Jiamusi Machinery were consolidated from the date of acquisition. Although Jiamusi Machinery and Jixi Machinery were re-registered as Foreign-investment Enterprises ("FIEs") on 11 April 2006 and 10 April 2006 respectively, the acquisition was not completed until 16 May 2006, when all the terms set out in the equity transfer agreement dated 30 December 2005 signed between HCMMG and the Group were fulfilled.

(b) On 5 June 2007, International Mining Machinery AFC Holdings Limited ("IMM AFC"), a wholly-owned subsidiary of the Group, entered into an agreement with Huainan Benniu Machinery Co., Ltd. ("Benniu"), to establish Huainan Long Wall Coal Mining Machinery Co., Ltd. ("Huainan Long Wall") which is principally engaged in the manufacture and sale of armoured-face conveyors. Huainan Long Wall was registered as a FIE in accordance with the PRC Corporation Law on 27 June 2007. The Group contributed RMB75,000,000 in cash and owns a 75% equity interest in Huainan Long Wall. Benniu contributed machinery, equipment and inventories valued at RMB25,000,000 and owns a 25% equity interest in Huainan Long Wall. On 3 December 2009, IMM AFC, entered into an equity transfer agreement with Benniu in respect of the acquisition of the remaining 25% equity interest in Huainan Long Wall for a purchase consideration of RMB51,400,000. Huainan Long Wall will become a wholly-owned subsidiary of the Group upon successful completion of the acquisition.

(c) On 26 September 2006, the Group entered into an agreement with Huainan Shunli Machinery Co., Ltd. and Hefei Bosenfu Trade Co., Ltd. to establish Huainan Shunli Coal Mining Machinery Repairing Co., Ltd. which is principally engaged in the repaired services of coal mining machineries and was registered as a limited liability company in accordance with the PRC Corporation Law. The Group contributed RMB500,000 in cash and owns a 25% equity interest in Huainan Shunli Coal Mining Machinery Repairing Co., Ltd.. Huainan Shunli Machinery Co., Ltd. and Hefei Bosenfu Trade Co., Ltd. contributed RMB800,000 and RMB700,000 and own a 40% and 35% equity interest in Huainan Shunli Coal Mining Machinery Repairment Co., Ltd., respectively.

(d) On 17 July 2008, the Group entered into an agreement with Shendong Tianlong Group Co., Ltd. and China Coal Mine Machinery Equipment Co., Ltd., to establish Neimenggu Tianlong Coal Mining Machinery Repairing Co., Ltd. ("NTCMMR") which is principally engaged in the repaired services of coal mining machinery and was registered as a limited liability company in accordance with the PRC Corporation Law. The Group contributed RMB20,000,000 in cash and owns a 20% equity interest in NTCMMR. Shendong Tianlong Group Co., Ltd. and China Coal Mine Machinery Equipment Co., Ltd. contributed RMB60,000,000 and RMB20,000,000 and own 60% and 20% equity interest in NTCMMR, respectively.

6. SEGMENT INFORMATION

The group is organised into three business units based on their products and services and has three reportable operating segments as follows:

(a) Roadheader products and aftermarket parts and services

Engaged in design, manufacture and sales of roadheader products and aftermarket services which include onsite service repairs, overhaul and supply of spare parts to customers.

(b) Shearer products and aftermarket parts and services

Engaged in design, manufacture and sales of shearer products and aftermarket services which include onsite service repairs, overhaul and supply of spare parts to customers.

(c) Armoured-face conveyors and related products and aftermarket parts and services

Engaged in manufacture and sales of armoured-face conveyors and related spare parts and aftermarket services which include onsite service repairs, overhaul and supply of spare parts to customers.

No operating segments have been aggregated to form the above reportable operating segments.

Segment profit or loss represents the profit or loss earned by each segment without allocation of central administration costs, directors' remuneration, certain financing costs (including finance revenue and finance costs) and income tax. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

As the chief operating decision maker of the Group considers that most of the Group's consolidated revenue and results are attributable to the market in the PRC, the Group's consolidated assets are substantially located inside the PRC, no geographical information is presented.

The reportable segment's measure of profit or loss and revenues and the reconciliations of the reported segment results to the Group's profit or loss and revenues for the period from 12 April 2006 (date of incorporation) to 31 December 2006 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	295,982	249,896	—	545,878
Inter-segment revenue	—	—	—	—
Revenue	295,982	249,896	—	545,878
Segment profit	87,682	34,743		122,425
Unallocated operating costs*				(62,812)
Profit before income tax				59,613
Income tax				583
Profit for the period				60,196
Items included in the measure of segment profit:				
Research and development costs	2,379	9,973	—	12,352
Depreciation of items of property, plant and equipment	7,216	7,246	—	14,462
Amortisation of land use rights	969	984	—	1,953
Amortisation of other intangible assets	6,190	1,239	—	7,429
Impairment of trade receivables	3,192	8,366	—	11,558
Write-down of inventories to net realisable value	1,370	2,135	—	3,505
Product warranty provision	1,318	4,323	—	5,641
Loss on disposal of items of property, plant and equipment	124	747	—	871

* Unallocated operating costs mainly represent central administration costs, directors' remuneration and certain financing costs (including finance revenue and finance costs) which are managed on a group basis and are not allocated to operating segments.

The reportable segment's measure of profit or loss and revenues and the reconciliations of the reported segment results to the Group's profit or loss and revenues for the year ended 31 December 2007 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	511,555	346,078	—	857,633
Inter-segment revenue	—	—	—	—
Revenue	511,555	346,078	—	857,633
Segment profit or (loss)	142,220	23,039	(6,493)	158,766
Unallocated operating costs*				(19,844)
Profit before income tax				138,922
Income tax				10,891
Profit for the year				149,813
Items included in the measure of segment profit:				
Research and development costs	9,991	16,435	—	26,426
Depreciation of items of property, plant and equipment	13,543	14,357	2	27,902
Amortisation of land use rights	1,549	1,575	—	3,124
Amortisation of other intangible assets	9,905	1,981	—	11,886
Impairment of trade receivables	—	54	—	54
Write-down of inventories to net realisable value	2,286	—	—	2,286
Product warranty provision	3,082	6,150	—	9,232
(Gain)/loss on disposal of items of property, plant and equipment	(161)	166	—	5

* Unallocated operating costs mainly represent central administration costs, directors' remuneration and certain financing costs (including finance revenue and finance costs) which are managed on a group basis and are not allocated to operating segments.

The reportable segment's measure of profit or loss and revenues and the reconciliations of the reported segment results to the Group's profit or loss and revenues for the year ended 31 December 2008 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	684,105	447,557	148,031	1,279,693
Inter-segment revenue	—	—	—	—
Revenue	684,105	447,557	148,031	1,279,693
Segment profit or (loss)	201,717	34,937	(17,818)	218,836
Unallocated operating costs*				(33,684)
Profit before income tax				185,152
Income tax				(38,990)
Profit for the year				146,162
Items included in the measure of segment profit:				
Research and development costs	14,543	10,298	1,412	26,253
Depreciation of items of property, plant and equipment	13,353	16,616	2,885	32,854
Amortisation of land use rights	1,549	1,575	—	3,124
Amortisation of other intangible assets	9,904	1,982	3,383	15,269
Impairment of trade receivables	204	631	—	835
Reversal of write-down of inventories to net realisable value	—	(1,948)	—	(1,948)
Product warranty provision	5,690	7,704	3,701	17,095
(Gain)/loss on disposal of items of property, plant and equipment	(677)	214	—	(463)

* Unallocated operating costs mainly represent central administration costs, directors' remuneration and certain financing costs (including finance revenue and finance costs) which are managed on a group basis and are not allocated to operating segments.

The reportable segment's measure of profit or loss and revenues and the reconciliations of the reported segment results to the Group's profit or loss and revenues for the seven-month period ended 31 July 2008 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Group
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Gross segment revenue	398,682	254,481	49,461	702,624
Inter-segment revenue	—	—	—	—
Revenue	398,682	254,481	49,461	702,624
Segment profit or (loss)	122,121	25,174	(5,128)	142,167
Unallocated operating costs*				(24,581)
Profit before income tax				117,586
Income tax				(22,669)
Profit for the period				94,917
Items included in the measure of segment profit:				
Research and development costs	7,804	6,671	601	15,076
Depreciation of items of property, plant and equipment	7,634	9,708	1,415	18,757
Amortisation of land use rights	904	919	—	1,823
Amortisation of other intangible assets	5,778	1,156	—	6,934
Impairment of trade receivables	—	—	—	—
Write-down of inventories to net realisable value	—	3,453	—	3,453
Product warranty provision	2,739	4,374	1,236	8,349
(Gain) on disposal of items of property, plant and equipment	(92)	—	—	(92)

* Unallocated operating costs mainly represent central administration costs, directors' remuneration and certain financing costs (including finance revenue and finance costs) which are managed on a group basis and are not allocated to operating segments.

The reportable segment's measure of profit or loss and revenues and the reconciliations of the reported segment results to the Group's profit or loss and revenues for the seven-month period ended 31 July 2009 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	475,879	235,706	161,433	873,018
Inter-segment revenue	—	—	—	—
Revenue	475,879	235,706	161,433	873,018
Segment profit	150,024	14,342	19,328	183,694
Unallocated operating costs*				(8,853)
Profit before income tax				174,841
Income tax				(36,401)
Profit for the period				138,440
Items included in the measure of segment profit:				
Research and development costs	7,603	8,293	921	16,817
Depreciation of items of property, plant and equipment	6,984	9,691	1,778	18,453
Amortisation of land use rights	904	918	150	1,972
Amortisation of other intangible assets	—	6,934	1,974	8,908
Impairment of trade receivables	—	766	—	766
Write-down/(reversal of write-down) of inventories to net realisable value	2,561	(16,111)	—	(13,550)
Product warranty provision	2,639	3,936	2,419	8,994
(Gain)/loss on disposal of items of property, plant and equipment	(89)	1,123	—	1,034

* Unallocated operating costs mainly represent central administration costs, directors' remuneration and certain financing costs (including finance revenue and finance costs) which are managed on a group basis and are not allocated to operating segments.

The segment assets and liabilities as at 31 December 2006 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	724,000	510,431	—	(28,253)	1,206,178
Unallocated assets					79,513
Total assets					1,285,691
Segment liabilities	313,199	422,338	—	(28,253)	707,284
Unallocated liabilities					501,908
Total liabilities					1,209,192

The segment assets and liabilities as at 31 December 2007 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-Face Conveyors and related products and aftermarket parts and services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	948,787	605,292	124,159	(38,885)	1,639,353
Unallocated assets					151,123
Total assets					1,790,476
Segment liabilities	386,955	494,788	30,640	(38,885)	873,498
Unallocated liabilities					636,053
Total liabilities					1,509,551

The segment assets and liabilities as at 31 December 2008 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-face conveyors and related products and aftermarket parts and services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,089,027	694,745	205,778	(62,659)	1,926,891
Unallocated assets					232,304
Total assets					2,159,195
Segment liabilities	357,953	559,187	129,029	(62,659)	983,510
Unallocated liabilities					717,263
Total liabilities					1,700,773

The segment assets and liabilities as at 31 July 2009 are as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Armoured-Face Conveyors and related products and aftermarket parts and services	Elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,203,291	799,746	317,264	(71,687)	2,248,614
Unallocated assets					270,192
Total assets					2,518,806
Segment liabilities	348,657	652,388	185,101	(71,687)	1,114,459
Unallocated liabilities					807,321
Total liabilities					1,921,780

Reportable segments' assets are reconciled to total assets as follows:

	31 December			31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,206,178	1,639,353	1,926,891	2,248,614
Unallocated assets				
Cash and cash equivalents	71,677	8,802	2,163	6,000
Amount due from a shareholder (note 27)	—	19,560	19,181	19,684
Amounts due from related parties	7,836	122,761	210,960	244,508
	79,513	151,123	232,304	270,192
Total assets per consolidated balance sheets	1,285,691	1,790,476	2,159,195	2,518,806

Reportable segments' liabilities are reconciled to total assets as follows:

	31 December			31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Segment liabilities	707,284	873,498	983,510	1,114,459
Unallocated liabilities				
Amount due to holding company (note 29)	—	74,632	126,760	160,231
Amounts due to shareholders (note 27)	321	205	156	85
Amounts due to related parties	1,830	19,974	35,775	45,727
Preference shares	499,757	541,158	554,180	600,903
Other corporate liabilities	—	84	392	375
	501,908	636,053	717,263	807,321
Total liabilities per consolidated balance sheets	1,209,192	1,509,551	1,700,773	1,921,780

Information about major customers

During the period from 12 April 2006 (date of incorporation) to 31 December 2006, the Group made sales to two customers of RMB70,570,000 and RMB68,971,000, respectively, which individually exceeded 10% of the Group's total revenue for that period.

During the year ended 31 December 2007, the Group made sales to three customers of RMB139,149,000, RMB103,708,000, and RMB94,936,000, respectively, which individually exceeded 10% of the Group's total revenue for that year.

During the year ended 31 December 2008, the Group made sales to one customer of RMB170,564,000, which individually exceeded 10% of the Group's total revenue for that year.

During the seven months ended 31 July 2009, the Group made sales to two customers of RMB119,937,000 and RMB115,466,000, respectively, which individually exceeded 10% of the Group's total revenue for that period.

During the seven months ended 31 July 2008 (unaudited), the Group made sales to one customer of RMB109,796,000, which individually exceeded 10% of the Group's total revenue for that period.

7. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold after various types of government surcharges, where applicable.

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Sale of Roadheader Products	263,673	414,642	571,897	341,659	419,174
Sale of Shearer Products	195,598	260,251	348,531	188,860	191,137
Sale of Armoured-face conveyors and related products	—	—	140,105	46,934	146,472
Aftermarket parts and services	86,607	182,740	219,160	125,171	116,235
	545,878	857,633	1,279,693	702,624	873,018
Other income and gains					
Waiver of unpaid trade debts by a creditor	—	2,325	303	—	—
Sale of scrap materials	—	2,873	5,819	3,964	825
Gain on disposal of items of property, plant and equipment	—	—	463	92	—
Others	17	372	1,158	958	429
	17	5,570	7,743	5,014	1,254

8. FINANCE REVENUE AND FINANCE COSTS

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance revenue					
Interest income	1,858	4,703	14,646	7,388	10,290
Finance costs					
Loan interest	5,503	4,866	14,495	8,767	9,290
Interest arising from discounted bills	1,100	2,448	2,563	1,857	921
Total finance costs	6,603	7,314	17,058	10,624	10,211

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold	301,566	500,861	802,596	423,238	541,221
Cost of services provided	332	3,526	1,968	1,492	5,637
Employee benefits expense (including directors remuneration as set out in Note 10)					
Wages and salaries	75,696	102,053	131,725	73,585	75,740
Pension scheme contributions	10,455	15,189	17,215	10,032	10,432
	86,151	117,242	148,940	83,617	86,172
Research and development costs	12,352	26,426	26,253	15,076	16,817
Auditors' remuneration	40	152	2,360	1,377	1,307
Depreciation of items of property, plant and equipment (Note 15)	14,462	27,902	32,854	18,757	18,453
Amortisation of land use rights (Note 16)	1,953	3,124	3,124	1,823	1,972
Amortisation of other intangible assets (Note 17)	7,429	11,886	15,269	6,934	8,908
Impairment of trade receivables (Note 24)	11,558	54	835	—	766
Minimum lease payments under operating lease	—	527	3,575	2,535	2,451
Write-down/(reversal) of inventories to net realisable value	3,505	2,286	(1,948)	3,453	(13,550)
Product warranty provision	5,641	9,232	17,095	8,349	8,994
Loss/(gain) on disposal of items of property, plant and equipment	871	5	(463)	(92)	1,034

10. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	12,419	11,071	8,748	4,969	5,375
Performance related bonuses*	5,572	3,074	554	554	2,356
Retirement benefit scheme contributions	—	—	—	—	—
	17,991	14,145	9,302	5,523	7,731

* Certain executive directors of the Company are entitled to a bonus payment which is determined as a percentage of the profit after tax of the Group.

(a) Executive directors

The remuneration of each of the directors for the period from 12 April 2006 (date of incorporation) to 31 December 2006 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
Thomas H. Quinn	—	—	—	—
Youming Ye	6,343	2,388	—	8,731
Kee-Kwan Allen Chan	4,957	1,592	—	6,549
John W. Jordan II	—	—	—	—
Emory Williams	373	796	—	1,169
David W. Zalaznick	—	—	—	—
Rubo Li a/k/a John Lee	746	796	—	1,542
	12,419	5,572	—	17,991

The remuneration of each of the directors for the year ended 31 December 2007 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
Thomas H. Quinn	—	—	—	—
Youming Ye	3,208	607	—	3,815
Kee-Kwan Allen Chan	6,164	1,897	—	8,061
John W. Jordan II	—	—	—	—
Emory Williams	562	190	—	752
David W. Zalaznick	—	—	—	—
Rubo Li a/k/a John Lee	1,137	380	—	1,517
	11,071	3,074	—	14,145

The remuneration of each of the directors for the year ended 31 December 2008 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
Thomas H. Quinn	—	—	—	—
Youming Ye	2,385	554	—	2,939
Kee-Kwan Allen Chan	5,194	—	—	5,194
John W. Jordan II	—	—	—	—
Emory Williams	130	—	—	130
David W. Zalaznick	—	—	—	—
Rubo Li a/k/a John Lee	1,039	—	—	1,039
	8,748	554	—	9,302

The remuneration of each of the directors for the seven-month period ended 31 July 2008 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Name of directors				
Thomas H. Quinn	—	—	—	—
Youming Ye	1,215	554	—	1,769
Kee-Kwan Allen Chan	3,094	—	—	3,094
John W. Jordan II	—	—	—	—
Emory Williams	130	—	—	130
David W. Zalaznick	—	—	—	—
Rubo Li a/k/a John Lee	530	—	—	530
	4,969	554	—	5,523

The remuneration of each of the directors for the seven-month period ended 31 July 2009 is set out below:

	Salaries, allowances and benefits in kind	Performance related bonuses	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
Thomas H. Quinn	—	—	—	—
Youming Ye	1,780	478	—	2,258
Kee-Kwan Allen Chan	2,990	854	—	3,844
John W. Jordan II	—	—	—	—
Emory Williams	6	—	—	6
David W. Zalaznick	—	—	—	—
Rubo Li a/k/a John Lee	599	1,024	—	1,623
	5,375	2,356	—	7,731

Except for Mr. Emory Williams and Mr. Rubo Li a/k/a John Lee, none of the executive directors of the Company received emoluments from the Group during the period from 12 April 2006 to 31 December 2006, the two years ended 31 December 2007, 2008 and period ended 31 July 2009. The emoluments of Mr. Youming Ye and Mr. Kee-Kwan Allen Chan are compensated by way of management fee payable by the Company to TJCC Services Ltd. ("TJCC Services"), part of which is related to their services arising from their individual capacity as senior management of the Company. Mr. Youming Ye and Mr. Kee-Kwan Allen Chan are also acting as the directors and shareholders of TJCC Services. The portion of the remuneration directly attributable to their services to the Company has been included in directors' remuneration.

Mr. Thomas H. Quinn, Mr. John W. Jordan II and Mr. David W. Zalaznick did not receive any remuneration from the Company but were remunerated by The Jordan Company, L.P. arising from their individual capacity as senior management of The Resolute Fund, L.P.

On 4 December 2009, Mr. Emory Williams resigned as a director of the Company.

There was no arrangement under which directors waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid employees

An analysis of the five highest paid employees within the Group during the Relevant Periods is as follows:

	Number of employees				
	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
				(unaudited)	
Directors	4	4	3	3	3
Non-directors	1	1	2	2	2
	5	5	5	5	5

Details of directors' remuneration are set out in Note 10(a) of Section II above.

Details of the remuneration of the above non-directors, highest paid employees are as follows:

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	771	2,239	3,449	2,117	1,903
Performance related bonuses	—	378	—	—	351
Retirement benefit scheme contributions	—	—	2	—	2
	771	2,617	3,451	2,117	2,256

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
				(unaudited)	
Nil to HK$1,000,000	1	—	—	1	1
HK$1,000,001 to HK$1,500,000	—	—	1	1	—
HK$1,500,001 to HK$2,000,000	—	—	—	—	1
Over HK$2,000,000	—	1	1	—	—
	1	1	2	2	2

During the Relevant Periods, no director or highest paid individual waived or agreed to waive any emoluments and no emoluments were paid by the Group to the non-directors and highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

11. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and Mauritius, the Group is not subject to any income tax in the Cayman Islands and Mauritius.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for Mainland China current income tax is based on statutory rate of 25% (2006 and 2007:33%) of the assessable profit of the Group as determined in accordance with PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are exempted for tax at preferential rates.

In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, Jiamusi Machinery and Jixi Machinery were exempted from corporate income tax ("CIT") for two years commencing from their first profit-making year which was 2006 and were entitled to a 50% reduction in the PRC corporate income tax for the subsequent three years from 1 January 2008 to 31 December 2010. According to the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law"), Foreign Investment Enterprise (the "FIE") that was set up prior to 16 March 2007 may continue to enjoy preferential tax treatments for up to five years starting from 1 January 2008. Therefore, the applicable income tax rate of Jiamusi Machinery and Jixi Machinery is 12.5% starting from 1 January 2008 to 31 December 2010.

The share of tax attributable to associates for each of the two years ended 31 December 2007 and 2008 and the seven-month period ended 31 July 2008 and 2009, respectively, are included in "Share of profit/(loss) of associates" on the face of the consolidated income statements.

The major components of income tax charge/(credit) for the Relevant Periods are as follows:

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
—Income tax in the PRC for the period/year	—	—	33,193	18,157	28,600
—Deferred tax (Note 22)	(583)	(10,891)	5,797	4,512	7,801
Total tax (credit)/charge for the period/year	(583)	(10,891)	38,990	22,669	36,401

A reconciliation of the income tax expense applicable to profit before tax and the share of profit of associates multiplied by the applicable statutory rate for the country in which the Company and its majority of subsidiaries are domiciled (*i.e.*, the PRC) to the effective tax rate for each of the Relevant Periods is as follows:

	For the period from 12 April 2006 (date of incorporation) to December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	59,613	138,780	184,385	117,649	174,865
Tax at an applicable tax rate (33% in 2006 and 2007, 25% in 2008 and seven months ended at 31 July 2009)	19,672	45,797	46,096	29,412	43,716
Income tax deduction for use of manufacturing equipment made in the PRC	—	—	(2,503)	(2,459)	—
Lower tax rate for certain loss making entities at different jurisdictions	20,042	4,612	6,307	5,789	1,682
Tax concession for certain subsidiaries*	(55,194)	(60,581)	(32,412)	(19,522)	(20,242)
Expenses not deductible for tax(i)	14,897	8,532	11,907	3,597	4,320
Tax losses not recognised	—	1,324	—	—	—
Withholding tax on undistributed earnings	—	—	9,595	5,852	6,925
Effect of change in enacted tax rate used for the recognition of deferred tax(ii)	—	(10,575)	—	—	—
Tax (credit)/charge at the Group's effective rate	(583)	(10,891)	38,990	22,669	36,401

* Jiamusi Machinery and Jixi Machinery were converted to FIEs on 11 April 2006 and 10 April 2006 respectively. Their income generated starting from May 2006 to December 2007 was fully exempted from tax, and that for the year ended 31 December 2008 and 2009 was subject to a 50% deduction to the standard rate of tax.

Notes:

(i) Expenses not deductible for taxes mainly comprised certain amount of impairment for trade receivables and accrual of other expenses not deductible for tax purposes.

(ii) On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective from 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. Pursuant to the grandfathering arrangement under the New CIT Law, Jiamusi Machinery and Jixi Machinery will continue to enjoy the existing tax holiday. Thereafter, it will be subject to the new CIT rate of 25%.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Therefore, the tax rate of 25% is adopted in the calculation of deferred taxes which are expected to be realised or settled after 1 January 2008. For

Jiamusi Machinery and Jixi Machinery, deferred tax assets and liabilities are measured at 12.5% or 25% depending on whether the assets are expected to be realised or the liabilities settled in 2008 to 2010 or 2011 and subsequently, respectively.

12. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity holders of the parent for each of the Relevant Periods and on the assumption that 780,000,000 shares, representing the number of shares of the Company immediately after the Capitalisation Issue as described in the Paragraph "Statutory and General Information — Resolutions of our Shareholders" as attached as Appendix VII to the Prospectus but excluding any shares to be issued pursuant to the public offering, had been in issue throughout the Relevant Periods.

The Company did not have any potential diluted shares throughout the Relevant Periods. Accordingly, diluted earnings per share amounts are the same as basic earning per share amounts.

14. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS

Retirement benefits

As stipulated by PRC regulations, Jiamusi Machinery, Jixi Machinery and Huainan Long Wall participate in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. Jiamusi Machinery, Jixi Machinery and Huainan Long Wall are required to make contributions to the local social security bureau at a rate of 20% of the average basic salaries of the employees under the employment of Jiamusi Machinery, Jixi Machinery and Huainan Long Wall to whom the defined contribution retirement plan is applicable. Jiamusi Machinery, Jixi Machinery and Huainan Long Wall have no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

Accommodation benefits

According to the relevant PRC rules and regulations, Jiamusi Machinery, Jixi Machinery and Huainan Long Wall and their employees are each required to make contributions, which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the Public Accumulation Funds Administration Centre. There are no further obligations on the part of Jiamusi Machinery, Jixi Machinery and Huainan Long Wall, except for contributions to the accommodation fund.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At date of incorporation, 12 April 2006	—	—	—	—	—	—
Additions	1,137	16,949	8,975	2,792	6,875	36,728
Transfers	4,485	5,744	—	—	(10,229)	—
Acquisition of subsidiaries (Note 36)	110,107	79,392	3,599	7,269	9,280	209,647
Disposals	(639)	(3,494)	(543)	(305)	—	(4,981)
At 31 December 2006 and 1 January 2007	115,090	98,591	12,031	9,756	5,926	241,394
Additions	3,246	15,558	10,032	1,220	53,441	83,497
Transfers	2,577	23,891	—	—	(26,468)	—
Disposals	(1,324)	(9,012)	(1,766)	(1,634)	—	(13,736)
At 31 December 2007 and 1 January 2008	119,589	129,028	20,297	9,342	32,899	311,155
Additions	481	3,392	4,461	1,609	20,262	30,205
Transfers	41,967	8,130	—	—	(50,097)	—
Disposals	(293)	(3,241)	(359)	(90)	—	(3,983)
At 31 December 2008 and 1 January 2009	161,744	137,309	24,399	10,861	3,064	337,377
Additions	763	713	658	369	3,693	6,196
Transfers	1,579	942	—	—	(2,521)	—
Disposals	(2,805)	(6,769)	(912)	(468)	—	(10,954)
At 31 July 2009	161,281	132,195	24,145	10,762	4,236	332,619

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:						
At date of incorporation, 12 April 2006	—	—	—	—	—	—
Charge for the period	3,853	7,824	1,112	1,673	—	14,462
Disposals	(507)	(1,924)	(507)	(155)	—	(3,093)
At 31 December 2006 and 1 January 2007	3,346	5,900	605	1,518	—	11,369
Charge for the year	6,574	14,604	4,048	2,676	—	27,902
Disposals	(1,023)	(6,838)	(1,689)	(1,298)	—	(10,848)
At 31 December 2007 and 1 January 2008	8,897	13,666	2,964	2,896	—	28,423
Charge for the year	7,020	17,741	5,745	2,348	—	32,854
Disposals	(54)	(2,779)	(347)	(60)	—	(3,240)
At 31 December 2008 and 1 January 2009	15,863	28,628	8,362	5,184	—	58,037
Charge for the period	4,519	9,463	3,310	1,161	—	18,453
Disposals	(1,071)	(5,772)	(777)	(370)	—	(7,990)
At 31 July 2009	19,311	32,319	10,895	5,975	—	68,500

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book value:						
At 31 December 2006	111,744	92,691	11,426	8,238	5,926	230,025
At 31 December 2007	110,692	115,362	17,333	6,446	32,899	282,732
At 31 December 2008	145,881	108,681	16,037	5,677	3,064	279,340
At 31 July 2009	141,970	99,876	13,250	4,787	4,236	264,119

Group

The net book value of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group is as follows (Note 30):

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	—	—	54,957	68,361
Plant and machinery	43,730	42,679	18,325	48,565
Total	43,730	42,679	73,282	116,926

As at 31 July 2009, the Group has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB24,847,000. Until the receipt of the certificates, the Group has no right to assign or pledge these buildings.

16. LAND USE RIGHTS

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
At date of incorporation/at beginning of period/year	—	134,850	134,850	134,850
Acquisition of subsidiaries (Note 36)	134,850	—	—	—
Additions	—	—	—	17,973
At end of period/year	134,850	134,850	134,850	152,823
Accumulated amortisation:				
At date of incorporation/at beginning of period/year	—	1,953	5,077	8,201
Charge for the period/year	1,953	3,124	3,124	1,972
At end of period/year	1,953	5,077	8,201	10,173
Net book value:				
At end of period/year	132,897	129,773	126,649	142,650
Net book value pledged (Note 30)	—	—	126,649	122,037

The leasehold land is held under a long-term lease and is situated in Mainland China.

17. OTHER INTANGIBLE ASSETS

	Customer bases	Patent	Know how	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At date of incorporation, 12 April 2006	—	—	—	—
Acquisition of subsidiaries (Note 36)	59,431	—	—	59,431
At 31 December 2006 and 1 January 2007	59,431	—	—	59,431
Additions	—	—	—	—
At 31 December 2007 and 1 January 2008	59,431	—	—	59,431
Additions	—	19,052	5,010	24,062
At 31 December 2008 and 1 January 2009	59,431	19,052	5,010	83,493
Additions	—	—	—	—
At 31 July 2009	59,431	19,052	5,010	83,493
Accumulated amortisation:				
At date of incorporation, 12 April 2006	—	—	—	—
Charge for the period	7,429	—	—	7,429
At 31 December 2006 and 1 January 2007	7,429	—	—	7,429
Charge for the year	11,886	—	—	11,886
At 31 December 2007 and 1 January 2008	19,315	—	—	19,315
Charge for the year	11,886	2,382	1,001	15,269
At 31 December 2008 and 1 January 2009	31,201	2,382	1,001	34,584
Charge for the period	6,934	1,389	585	8,908
At 31 July 2009	38,135	3,771	1,586	43,492
Net book value:				
At 31 December 2006	52,002	—	—	52,002
At 31 December 2007	40,116	—	—	40,116
At 31 December 2008	28,230	16,670	4,009	48,909
At 31 July 2009	21,296	15,281	3,424	40,001

Customer bases were acquired through a business combination as set out in Note 36.

18. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at cost	—	7,500	7,500	7,500

The Group had 15% interest in the private entity which is engaged in the provision of integrated equipment supply and services to coal producers at Xinjiang region in the PRC. The unlisted equity investment is measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values could not be measured reliably. The Group does not intend to dispose of this investment in the near future.

19. GOODWILL

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At cost:				
At date of incorporation/ at beginning of the period/year	—	101,203	101,203	101,203
Acquisition of subsidiaries (Note 36)	101,203	—	—	—
At end of period/year	101,203	101,203	101,203	101,203

Goodwill acquired through business combination has been allocated to the Group's cash-generating units ("CGUs"), which are reportable segments, for impairment testing:

➢ Roadheader products and aftermarket parts and services; and

➢ Shearer products and aftermarket parts and services.

The carrying amount of goodwill allocated to each of the CGU is as follows:

	Roadheader products and aftermarket parts and services	Shearer products and aftermarket parts and services	Total
	RMB'000	RMB'000	RMB'000
31 December 2006	99,669	1,534	101,203
31 December 2007	99,669	1,534	101,203
31 December 2008	99,669	1,534	101,203
31 July 2009	99,669	1,534	101,203

The recoverable amount of the CGUs are determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with cash flows beyond the five-year period assumed to be stable. The discount rate applied to the cash flow projections is 15% for each of the Relevant Periods. The growth rate does not exceed the projected long-term average growth rate for the mining industry in Mainland China.

Key assumptions were used in the value in use calculation of the CGUs for 31 December 2006, 31 December 2007, 31 December 2008 and 31 July 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — Management determined budgeted gross margin based on past performance and its expectations for market development.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the industry.

The values assigned to key assumptions are consistent with external information sources.

20. INVESTMENTS IN SUBSIDIARIES

Company

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	369,857	345,981	323,719	323,610

Investments in subsidiaries represent the cost of the entire interests in International Mining Machinery Limited, TJCC IMM Siwei Holdings Ltd., TJCC IMM Jiamusi Holdings Ltd., TJCC IMM Jixi Holdings Ltd., and TJCC IMM AFC Holdings Ltd.

Details of investments in subsidiaries are set out in Note 5 of Section II.

21. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	500	642	21,281	20,932

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	2,000	5,402	106,872	102,777
Non-current assets	—	316	51,686	62,483
Current liabilities	—	(3,150)	(53,030)	(60,986)
Net assets	2,000	2,568	105,528	104,274
Revenue	—	4,315	16,687	7,859
Total expense	—	(3,473)	(12,021)	(7,669)
Tax	—	(274)	(1,194)	(144)
Profit after tax	—	568	3,472	46

Details of investments in associates are set out in Note 5 of Section II.

22. DEFERRED TAX

The following is the deferred tax assets/(liabilities) recognised and their movements during the Relevant Periods:

Deferred tax assets

	Decelerated tax on intangible asset amortisation	Decelerated tax on property, plant and equipment depreciation	Provision against obsolete inventories	Losses available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At date of incorporation, 12 April 2006	—	—	—	—	—
Acquisition of subsidiaries (Note 36)	—	4,093	6,076	—	10,169
Deferred tax credited to the income statement during the period (Note 11)	—	86	497	—	583
Gross deferred tax assets at 31 December 2006 and 1 January 2007	—	4,179	6,573	—	10,752
Deferred tax credited to the income statement during the year (Note 11)	—	30	286	—	316
Effect in tax rate change (Note 11)	—	(1,013)	(1,096)	—	(2,109)
Gross deferred tax assets at 31 December 2007 and 1 January 2008	—	3,196	5,763	—	8,959
Deferred tax credited to the income statement during the year (Note 11)	301	494	(244)	747	1,298
Gross deferred tax assets at 31 December 2008 and 1 January 2009	301	3,690	5,519	747	10,257
Deferred tax credited to the income statement during the period (Note 11)	39	506	(2,014)	(747)	(2,216)
Gross deferred tax assets at 31 July 2009	340	4,196	3,505	—	8,041

The Group had unutilised tax losses of approximately RMB2,990,000 at 31 December 2008 that can be carried forward for five years from the year in which the losses arose for offsetting against future taxable profits of the tax entity in which the losses arose. The amount of deferred tax assets recognised in respect of such losses was approximately RMB747,000 at 31 December 2008.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Undistributed profits of PRC subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At date of incorporation, 12 April 2006	—	—	—
Acquisition of subsidiaries (Note 36)	54,984	—	54,984
Gross deferred tax liabilities at 31 December 2006 and 1 January 2007	54,984	—	54,984
Deferred tax credited to the income statement during the year (Note 11)	(12,684)	—	(12,684)
Gross deferred tax liabilities at 31 December 2007 and 1 January 2008	42,300	—	42,300
Deferred tax charged/(credited) to the income statement during the year (Note 11)	(2,500)	9,595	7,095
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009	39,800	9,595	49,395
Deferred tax charged/(credited) to the income statement during the period (Note 11)	(1,340)	6,925	5,585
Gross deferred tax liabilities at 31 July 2009	38,460	16,520	54,980

Pursuant to the New CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the FIE established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and jurisdiction of the foreign investors. Pursuant to the "Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" effective on 1 January 2007 and "Guoshuihan [2009] No. 81" promulgated on 20 February 2009, the payment of dividend by Jiamusi Machinery to International Mining Machinery Jiamusi Holdings Limited, a company registered in Hong Kong, which holds 100% equity interest in Jiamusi Machinery would be subject to the applicable withholding tax rate of 5%.

23. INVENTORIES

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	111,402	125,452	102,786	94,082
Work in progress	85,368	157,497	200,383	168,329
Finished goods	49,188	87,964	154,636	128,486
	245,958	370,913	457,805	390,897
Less: Provision for obsolete inventories	(43,822)	(46,108)	(44,160)	(30,610)
	202,136	324,805	413,645	360,287

24. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	303,600	525,968	612,341	862,605
Bills receivable	89,807	81,250	119,795	172,875
Less: Impairment provision	(11,558)	(11,612)	(12,447)	(13,213)
	381,849	595,606	719,689	1,022,267

The Group grants different credit periods to customers. The Group generally requires its customers to make payments at various stages of a sale transaction. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables and bills receivable approximate to their fair values.

An aged analysis of trade receivables as at 31 December 2006, 2007 and 2008 and 31 July 2009 based on the invoice date, net of provisions, is as follows:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:				
Within 90 days	228,982	186,281	284,268	446,284
91 to 180 days	63,060	159,329	200,618	224,732
181 to 365 days	—	153,465	87,686	121,286
1 to 2 years	—	15,281	27,322	55,953
Over 2 years	—	—	—	1,137
	292,042	514,356	599,894	849,392

Movements in the provision for impairment of trade receivables during each of the Relevant Periods are as follows:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At date of incorporation/at beginning of the year/period	—	11,558	11,612	12,447
Impairment of trade receivables (Note 9)	11,558	54	835	766
At end of period/year	11,558	11,612	12,447	13,213

The impaired trade receivables relate to individual customers that were in financial difficulties and the receivables that are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances. The bills receivable were all mature within 180 days from the reporting date.

The carrying amounts of trade and bills receivables pledged as security for interest-bearing bank loans granted to the Group is as follows (Note 30):

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	—	—	20,156	28,676
Bills receivable	23,900	32,700	22,135	79,972
Total	23,900	32,700	42,291	108,648

The analysis of trade receivables that were not considered to be impaired is as follow:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	212,043	243,112	260,449	533,978
Past due but not impaired less than 90 days	65,271	151,467	210,869	181,795
91 to 180 days	9,858	69,213	93,285	64,439
181 to 365 days	4,870	50,564	22,685	48,173
1 to 2 years	—	—	12,606	21,007
	292,042	514,356	599,894	849,392

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. 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. The Group does not hold any collateral over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Prepayments for land use rights	—	—	15,420	—
Prepayments for purchases of property, plant and equipment	1,147	1,886	23,254	27,298
	1,147	1,886	38,674	27,298
Current portion				
Prepayments	22,164	41,697	57,712	42,765
Deposits and other receivables	4,708	17,538	12,423	14,037
	26,872	59,235	70,135	56,802
Total	28,019	61,121	108,809	84,100

The carrying amounts of other receivables approximate to their fair values.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

26. CASH AND CASH EQUIVALENTS

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	138,472	95,698	80,933	175,693
Denominated in RMB	66,795	86,896	78,770	169,693
Denominated in US$	71,677	8,802	2,163	6,000
	138,472	95,698	80,933	175,693

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values. The RMB is not freely convertible into other currencies, however, under Mainland China Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Company

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	71,021	8,212	1,617	5,458
Denominated in US$	71,021	8,212	1,617	5,458

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

27. AMOUNT DUE TO AND FROM SHAREHOLDERS

Group and Company

	Note	As at 31 December			As at 31 July
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amount due from a shareholder cum director of the Company	(i)	—	19,560	19,181	19,684
Amounts due to shareholders cum directors of the Company	(ii)	321	205	156	85

Notes:

(i) The loan to Mr. Rubo Li a/k/a John Lee of US$2,678,000 (equivalent to approximately RMB19,560,000), US$2,806,000 (equivalent to approximately RMB19,181,000) and US$2,881,000 (equivalent to approximately RMB19,684,000) as at 31 December 2007 and 2008 and, 31 July 2009 respectively. The loan bears interest at a rate of 5% per annum and is repayable on demand.

The loan to the director, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

	As at 31 December			31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Maximum amount outstanding during the year/period	—	19,560	19,181	19,684

The loan granted to Mr. Rubo Li a/k/a John Lee is secured by the pledge of 63 ordinary shares of the Company held by Mr. Rubo Li a/k/a John Lee.

(ii) According to the consulting agreements signed on 16 May 2006, the Company is liable to pay Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams US$150,000 per annum and US$75,000 per annum, respectively, for consulting services rendered to the Company. These agreements expired on 31 March 2008. Mr. Rubo Li a/k/a John Lee's agreement was extended to 31 March 2009.

The Directors confirm that the balances with shareholders will be settled prior to the listing of the Company's share on the Hong Kong Stock Exchange (the "Listing").

28. BALANCES WITH RELATED PARTIES AND SUBSIDIARIES

Group

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties					
TJCC Services	(i)	7,836	48,129	84,182	112,228
International Mining Machinery Siwei holdings Ltd. ("HK Siwei")	(ii)	—	74,632	126,778	132,280
Benniu	(iii)	—	—	10,839	27,821
		7,836	122,761	221,799	272,329

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties					
TJCC Services	(iv)	1,830	19,974	35,775	45,727
Benniu	(v)	—	21,322	28,333	30,201
		1,830	41,296	64,108	75,928

Company

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries					
IMM Mauritius	(vi)	1,098	3,212	4,159	5,786
TJCC IMM AFC Holdings Ltd.	(vii)	—	74,639	75,350	123,076
		1,098	77,851	79,509	128,862

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amount due to a related party					
TJCC Services	(iv)	1,830	19,974	35,775	45,727

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties					
TJCC Services	(i)	7,836	48,129	84,182	112,228
HK Siwei	(ii)	—	74,632	126,778	132,280
		7,836	122,761	210,960	244,508

Notes:

(i) Balances due from TJCC Services are non-trade in nature. The balances are unsecured, bear interest at a rate of 8% per annum and are repayable on demand.

(ii) Balance due from HK Siwei is non-trade in nature. The balance was secured by the pledge of the shares of the Company held by Williams Realty Co., LLC, Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams. Both Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams are the shareholders and directors of the Company and Williams Realty Co., LLC is a company controlled by Mr. Emory Williams. The balances due from HK Siwei bears interest at a rate of 8% per annum and are repayable on demand.

(iii) Balance due from Benniu is trade in nature. The balance is unsecured, interest-free and has no fixed term of repayment.

(iv) Balances due to TJCC Services are non-trade in nature. The balances are unsecured, interest-free and have no fixed terms of repayment.

(v) Included in balances due to Benniu are amounts of RMB21,322,000, RMB780,000 and RMB101,000 respectively as at 31 December 2007, 2008 and 31 July 2009, which are trade in nature, unsecured, interest-free and have no fixed term of repayment. The remaining balances with Benniu are non-trade in nature, unsecured, interest-free and have no fixed term of repayment.

(vi) The amount due from the subsidiary is in relation to the consulting fees paid on behalf of IMM Mauritius, a subsidiary, to Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams. Both Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams are the shareholders and directors of the Company. The balance is unsecured, interest-free and repayable on demand.

(vii) The amount due from the subsidiary is non-trade in nature, unsecured, bears interest at a rate of 8% per annum and is repayable on demand.

The nature of the transactions with related parties and subsidiaries is disclosed in Note 39.

The Directors confirm that the non-trade balances with related parties will be settled prior to the Listing.

The carrying amounts of the balances due from/to related parties and subsidiaries approximate to their fair values.

29. BALANCES WITH HOLDING COMPANY

Group and Company

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to holding company				
TJCC Holdings Ltd.	—	74,632	126,760	160,231

Loans due to the holding company denominated in US$ were US$10,217,000 (equivalent to approximately RMB74,632,000), US$18,548,000 (equivalent to approximately RMB126,760,000) and US$23,452,000 (equivalent to approximately RMB160,231,000) as at 31 December 2007 and 2008, and 31 July 2009, respectively. These loans are unsecured, bear interest at a rate of 8% per annum and are repayable on demand.

The Directors confirm that the balances with holding company will be settled prior to the Listing.

30. INTEREST-BEARING LOANS

Group

		As at 31 December			As at 31 July
	Notes	2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:					
Secured	(a)	92,580	56,700	113,760	250,221
Unsecured	(b)	3,752	63,752	—	—
Total		96,332	120,452	113,760	250,221
The bank loans bearing interest at rates per annum in the range of		3.24% to 7.81%	3.48% to 8.02%	2.76% to 11.66%	1.68% to 8.22%

The above bank loans were all repayable within one year.

The carrying amounts of the Group's current bank loans approximate to their fair values.

Notes:

(a) The Group's bank loans are secured by the pledge of the following:

	Notes	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 July 2009
		RMB'000	RMB'000	RMB'000	RMB'000
Building and land use rights	(i)	—	—	71,500	124,026
Plant and machinery	(ii)	68,680	24,000	4,000	25,474
Trade and bills receivables	(iii)	23,900	32,700	38,260	100,721
		92,580	56,700	113,760	250,221

(i) Loans were secured by the Group's building and land use rights, which had an aggregate carrying value of RMB54,957,000 and RMB126,649,000, respectively, as at 31 December 2008 and RMB68,361,000 and RMB122,037,000, respectively, as at 31 July 2009, as set out in Notes 15 and 16.

(ii) Loans were secured by the Group's plant and machinery, which had an aggregate carrying value of RMB43,730,000, RMB42,679,000, RMB18,325,000 and RMB48,565,000 as at 31 December 2006, 2007 and 2008, and 31 July 2009 respectively, as set out in Note 15.

(iii) Loans were secured by the Group's bills receivable with an aggregate carrying value of RMB23,900,000 as at 31 December 2006 and RMB32,700,000 as at 31 December 2007. The loans are secured by the Group's trade and bill receivables with an aggregate carrying value of RMB20,156,000 and RMB22,135,000, respectively as at 31 December 2008, and an aggregate carrying value of RMB 28,676,000 and RMB79,972,000, respectively as at 31 July 2009, as set out in Note 24.

(b) Loan of RMB3,752,000 as at 31 December 2006 and 2007 was unsecured and repayable on demand. Loan of RMB60,000,000 as at 31 December 2007 was unsecured and repayable within one year.

31. TRADE AND BILLS PAYABLES

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	194,320	315,463	418,413	440,697
Bills payable	—	—	—	29,045
	194,320	315,463	418,413	469,742

An aged analysis of outstanding trade payables at 31 December 2006, 2007 and 2008, and 31 July 2009, based on the invoice date, is as follows:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	116,260	169,656	247,433	220,878
91 to 180 days	35,996	59,925	82,237	94,160
181 to 365 days	5,970	32,510	33,451	61,697
1 to 2 years	8,410	13,208	19,711	23,567
2 to 3 years	954	6,837	6,744	10,563
Over 3 years	26,730	33,327	28,837	29,832
	194,320	315,463	418,413	440,697

The trade payables are non-interest-bearing and are normally settled within 180 days terms. The carrying amounts of the trade payables approximate to their fair values.

32. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	11,207	24,149	84,670	64,029
Payroll payable	13,446	14,481	15,755	10,474
Value added tax payable	115,405	94,420	92,938	92,355
Accrued expenses	19,327	40,148	38,305	36,079
Welfare payable	2,177	7,777	10,520	10,706
Other payables	121,672	126,096	78,932	65,972
	283,234	307,071	321,120	279,615

The carrying amounts of other payables and accruals approximate to their fair values.

33. ORDINARY SHARE CAPITAL

Group and Company

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Authorised:				
2,500 ordinary share of US$10 each				
Issued and fully paid:				
As at date of incorporation/1 January	—	73	78	78
Issued share capital	80	5	—	—
Unpaid share capital	(7)	—	—	—
	73	78	78	78

During the Relevant Periods, the movements in the number of issued share capital are analysed as follows:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
Issued and fully paid:				
As at date of incorporation/1 January	—	910	973	973
Issued share capital	1,000	63	—	—
Unpaid share capital	(90)	—	—	—
Ordinary share capital of US$10 each	910	973	973	973

As at date of incorporation, the authorised ordinary share capital of the Company is US$25,000 divided into 2,500 ordinary shares with a nominal value of US$10 each.

On 16 May 2006, 1,000 ordinary shares were issued at US$1,000 per share in which 910 shares were fully paid up as at 31 December 2006. The share premium arising from the issuance of ordinary shares in 2006 amounted to US$900,900 (equivalent to approximately RMB7,222,000).

As at 31 December 2006, the shares issued to Mr. Rubo Li a/k/a John Lee, Mr. Emory Williams and Williams Realty Co., LLC of 63 shares, 13.5 shares and 13.5 shares respectively were not fully paid up.

As at 31 December 2007, 63 ordinary shares issued to Mr. Rubo Li a/k/a John Lee were fully paid up in cash at US$1,000 per share. The share premium arising from the 63 ordinary shares in 2007 amounted to US$62,370 (equivalent to approximately RMB501,000). As at 31 December 2007, 2008 and 31 July 2009, a total number of 27 shares issued to Mr. Emory Williams and Williams Realty Co., LLC remained unpaid.

During the Relevant Periods, the receivables from Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams in relation to their unpaid share capital are presented as a set-off to their share capital.

The Directors confirm that the unpaid ordinary shares will be settled prior to the Listing.

34. PREFERENCE SHARES

Group and Company

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Preference shares	499,757	541,158	554,180	600,903

On 16 May 2006, a total of 1,000 preference shares with a nominal value of US$10 each were issued for cash at US$64,000 per share, at a total amount of US$64,000,000.

On 12 December 2007, an additional 601.5625 preference shares with a nominal value of US$10 each were issued for cash at US$64,000 per share, at a total amount of US$38,500,000.

Among the issued preference shares, the number of preference shares not fully paid up as at 31 December 2007 and 2008, and 31 July 2009 totaled 443.9922 (amounting to US$28,415,000), 334.6172 (amounting to US$21,416,000) and 227.3392 (amounting to US$14,549,000), respectively. For the purpose of presentation, the unpaid preference shares were presented as a set-off to the amount due from the holding company. The Directors confirm that the unpaid preference shares will be fully paid-up prior to the Listing.

Holders of the preference shares shall be entitled to receive dividends, declared at the discretion of the Company, at the rate of 10% per annum at the issue price of the preference shares. The holders of each preference shares shall not have any voting rights.

The preference shares are redeemable upon the occurrence of an event as defined in the Articles of Associations of the Company. An event (hereinafter referred as this "Event") includes substantial liquidity event, fundamental changes or default. The preference shares has been treated as liability in the statements of the financial position as an Event is not within the control of the Company. The Directors confirm that the preference shares will be fully repurchased upon Listing, details of which are set out in Note 4 of Section III below.

35. RESERVES

(a) Group

Share premium

A share premium of US$900,900 (equivalent to approximately RMB7,222,000) arose from the issuance of ordinary shares as at the date of incorporation.

In 2007, an additional share premium of US$62,370 (equivalent to approximately RMB501,000) was recorded arising from the increase of the issued ordinary shares.

Statutory surplus reserve and statutory reserve fund

In accordance with the Company Law of the PRC and the respective articles of association of the companies registered in the PRC (the "PRC Companies"), each of the PRC Companies was required to allocate 10% of its profits after tax, as determined in accordance with People's Republic of China accounting rules and regulations ("PRC GAAP"), to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be capitalised as issued capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Subsequent to the re-registration of the two PRC subsidiaries, Jiamusi Machinery and Jixi Machinery as wholly-foreign-owned companies on 11 April 2006, allocation to the SSR was no longer required. According to the relevant PRC regulations applicable to wholly-foreign-owned companies, the Company is required to allocate certain portion (not less than 10%), as determined by the board of directors, of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital. Pursuant to the board resolution dated 1 December 2008, Jiamusi Machinery did not appropriate any of its current year profit into surplus reserve fund as the balance of the surplus reserve fund had reached 50% of its registered capital.

The SSR and the SRF are non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

Statutory public welfare fund (the "PWF")

According to the revised Company Law of the PRC effective on 1 January 2007, the PRC Companies are not required to make appropriation to the PWF for the year ended 31 December 2007. The balance of PWF as at 31 December 2006 was transferred to the SSR.

Distributable reserves

For dividend purposes, the amount which the PRC Companies can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in this report which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC Companies can be distributed as dividends after the appropriation to the SRF as set out above.

(b) Company

Statements of changes in equity of the Company

	Ordinary share capital	Share premium	Accumulated losses	Exchange fluctuation realignment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At date of incorporation, 12 April 2006	—	—	—	—	—
Issue of shares	73	7,222	—	—	7,295
Total comprehensive income for the period	—	—	(60,351)	960	(59,391)
As at 31 December 2006 and 1 January 2007	73	7,222	(60,351)	960	(52,096)
Issue of shares	5	501	—	—	506
Total comprehensive income for the year	—	—	(13,848)	3,834	(10,014)
As at 31 December 2007 and 1 January 2008	78	7,723	(74,199)	4,794	(61,604)
Issue of shares	—	—	—	—	—
Total comprehensive income for the year	—	—	(24,574)	4,293	(20,281)
As at 31 December 2008 and 1 January 2009	78	7,723	(98,773)	9,087	(81,885)
Issue of shares	—	—	—	—	—
Total comprehensive income for the period	—	—	(2,961)	22	(2,939)
As at 31 July 2009	78	7,723	(101,734)	9,109	(84,824)
As at 1 January 2008	78	7,723	(74,199)	4,794	(61,604)
Issue of shares	—	—	—	—	—
Total comprehensive income for the period	—	—	(20,584)	4,606	(15,978)
As at 31 July 2008	78	7,723	(94,783)	9,400	(77,582)

36. BUSINESS COMBINATIONS AND ACQUISITION OF SUBSIDIARIES

On 16 May 2006, the Company acquired 100% interest in Jiamusi Machinery and Jixi Machinery from HCMMG at a total consideration of RMB361,268,000.

The fair values of the identifiable assets and liabilities of the above acquisition as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition	Previous carrying amount
	RMB'000	RMB'000
Property, plant and equipment (Note 15)	209,647	139,154
Land use rights (Note 16)	134,850	32,505
Other intangible assets (Note 17)	59,431	—
Deferred tax assets (Note 22)	10,169	10,169
Deferred tax liabilities (Note 22)	(54,984)	—
Cash and cash equivalents	38,771	38,771
Trade and bills receivables	340,050	340,050
Prepayments, deposits and other receivables	25,695	25,695
Inventories	210,206	210,206
Interest-bearing bank loans	(191,096)	(191,096)
Trade payables	(138,331)	(138,331)
Other payables and accruals	(278,587)	(278,587)
Tax payable	(105,756)	(105,756)
Total net assets acquired	260,065	82,780
Goodwill on acquisition (Note 19)		101,203
Total consideration		361,268
Satisfied by:		
Cash consideration paid		337,040
Cash consideration unpaid*		24,228
		361,268

* The remaining unpaid consideration to the former holding company of Jiamusi Machinery and Jixi Machinery had no fixed term of repayment. The unpaid consideration was subsequently settled partly in cash and partly against the balances due from the former holding company according to a settlement agreement signed in 2008.

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Total
	RMB'000
Cash consideration	361,268
Cash and cash equivalents acquired	(38,771)
	322,497

Since the date of acquisition, Jiamusi Machinery and Jixi Machinery contributed RMB545,878,000 to the Group's revenue and RMB134,627,000 to the consolidated profit of the Group for the period ended 31 December 2006.

Had the combination taken place at the beginning of the period ended 31 December 2006, the revenue of the Group and the profit of the Group for the period would have been RMB854,416,000 and RMB214,031,000, respectively.

37. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to four years.

At the reporting dates, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within a year	93	383	3,512	2,256
In the second to fifth years, inclusive	944	893	117	134
	1,037	1,276	3,629	2,390

38. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the reporting dates:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Plant and machinery	15,431	18,233	56,190	71,205
Land use rights	—	—	16,032	—
	15,431	18,233	72,222	71,205

39. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties:

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Nature of transactions					
Non-recurring transactions					
Purchases of other intangible assets					
Benniu (Note i)	—	—	24,062	—	—
Consulting fee					
The Jordan Company, L.P. (Note ii)	23,880	—	—	—	—
Emory Williams (Note x)	1,169	752	130	130	6
	25,049	752	130	130	6
Purchases of goods					
Benniu (Note (iii))	—	21,432	780	780	101
Sale of products					
Benniu (Note iii)	—	—	51,841	30,244	20,426
Sales commission paid					
Benniu (Note iii)	—	—	1,499	411	3,677
Operating lease of office buildings					
Benniu (Note iii)	—	331	3,000	1,750	1,750
Interest Income					
TJCC Services (Notes iv & vi)	28	2,544	5,044	2,670	4,161
HK Siwei (Notes v, vi & xi)	—	183	7,841	3,907	5,547
Rubo Li a/k/a John Lee (Note vii)	—	853	891	529	509
	28	3,580	13,776	7,106	10,217
Interest expense					
TJCC Holdings Ltd. (Note viii)	—	183	7,830	4,170	6,179
Management fee					
TJCC Services (Note ix)	12,438	18,967	17,314	10,313	9,965
Loans received from holding company					
TJCC Holdings Ltd. (Note viii)	—	74,456	49,864	49,864	27,289
Loans provided to related parties					
TJCC Services (Notes iv & vi)	7,809	39,831	34,628	21,025	23,887
HK Siwei (Notes v, vi & xi)	—	77,361	49,864	49,864	—
Rubo Li a/k/a John Lee (Note vii)	—	18,739	—	—	—
	7,809	135,931	84,492	70,889	23,887
Guarantee of loan provided by shareholders					
Williams Realty Co., LLC, Rubo Li a/k/a John Lee and Emory Williams (Note xi)	—	77,361	127,225	127,225	118,834
Recurring transactions					
Consulting fee					
Rubo Li a/k/a John Lee (Note x)	1,542	1,517	1,039	530	1,623

Notes:

(i) The Group acquired the patents and know-how from Benniu in the amount of RMB24,062,000 as set out in note 17. On 3 December 2009, IMM AFC, a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Benniu in respect of the acquisition of the remaining 25% equity interest in Huainan Long Wall for a purchase consideration of RMB51,400,000. Benniu will cease to become the related party of the Group upon the successful completion of the acquisition of Huainan Long Wall.

(ii) This is in relation to the consulting fee paid to the Jordan Company, L.P. in respect of the acquisition of Jiamusi Machinery and Jixi Machinery.

(iii) The price and terms of the above transactions were mutually agreed by both parties.

(iv) TJCC Services share common directors with the Company, being Mr. Youming Ye and Mr. Kee-Kwan Allen Chan.

(v) HK Siwei is wholly-owned by Mining Machinery Limited. Mining Machinery Limited is beneficially owned as to 21.38% by Mr. Emory Williams, his spouse and relatives, 52.95% by Mr. Rubo Li a/k/a John Lee, his spouse and relatives, 19.67% by management of Zhengzhou Siwei Mechanical and Electrical Equipment Investment Co., Ltd. and 6.00% by three individuals who are independent from the other shareholders of Mining Machinery Limited. Both Mr. Emory Williams and Mr. Rubo Li a/k/a John Lee are the common directors and shareholders of Mining Machinery Limited and the Company. On 4 December 2009, Mr. Emory Williams resigned as a director of the Company.

(vi) The loans provided to the related parties are unsecured, bear interest at a rate of 8% per annum and are repayable on demand. The Directors confirm that the loans provided to related parties will be settled prior to Listing.

(vii) The loan provided in year 2007 is secured by the pledge of the shares of the Company held by Mr. Rubo Li a/k/a John Lee. The loan bears interest at a rate of 5% per annum and is repayable on demand. On 31 December 2009, the loan and pledge were assigned to TJCC Holdings Ltd. according to an agreement signed between TJCC Holdings Ltd. and the Company.

(viii) The loans provided by the holding company are unsecured, bear interest at a rate of 8% per annum and are repayable on demand. The Directors confirm that the loans provided by holding company will be settled prior to the Listing.

(ix) According to the management consulting agreement entered between TJCC Services Ltd. and the Group, the Group agreed to pay consulting service fee to TJCC Services Ltd. for rendering consulting services on corporate affairs.

(x) According to the consulting agreement entered between Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams respectively and the Company, the Company agreed to pay consulting service fee to Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams who are acting as the shareholders and directors of the Company, for rendering consulting services to the Company. Mr. Emory Williams resigned as a director of the Company on 4 December 2009.

(xi) Loans provided to HK Siwei are guaranteed by the pledge of the shares of the Company held by Mr. Rubo Li a/k/a John Lee, Mr. Emory Williams and Williams Realty Co., LLC, who hold 63 shares, 13.5 shares and 13.5 shares, respectively, in the Company. On 31 December 2009, the loans and pledge were assigned to TJCC Holdings Ltd. according to an agreement signed between TJCC Holdings Ltd. and the Company.

The Directors are of the view that all related party transactions set out above were entered in the ordinary course of business of the Group.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related parties at each of the dates of statement of financial position together with maximum outstanding balances due from related parties during the particular year/period are disclosed in Note 27, Note 28 and Note 29 to the Financial Information.

(c) Compensation of key management personnel of the Group:

	For the period from 12 April 2006 (date of incorporation) to 31 December	Year ended 31 December		Seven-month period ended 31 July	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Basic salaries and other benefits	20,911	18,411	15,313	9,039	12,244
Retirement benefit scheme contributions	25	46	46	23	34
	20,936	18,457	15,359	9,062	12,278

40. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, loans from the holding company, preference shares, trade payables and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade and bills receivables as well as other receivables, which arise directly from its operations. The particular recognition methods adopted are disclosed in the accounting policy associated with each item.

It is, and has been during the Relevant Periods, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, significant concentration of credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans. The Group does not use derivative financial instruments to hedge its interest rate risk. Since the Company's bank loans all bear fixed interest and are due within one year, its exposure to risk of changes in market interest rates is low.

Foreign currency risk

The Group operates in Hong Kong, Mauritius, the Cayman Islands, and Mainland China. For companies in Mainland China, their principal activities are transacted in RMB. For other companies outside of Mainland China, their principal activities are transacted in USD. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the directors consider that the Group has no significant foreign currency risk exposure.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, therefore, the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Significant concentration of credit risk

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group has a significant concentration of credit risk with customers in the mining sector who operate in Mainland China, with the top five customers accounting for 50%, 51%, 39% and 37% of the Group's total trade receivables balances as at 31 December 2006, 2007 and 2008, and 31 July 2009, respectively. Sales to these customers accounted for 47%, 56%, 43% and 49% of the Group's total sales for the period from 12 April 2006 (date of incorporation) to 31 December 2006, years ended 31 December 2007 and 2008 and period ended 31 July 2009, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the balance sheet date was as follows:

Group

31 December 2006	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	3,752	71,580	21,000	—	—	96,332
Trade and bills payables	42,758	151,562	—	—	—	194,320
Other payables and accruals	247,799	24,228	—	—	—	272,027
Amounts due to the related parties	1,830	—	—	—	—	1,830
Amounts due to shareholders	321	—	—	—	—	321
	296,460	247,370	21,000	—	—	564,830

31 December 2007	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	3,752	25,700	91,000	—	—	120,452
Trade and bills payables	86,634	228,829	—	—	—	315,463
Other payables and accruals	258,694	24,228	—	—	—	282,922
Amount due to holding company	74,632	—	—	—	—	74,632
Amounts due to the related parties	41,296	—	—	—	—	41,296
Amounts due to shareholders	205	—	—	—	—	205
	465,213	278,757	91,000	—	—	834,970

31 December 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	—	58,135	55,625	—	—	113,760
Trade and bills payables	222,005	183,720	12,688	—	—	418,413
Other payables and accruals	236,450	—	—	—	—	236,450
Amount due to holding company	126,760	—	—	—	—	126,760
Amounts due to the related parties	64,108	—	—	—	—	64,108
Amounts due to shareholders	156	—	—	—	—	156
	649,479	241,855	68,313	—	—	959,647

31 July 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	—	64,972	185,249	—	—	250,221
Trade and bills payables	231,117	204,011	33,149	1,465	—	469,742
Other payables and accruals	215,015	571	—	—	—	215,586
Amount due to holding company	160,231	—	—	—	—	160,231
Amounts due to the related parties	75,928	—	—	—	—	75,928
Amounts due to shareholders	85	—	—	—	—	85
	682,376	269,554	218,398	1,465	—	1,171,793

Company

31 December 2006	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to the shareholders	321	—	—	—	—	321
Amount due to a related party	1,830	—	—	—	—	1,830
	2,151	—	—	—	—	2,151

31 December 2007	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to holding company	74,632	—	—	—	—	74,632
Amounts due to the shareholders	205	—	—	—	—	205
Amount due to a related party	19,974	—	—	—	—	19,974
	94,811	—	—	—	—	94,811

31 December 2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to holding company	126,760	—	—	—	—	126,760
Amounts due to the shareholders	156	—	—	—	—	156
Amount due to a related party	35,775	—	—	—	—	35,775
	162,691	—	—	—	—	162,691

31 July 2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to holding company	160,231	—	—	—	—	160,231
Amounts due to shareholders	85	—	—	—	—	85
Amount due to a related party	45,727	—	—	—	—	45,727
	206,043	—	—	—	—	206,043

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's net debts include interest-bearing loans, amount due to holding company and preference shares, less cash and cash equivalent. Capital includes total equity.

At the end of each of the Relevant Periods, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, without limitation, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The gearing ratios at the end of each of the Relevant Periods were as follows:

Group

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing loans	96,332	120,452	113,760	250,221
Amount due to holding company	—	74,632	126,760	160,231
Preference Shares	499,757	541,158	554,180	600,903
Less: Cash and cash equivalents	(138,472)	(95,698)	(80,933)	(175,693)
Net debt	457,617	640,544	713,767	835,662
Total equity	76,499	280,925	458,422	597,026
Capital and net debt	534,116	921,469	1,172,189	1,432,688
Gearing ratio	86%	70%	61%	58%

41. FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Available-for-sale investments	—	7,500	7,500	7,500
Trade and bills receivables	381,849	595,606	719,689	1,022,267
Financial assets included in prepayments, deposits and other receivables	4,708	17,538	12,423	14,037
Amount due from a shareholder	—	19,560	19,181	19,684
Amounts due from related parties	7,836	122,761	221,799	272,329
Cash and bank balances	138,472	95,698	80,933	175,693
	532,865	858,663	1,061,525	1,511,510

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Trade and bills payables	194,320	315,463	418,413	469,742
Financial liabilities included in other payables	272,027	282,922	236,450	215,586
Interest-bearing bank loans	96,332	120,452	113,760	250,221
Amount due to holding company	—	74,632	126,760	160,231
Amounts due to shareholders	321	205	156	85
Amounts due to related parties	1,830	41,296	64,108	75,928
	564,830	834,970	959,647	1,171,793

Company

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Cash and bank balances	71,021	8,212	1,617	5,458
Amount due from a shareholder	—	19,560	19,181	19,684
Amounts due from subsidiaries	1,098	77,851	79,509	128,862
Amounts due from related parties	7,836	122,761	210,960	244,508
	79,955	228,384	311,267	398,512

	As at 31 December			As at 31 July
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Amount due to holding company	—	74,632	126,760	160,231
Amounts due to shareholders	321	205	156	85
Amount due to a related party	1,830	19,974	35,775	45,727
	2,151	94,811	162,691	206,043

III. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 July 2009 and up to the date of this accountants' report:

(1) On 3 December 2009, IMM AFC, a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Benniu in respect of the acquisition of the remaining 25% equity interest in Huainan Long Wall at a purchase consideration of RMB51,400,000. Huainan Long Wall will become a wholly-owned subsidiary of the Group upon the successful completion of the acquisition.

(2) Pursuant to the resolutions of the board of directors of TJCC IMM Jiamusi passed on 23 December 2009 and 31 December 2009, TJCC IMM Jiamusi declared special dividends of US$15,821,000 (equivalent to approximately RMB108,087,000) and US$41,814,000 (equivalent to approximately RMB285,669,000) respectively, to the Company. The Directors confirm that the Company has distributable reserves upon declaration of the dividends from TJCC IMM Jiamusi to the Company. Further details of the special dividends declared are set out in the section headed "Reorganisation" in the Prospectus.

(3) Pursuant to the resolution of the board of directors of IMM Mauritius passed on 17 December 2009, IMM Mauritius initiated a liquidation and the remaining cash of approximately US$5,000,000 (equivalent to approximately RMB34,160,000) was distributed to the Company. The Directors consider that there will be no material gains or losses arising from the liquidation of IMM Mauritius.

(4) Pursuant to the resolutions of the board of directors of the Company passed on 17 December 2009 and 23 December 2009, the Company repurchased its preference shares at their initial purchase price of US$10,000,000 (equivalent to approximately RMB68,319,000) and US$33,423,000 (equivalent to approximately RMB228,343,000), respectively. Pursuant to the resolution of the board of directors of the Company on 24 January 2010, it was resolved that, conditional upon the Company having received the proceeds of the Listing, the remaining preference shares will be repurchased at a consideration of US$63,938,000 (equivalent to approximately RMB436,818,000), consisting of the initial purchase price of US$59,078,000 (equivalent to approximately RMB403,615,000) and founder participation rights amount of US$4,860,000 (equivalent to approximately RMB33,203,000). Hence, the Directors estimated that the loss on repurchase of preference shares would be amounting to US$4,860,000 (equivalent to approximately RMB33,203,000), which will reduce the net profit for the year ending 31 December 2010. Further details of the repurchase of preference shares are set out in the section headed "Reorganisation" in the Prospectus.

(5) Pursuant to the resolution of the Board of Directors of TJCC IMM Jiamusi passed on 24 January 2010, TJCC IMM Jiamusi declared a dividend of US$29,274,000 (equivalent to approximately RMB200,000,000) to the Company.

(6) Pursuant to the resolution of the board of directors of the Company passed on 24 January 2010, the Company declared a contingent dividend of no more than US$63,200,000 (equivalent to approximately RMB431,776,000) and no less than US$40,100,000 (equivalent to approximately RMB273,959,000) to the holders of the Company's ordinary shares. The dividend is contingent upon the completion of the Listing subject to determination according to the initial public offering price. Further details of the contingent dividend are set out in the section headed "Summary — Contingent Dividend" in the Prospectus.

(7) On 24 January 2010, a written resolution of the directors of the Company was passed to approve the payment of US$10,000,000 (equivalent to approximately RMB68,319,000) as a transaction and termination fee in relation to the termination of TJCC Services Management Consulting Agreement which will be paid out from the proceeds of the Listing. The payment of the transaction and termination fee will reduce the net profit for the year ending 31 December 2010 by US$10,000,000 (equivalent to approximately RMB68,319,000). Further details of the transaction and termination fee are set out in the section headed "Reorganisation" in the Prospectus.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 July 2009.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong