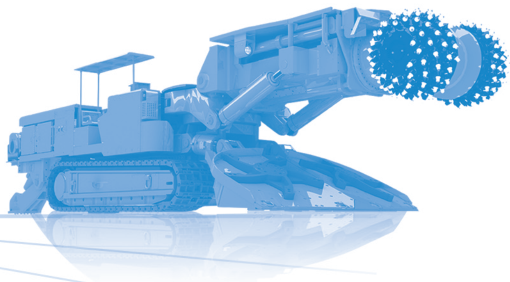
IMM 国际煤机集团
INTERNATIONAL MINING MACHINERY
Stock Code 股份代號：1683

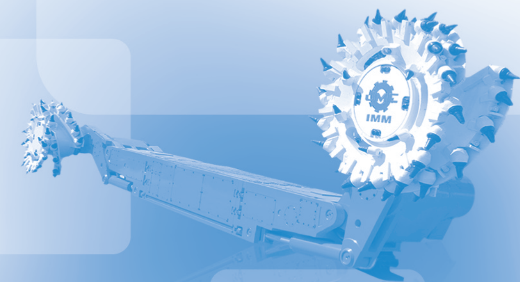
INTERNATIONAL MINING MACHINERY HOLDINGS LIMITED
國際煤機集團

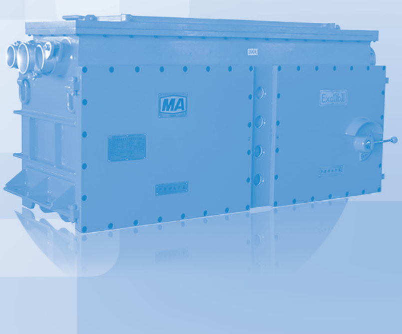
(incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

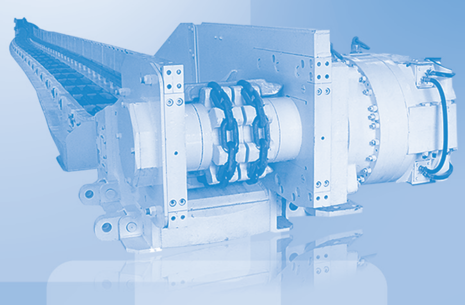
ANNUAL REPORT 2011
二零一一年年報



CONTENTS







Company Profile

We are a leading designer and manufacturer of underground longwall coal mining equipment in China. In China, we have a market leading position in the design and manufacture of roadheaders and shearers, the two pieces of longwall coal mining equipment which we believe to be the most technologically sophisticated products. We are quickly growing our armoured-face conveyor and electric control systems businesses by leveraging our customer relationships, brand recognition and strong customer support in the mining machinery industry. In addition to the manufacture of original equipment, we also provide aftermarket parts and services through a broad and exclusive network of parts depots, service centres and customer service personnel. All of these products and services provide enhanced safety, productivity and efficiency of operations to our customers.

Currently, we operate in four product segments: roadheaders; shearers; armoured-face conveyors ("AFC") and related products; and electric control systems. The roadheader is a piece of excavating tunneling equipment which digs tunnels to the coalface in order to access the minable area. The shearer rides atop the AFC at the coalface, systematically cutting the coal from the coal seam using two ranging arms fitted with cutting drums which mine the coal and deposit it onto the AFC. The AFC also acts as an intermediate haulage system which carries the mined coal to another location where it is crushed into smaller pieces and removed from the mine. The electric control system is the "brain" of our other products and ensures the safe and efficient operation of the roadheaders, the shearers, and armoured-face conveyors in the mining area.

Jiamusi Coal Mining Machinery Co., Ltd. ("Jiamusi Machinery"), our subsidiary that designs and manufactures our roadheader products, traces its history back to 1957 and manufactured the first roadheader in China in 1976. We currently offer 27 series of roadheaders, which is the broadest product line in the industry. They are classified by installed cutting power under the categories of light-duty, medium-duty and heavy-duty. The sales and profits of our roadheader division continued to grow and reached record levels in 2011, as we developed new heavy-duty roadheaders in cooperation with, and in response to, the needs of our customers.

Jixi Coal Mining Machinery Co., Ltd. ("Jixi Machinery"), our subsidiary that designs and manufactures our shearer products, traces its history back to 1936 and it manufactured the first shearer in China in 1953. We offer a full line of shearers to operate under a wide range of coal bed conditions, from ultra-thin coal seams of 0.65 meters to thick seams of 6 meters thick. Our continuous innovations in thin seam shearers make us well positioned to participate in this growing segment of the industry. Recent government mandates require that all thin layer coal resources are mined, which requires specialized equipment such as ours. The revenue from the sale of our shearers in 2011 increased compared to 2010, which demonstrates our ability to provide our customers with equipment specific to their needs and our ability to maintain and grow market share by providing reliable products for our customers.

Company Profile

We established our subsidiary, Huainan Longwall Coal Mining Machinery Co., Ltd. ("Huainan Longwall"), in 2007 through a joint venture in which we initially held a 75% equity interest. We purchased the remaining 25% equity interest in Huainan Longwall on 19 January 2010. As a result of the acquisition, we have expanded our product offering and expect to leverage our long term customer relationships to provide our mining customers with top quality armoured-face conveyors to complement our industry leading roadheaders and shearers. This product expansion provides us with a unique position to become a complete longwall system solution provider in China.

On 27 August 2010, we completed the acquisition of 100% of the equity of Qingdao Tianxun Electric Co., Ltd. ("Qingdao Tianxun"), a manufacturer and supplier of electric control systems and related components for roadheaders, shearers, armoured-face conveyors, and other mining equipment. Qingdao Tianxun's reputation for high quality products enhances the safety and reliability of our roadheaders, shearers and armoured-face conveyors. Their excellent engineering and product development knowledge also strengthens our capabilities in providing integrated systems to domestic and international markets. The acquisition allowed us to expand our product offerings, as well as increase our share of aftermarket business.

As a complement to our superior products, we offer a wide range of aftermarket services, including onsite service and repairs, equipment overhauls and a supply of spare parts made available through our exclusive and extensive network of service centres and parts depots conveniently located close to our customers in all of the major mining districts. Our speed and reliability of service for our equipment further enhances our relationships with our valued customers.

As of 31 December 2011, we had 39 distributors and agents, 84 parts depots and 69 service centres. All of our distributors and agents are exclusive to our Company and work closely with us on all projects. Currently, our end customers include all of the top 50 coal production enterprises in China, located in the 13 major mining regions throughout the country. We also have agents in Russia, India, Australia and several other countries, and we took our first step into the overseas markets in 2010 by shipping our first roadheader into Russia, then to Australia and India in 2011. We shipped the first Chinese armoured-face conveyors to Australia in 2011, which was very well received by our customer. We believe that our international sales will continue to do well in 2012.

On 10 February 2010 (the "Listing Date") the shares of International Mining Machinery Holdings Limited (the "Company" or "IMM") were listed (the "Global Offering") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The infusion of capital from the Global Offering allowed us to accelerate our growth and achieve (i) expansion of the breadth of our product offering through internal development as well as through acquisitions such as Qingdao Tianxun, (ii) increased production capacity to meet growing market demands in equipment and aftermarket parts, (iii) the acquisition of sophisticated manufacturing equipment to further enhance quality and reduce manufacturing bottlenecks, (iv) reduced outsourcing costs and increased flexibility in purchasing, (v) the establishment of additional aftermarket service locations in major coal mining regions, and (vi) the pursuit of international opportunities. We believe that all of these efforts will continuously contribute to sustainable value to our shareholders.

Corporate Information

Board of Directors[1]

Executive Directors

Mr. Thomas H. QUINN (resigned on 6 January 2012)
Mr. Kee-Kwan Allen CHAN
Mr. Kwong Ming Pierre TSUI
Mr. Yinghui WANG
Mr. Youming YE (resigned on 6 January 2012)

Non-executive Directors

Mr. Rubo LI (resigned on 31 January 2011)
Mr. John W. JORDAN II (resigned on 6 January 2012)
Ms. Lisa M. ONDRULA (resigned on 6 January 2012)

Independent Non-executive Directors

Dr. Yiming HU
Dr. Xuezheng WANG
Mr. Zhenduo YUAN
Dr. Fung Man, Norman WAI

Audit Committee

Dr. Yiming HU *(Chairwoman)*
Ms. Lisa M. ONDRULA
(resigned on 6 January 2012)
Dr. Xuezheng WANG
Mr. Michael S. OLSEN
(appointed on 29 March 2012)

Remuneration Committee

Mr. Thomas H. QUINN *(Chairman)*
(resigned on 6 January 2012)
Dr. Fung Man, Norman WAI
(appointed as Chairman on 30 March 2012)
Mr. Zhenduo YUAN
Mr. Edward L. DOHENY II
(appointed on 29 March 2012)

Authorised Representatives

Mr. Thomas H. QUINN
(resigned on 6 January 2012)
Mr. Kee-Kwan Allen CHAN
Mr. John David MAJOR

Joint Company Secretaries

Mr. Kwong Ming Pierre TSUI
Ms. Sau Kuen Gloria MA

Auditor

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Compliance Advisor

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Registered Office

Walkers Corporate Services Limited
Walker House
87 Mary Street
George Town
Grand Cayman KY1-9005
Cayman Islands

Principal Place of Business in Hong Kong

8th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Offices in China

2nd floor, Tower A, Aimer Plaza
Wangjing Development Zone
Chaoyang District
Beijing 100102
China

Cayman Islands Principal Share Registrar

Walkers Corporate Services Limited
Walker House
87 Mary Street
George Town
Grand Cayman, KY1-9005
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation
1 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China Limited Jiamusi, Changan Branch
No.659 Xilin Road
Xiangyang District, Jiamusi
Heilongjiang 154003
China

Industrial and Commercial Bank of China Limited Jixi, Heping Branch
No.19 Hongqi Street
Jiguan District, Jixi
Heilongjiang 158100
China

China Construction Bank Huainan, Luohe Branch
Luohe Town
Datong District, Huainan
Anhui 232008
China

China Construction Bank Jiaonan Branch
No.203 East Zhuhai Street
Jiaonan,
Shandong 266401
China

Investor Relations

Ms. Sze Lai Doris CHAN

Company's Website

www.immchina.com

(1) Thomas H. Quinn, Youming Ye, John W. Jordan II and Lisa M. Ondrula ceased to be directors of the Company and Thomas H. Quinn also ceased to be chairman of the Company on 6 January 2012. Michael W. Sutherlin, Michael S. Olsen, Edward L. Doheny II, Eric A. Nielsen and John D. Major (also known as Sean D. Major) were appointed as directors of the Company and Michael W. Sutherlin was also appointed as chairman of the Company on 6 January 2012.

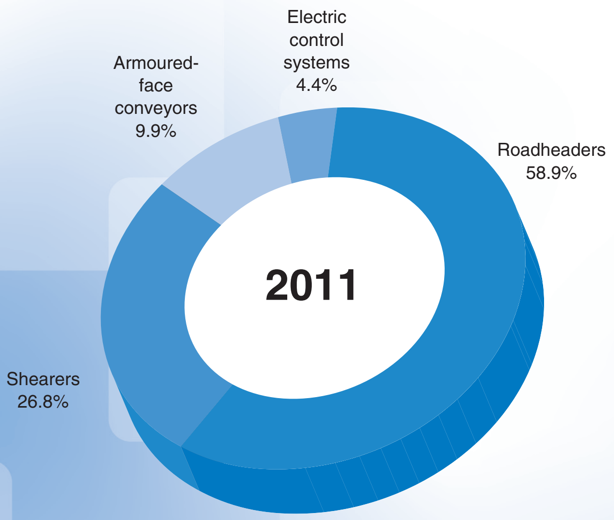
Financial Highlights

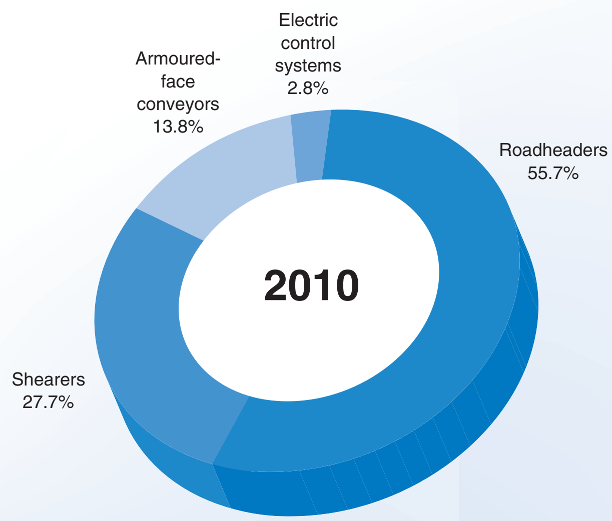
Comparison of results for the year ended 31 December 2011 and 2010

	For the year ended 31 December (RMB million) 2011	2010	Change %
Revenue	**2,097.9**	1,942.6	8.0
Cost of sales	**(1,187.6)**	(1,100.5)	7.9
Gross profit	**910.2**	842.1	8.1
EBITDA	**555.8**	498.8	11.4
Profit before tax	**434.2**	416.9	4.1
Profit attributable to owners of the parent	**336.7**	350.1	(3.8)
Basic earnings per share(1)	**25.90 cents**	28.18 cents	(8.1)

(1) The basic earnings per share are calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of shares outstanding during the year (2011: 1,300,091,473 and 2010: 1,242,222,222).

Revenue by segments





Financial Highlights

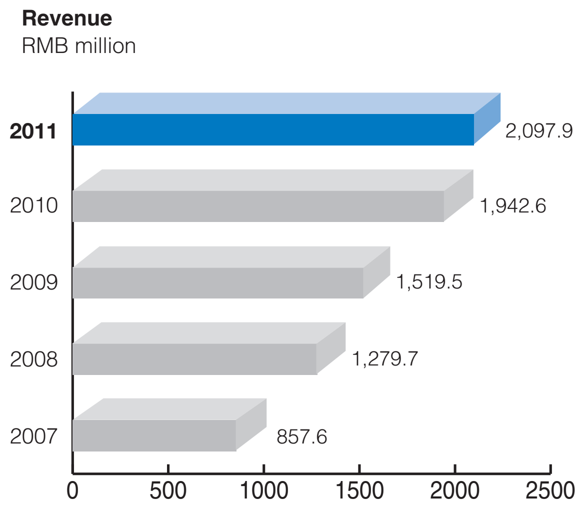
Five-year financial summary

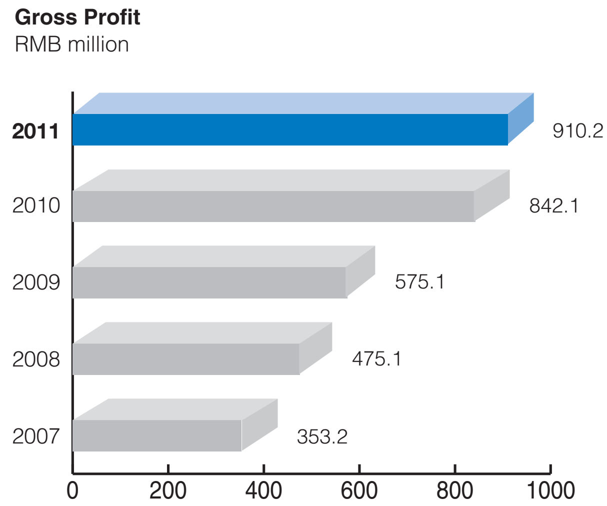
RMB million for the year ended 31 December	**2011**	2010	2009	2008	2007
Revenue	**2,097.9**	1,942.6	1,519.5	1,279.7	857.6
Gross profit	**910.2**	842.1	575.1	475.1	353.2
EBITDA	**555.8**	498.8	346.3	238.8	184.4
Profit before tax	**434.2**	416.9	294.2	185.2	138.9
Profit attributable to owners of the parent	**336.7**	350.1	228.7	150.4	151.4
Basic earnings per share(1)	**25.90 cents**	28.18 cents	29.32 cents	19.28 cents	19.41 cents

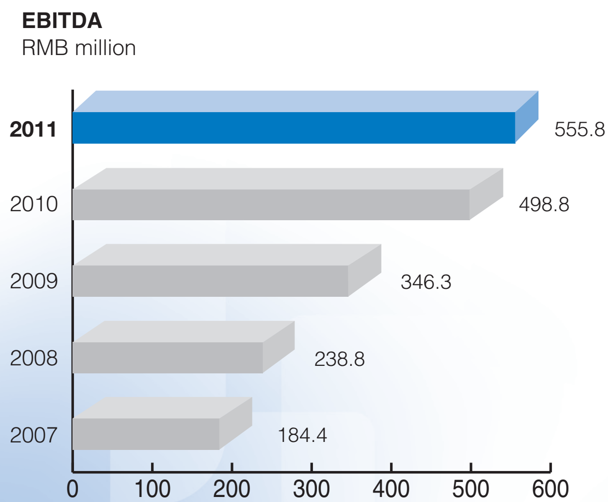
(1) The basic earnings per share are calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of shares outstanding during the year (2011: 1,300,091,473, 2010: 1,242,222,222 and all other periods: 780,000,000).

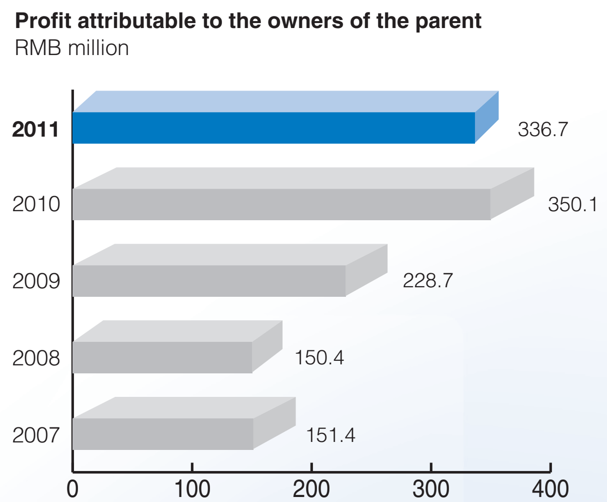
RMB million As of 31 December	**2011**	2010	2009	2008	2007
Non-current assets	**1,219.7**	1,210.1	626.9	633.8	572.8
Current assets	**2,927.3**	2,564.7	1,578.5	1,525.4	1,217.7
Current liabilities	**926.9**	837.9	1,463.3	1,097.2	926.1
Non-current liabilities	**106.0**	112.0	50.1	603.6	583.5
Net assets	**3,114.1**	2,824.9	692.1	458.4	280.9

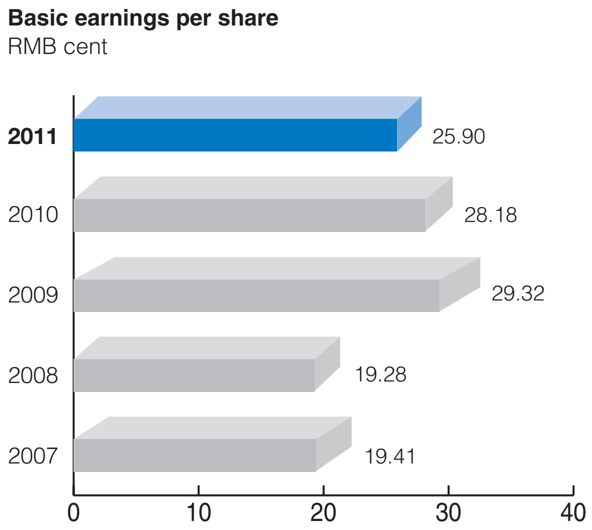
Financial Highlights











Note: The basic earnings per share are calculated by dividing the net profit attributable to the owners of the parent by the weighted average number of shares outstanding during the year (2011: 1,300,091,473, 2010: 1,242,222,222 and all other periods: 780,000,000).

A Letter from our Chairman and our CEO

We are pleased to report that, despite macroeconomic concerns, we continued to grow steadily in 2011. Compared to last year, our revenue grew 8.0%, including a 14.2% increase in sales of roadheaders and a 4.2% increase in sales of shearers, reflecting our continuously expanding presence in the coal mining machinery industry. Under a more challenging environment driven by increasing raw material costs during 2011, we managed to maintain our gross margin, with a slight increase to 43.4% of sales for the year. We will continue our efforts to pursue the opportunities for continued growth in the coal mining machinery industry in China and beyond to selected international markets.

Results

For the year ended 31 December 2011, our revenue grew by 8.0% to RMB2,097.9 million as a result of the strong market demand for our roadheaders, shearers and electric control systems. The gross profit grew by 8.1% over prior year to RMB910.2 million, and we managed to slightly improve our gross margin to 43.4%.

New Product Introductions

We are strongly committed to pursuing technological development through the engineering of new products. We continued to invest in research and development which is key for distinction in market competition. We offer the broadest range of roadheaders and shearers in the industry, and our electric control systems are extensively used by mining machinery manufacturers in China. In 2011, our notable developments include (i) a cutting-edge thin-seam shearer (MG180/420-BWD) which is specially designed and constructed with a low body profile and high cutting power, for thin seams ranging from 0.95 to 1.10 meters; and (ii) an intelligently designed roadheader (EBZ260A) which has an advanced remote control system to provide a high level of safety and efficiency.

Growth in International Markets

We took our first step into the overseas markets in 2010 by shipping our first roadheader into Russia, then to Australia and India in 2011. We shipped the first Chinese armoured-face conveyors to Australia in 2011 which were very well received by our customer. We believe that our international sales will continue to grow in 2012.

Sale and Purchase of Shares in the Company and Unconditional Mandatory Cash Offers

On 14 July 2011, Joy Global Inc. ("Joy Global") and the Company announced that Joy Global Asia Limited had entered into a Share Purchase Agreement to acquire approximately 41.1% of the entire issued share capital of the Company at the purchase price of HK$8.50 per share. Completion of the Share Purchase Agreement was conditional on, amongst other things, the receipt of anti-trust clearance for Joy Global's acquisition of the Company from the Anti-Monopoly Bureau of the PRC Ministry of Commerce ("MOFCOM").

A Letter from our Chairman and our CEO

During the period from 29 July 2011 to 7 September 2011, Joy Global Asia Limited disclosed its acquisition of approximately 28.2% of the issued share capital of the Company.

On 23 December 2011, Joy Global and the Company jointly announced that unconditional MOFCOM anti-trust clearance had been received and on 30 December 2011, Joy Global and the Company announced that the Share Purchase Agreement for the 41.1% of the issued share capital of the Company had been completed.

Events After the Reporting Period

As a result of completion of the Share Purchase Agreement, on 6 January 2012 Joy Global Asia Limited made unconditional mandatory cash offers for the remaining 30.7% of the issued share capital of the Company at HK$8.50 per share and for the cancellation of all outstanding options of shares in the Company. At the close of the Share Offer on 10 February 2012, Joy Global had received valid acceptances in respect of approximately 29.6% of the issued share capital of the Company. As at the date of this report, Joy Global owns an aggregate of 1,285,379,247 of the Company's shares, representing approximately 98.9% of the total issued share capital of the Company. As Joy Global has acquired more than 90% of the Shares, the subject of the Share Offer, within four months of the making of the Share Offer, Joy Global will exercise its Compulsory Acquisition rights to compulsorily acquire the remaining 1.1% of the Company's issued shares. Upon completion of the compulsory acquisition, the Company will become a wholly owned subsidiary of Joy Global and will withdraw the listing of the Company's shares from the Stock Exchange.

Outlook

The demand on mining machines will be driven by the increase in coal demand, together with the continuous drive for mechanization in coal mines that brings sustainable opportunities for us and other industry players. Coal mine consolidation initiatives have been progressing well in Shanxi province and the Chinese government has put in place strategic plans for extending consolidation to other prominent coal producing provinces such as Henan, Shanxi, Shandong, Hebei and Inner Mongolia. These will continue to provide a positive outlook for the mining machinery industry.

We look forward to combining the talent of Joy Global and the Company to provide world class underground mining equipment to China and the rest of the world. We expect the Company to continue its excellent track record of growth and innovation with Joy Global's help and support.

Mr. Michael W. Sutherlin
Chairman

Mr. Kee-Kwan Allen Chan
Chief Executive Officer

Hong Kong
30 March 2012

Report of Directors

The Board is pleased to present its report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 along with additional commentary on trends and conditions that impacted our business during the year.

Principal Activities

The Company is an investment holding company. The principal activities of its principal subsidiaries are the design, manufacture and sale of underground longwall coal mining equipment in China, including roadheaders, shearers, armoured-face conveyors and related products and electric control systems.

Prospects

China is the world's largest producer and consumer of coal and the China National Coal Machinery Industry Association ("CMIA") expects it to remain so for the foreseeable future. Chinese coal spot prices have been on a downward trend since November 2011 and are stabilizing in 2012. We see steady growth in demand and the need for increased supply. CMIA also estimates that companies will invest RMB77 billion in coal mining machinery in 2012 to meet the demand of increasing coal production. We expect this to directly benefit the coal mining machinery industry and our customers will gradually turn to new and additional automation to help them extract coal in a more cost efficient and timely manner.

Guided by the Twelfth Five-Year Plan, the provincial governments have commanded the consolidation of coal resources, as well as coal enterprises, they will continue the restructuring in the next five years. To meet the objective of the Twelfth Five-Year Plan, large mining companies are likely to increase the capacity of existing large mines or restructure small mines and introduce mining machines to the consolidated coal mines. The market leaders, including the Company are set to benefit from the increasing demand for equipment from large mining companies and continue to outperform the industry's growth.

Companies Comprising the Group and Associates

Particulars of the companies comprising the Group and associates as at 31 December 2011 are set out in note 4 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands where the Company is incorporated.

Arrangements to Acquire Share or Debentures

Save as disclosed under the section headed "Share Option Scheme", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate entity.

Results and State of Financial Affairs

The Group's profit for the year ended 31 December 2011 and the state of financial affairs of the Group at that date are set out in the consolidated financial statements on pages 52 to 140 of the annual report.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011.

Changes in Share Capital

Details in movements in share capital of the Company are set out in note 31 to the consolidated financial statements.

Reserves and Distributable Reserves

The Group's reserves amounted to RMB2,999.8 million as of 31 December 2011. Additional details of changes in the reserves of the Group for 2011 are set out in consolidated statement of changes in equity and note 33 of the consolidated financial statements.

As at 31 December 2011, the distributable reserves of the Company amount to RMB1,999.0 million, which is the total of the share premium account and retained earnings of the Company calculated in accordance with the Companies Law of the Cayman Islands.

Property, Plant and Equipment

Details of the movement in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Report of Directors

Directors

The Directors of the Company during the year were as follows:

Executive Directors	
Mr. Thomas H. QUINN *(Chairman)*	(resigned on 6 January 2012)
Mr. Kee-Kwan Allen CHAN **(陳其坤)** *(Chief Executive Officer)*	
Mr. Kwong Ming Pierre TSUI **(徐廣明)** *(Chief Financial Officer)*	
Mr. Yinghui WANG **(王穎輝)**	
Mr. Youming YE **(葉有明)**	(resigned on 6 January 2012)
Non-executive Directors	
Mr. Rubo LI **(李汝波)**	(resigned on 31 January 2011)
Mr. John W. JORDAN II	(resigned on 6 January 2012)
Ms. Lisa M. ONDRULA	(resigned on 6 January 2012)
Independent Non-executive Directors	
Dr. Yiming HU **(胡奕明)**	
Dr. Xuezheng WANG **(王學政)**	
Mr. Zhenduo YUAN **(苑振鐸)**	
Dr. Fung Man, Norman WAI **(衛鳳文)**	

On 6 January 2012, Michael W. Sutherlin was appointed as executive Director and Chairman of the Company and Michael S. Olsen, Edward L. Doheny II, Eric A. Nielsen and John D. Major were appointed as non-executive Directors of the Company.

Directors' Service Contracts or Letters of Appointment

Each of our existing executive Directors (other than Mr. Michael W. Sutherlin) has entered into a service agreement with the Company for an initial term of three years commencing on 24 January 2010. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 24 January 2010. All of these agreements provide for termination by either party upon proper written notice to the other party. On 6 January 2012, the Company and Mr. Thomas H. Quinn, Mr. Youming Ye, Mr. John W. Jordan II and Ms. Lisa M. Ondrula agreed to terminate their directorships prior to the end of the stated term.

On 6 January 2012, Mr. Michael W. Sutherlin and each of the new non-executive Directors entered into service contract with the Company.

None of the Directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Biographies of Directors and Senior Management

Biographies of Directors and senior management of the Group are set out on pages 40 to 49 of this annual report.

Board Committees

The Company has established an Audit Committee and a Remuneration Committee in compliance with the Code on Corporate Governance Practices as contained in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (the "Listing Rules"). Terms of reference for these committees have been established. Details of the duties of these committees are set forth in the Corporate Governance Report on pages 30 to 39 of this report.

Emolument Policy

The remuneration of the Directors and the five highest paid individuals are calculated based on their scope of work, experience, qualification and/or performance, the details of which are set out in note 9 to the consolidated financial statements.

Management Contracts

Other than the service contracts of the Directors disclosed above, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

Directors' and Chief Executives' Interests in Shares and Short Positions

As at 31 December 2011, the following Directors or chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules:

Name of Director	Number of ordinary shares/underlying ordinary shares held	Capacity	% of Issued shares
Yiming Hu	30,000 (share options and long position)	Beneficial owner	0.002%
Kwong Ming Pierre Tsui	1,210,000 (share options and long position)	Beneficial owner	0.093%
Fung Man, Norman Wai	30,000 (share options and long position)	Beneficial owner	0.002%
Xuezheng Wang	24,000 (share options and long position)	Beneficial owner	0.002%
Yinghui Wang	1,316,000 (share options and long position)	Beneficial owner	0.101%
Zhenduo Yuan	30,000 (share options and long position)	Beneficial owner	0.002%

Report of Directors

Substantial Shareholders Interests

To the best knowledge of the Directors and chief executives of the Company, as at 31 December 2011, the register of substantial shareholders' interests in shares and short positions maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, representing 5% or more of the Company's issued share capital:

Name of shareholders	Number of shares/underlying shares held	Capacity	% of Issued Shares
Joy Global Asia Limited (previously known as Newco Hong Kong 123 Limited)	900,446,300 (long position)[1]	Beneficial owner	69.25%
Joy Global Inc.	900,446,300 (long position)[1]	Interest of controlled corporation	69.25%
Cheah Capital Management Limited	77,172,500 (long position)[2]	Interest of controlled corporation	5.94%
Cheah Cheng Hye	77,172,500 (long position)[2]	Founder of a discretionary trust	5.94%
Cheah Company Limited	77,172,500 (long position)[2]	Interest of controlled corporation	5.94%
Hang Seng Bank Trustee International Limited	77,172,500 (long position)[2]	Trustee (other than a bare trustee)	5.94%
To Hau Yin	77,172,500 (long position)[2]	Interest of spouse	5.94%
Value Partners Limited	77,172,500 (long position)[2]	Investment manager	5.94%
Value Partners Group Limited	70,486,000 (long position)	Interest of controlled corporation	5.42%

Notes:

1. Joy Global Asia Limited is a wholly-owned subsidiary of Joy Global Inc. The 900,446,300 shares represent the same block of shares.

2. The 77,172,500 shares represent the same block of shares.

Share Option Scheme

On 24 January 2010, the shareholders of the Company had approved and adopted a share option scheme (the "**Share Option Scheme**"). Key terms of the Share Option Scheme are summarized below.

(i) The purpose of the Share Option Scheme is to provide incentives to the individual being an employee, officer, agent, consultant or representative of the Company or any subsidiary of the Company, including any executive or non-executive Director of the Company or of any subsidiary of the Company (the "**Participants**") to contribute to the Group by providing the Participants the opportunity to acquire proprietary interests in the Company and to encourage the Participants to work towards enhancing the value of the Company as well as to enable the Group to recruit high-caliber employees and/or attract human resources that are valuable to the Group.

(ii) The total number of shares in respect of which options may be granted under the Share Option Scheme is 130,000,000 shares, being 10% of the total number of shares in issue as at the Listing Date.

(iii) Unless approved by shareholders in a general meeting, no Participant shall be granted an option within the 12-month period up to and including the proposed date on which the grant of an option is made ("**Grant Date**") if such grant, would represent in aggregate over 1% of the number of shares in issue as at the proposed Grant Date.

(iv) The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of any member of the Group must not exceed 30% of the number of shares in issue from time to time.

(v) A consideration of HK$1.00 is payable on acceptance of the offer of grant of an option.

(vi) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board, which must not be more than 10 years from the Grant Date.

The Company granted a total of 3,120,000 share options on 28 April 2010 and on 29 October 2010, the Company granted a total of 18,818,800 share options to subscribe for ordinary shares of nominal value of HK$0.10 each in the share capital of the Company under the Share Option Scheme. Both of these issuances were described in the Company's Annual Report for 2010. As at 31 December 2011, a total of 17,919,800 share options remain unexercised by Directors and other employees of the Company pursuant to the Share Option Scheme.

Movement of the options granted under the Share Option Scheme during the year ended 31 December 2011 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise Price (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2011	Number of underlying shares comprised in the options lapsed or cancelled during the year ended 31 December 2011	Number of underlying shares comprised in the options exercised during the year ended 31 December 2011	Number of underlying shares comprised in the outstanding options as at 31 December 2011
Mr. Kwong Ming Pierre Tsui	28 April 2010	23 January 2020	4.07	175,000	–	–	175,000
Mr. Yinghui Wang	28 April 2010	23 January 2020	4.07	150,000	–	–	150,000
Dr. Yiming Hu	28 April 2010	23 January 2020	4.07	30,000	–	–	30,000
Dr. Xuezheng Wang	28 April 2010	23 January 2020	4.07	30,000	–	6,000(i)	24,000
Mr. Zhenduo Yuan	28 April 2010	23 January 2020	4.07	30,000	–	–	30,000
Dr. Fung Man, Norman Wai	28 April 2010	23 January 2020	4.07	30,000	–	–	30,000
Other employees	28 April 2010	23 January 2020	4.07	2,675,000	419,800	138,200(ii)	2,117,000
Subtotal				**3,120,000**	**419,800**	**144,200**	**2,556,000**
Mr. Kwong Ming Pierre Tsui	29 October 2010	23 January 2020	6.75	1,035,000	–	–	1,035,000
Mr. Yinghui Wang	29 October 2010	23 January 2020	6.75	1,166,000	–	–	1,166,000
Other employees	29 October 2010	23 January 2020	6.75	16,617,800	3,385,000	70,000(ii)	13,162,800
Subtotal				**18,818,800**	**3,385,000**	**70,000**	**15,363,800**
Total				**21,938,800**	**3,804,800**	**214,200**	**17,919,800**

Notes:

(i) For Dr. Xuezheng Wang, the weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$8.24.

(ii) For other employees, the weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$8.06.

On 3 February 2012, Joy Global has received the valid acceptances of Option offers in respect of 17,919,800 share options, representing 100% of all outstanding Share Options. As at the date of this report, there are no outstanding share options of the Company granted under the Share Option Scheme.

Staff Retirement/Pension Scheme Benefits

As stipulated by the laws, orders and regulations of China, the Group participated in various defined contribution retirement plans organized by municipal governments for its staff. Currently, the Group is required to make contributions to the retirement plans at a rate of 20% (2010: 20%) of the salaries, bonuses and certain allowances of its staff. A member of the plan is entitled to a pension, to be paid by the municipal governments, equal to a fixed proportion of the salary prevailing at his retirement date. The Company has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. When any of the staff leaves the position, the Company is not entitled to recover the contributions paid in respect of such staff's pension scheme benefits.

Connected Transaction

The only connected transaction of the Company for the period during 2011 is an exempted continuing connected transaction in relation to the consulting agreement with Mr. Rubo Li, a past non-executive Director who resigned on 31 January 2011. Details of this continuing connected transaction were set out on pages 164 to 165 of the Prospectus. As this continuing connected transaction constitutes an exempted continuing connected transaction pursuant to Rule 14A.33 of the Listing Rules, the Company is not required to disclose such transaction in this report. Concurrent with his resignation, Mr. Li signed an amendment to his consulting agreement to extend the term of the consulting agreement for a 12-month period to 1 May 2012 the ("Amended Agreement") and provide for an automatic one year extension to the agreement unless either party provides written notice that it does not wish to renew. The Amended Agreement also allows the Board to periodically review the amounts paid to Mr. Li under this agreement and adjust them as they see fit. All other terms and conditions of the consulting agreement as described in our Prospectus remain unchanged. The Amended Agreement was terminated on 30 December 2011. As the Amended Agreement constitutes a non-exempt continuing connected transaction pursuant to Rule 14A.34 of the Listing Rules, the independent non-executive Directors of the Company have reviewed this continuing connected transaction of the Company and confirmed that the transaction was entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board confirms that our auditors have confirmed the matters stated in Rule 14A.38 of the Listing Rules.

The auditors of the Company have provided a letter to the Board and confirmed that the continuing connected transactions referred to above:

(i) had received the approval of the Board;

(ii) were in accordance with the pricing policies stated in the Group's financial statements;

(iii) had been entered into in accordance with the terms of the agreements governing the transactions; and

(iv) the amounts of the transactions referred to above had not exceeded the relevant annual caps.

Save as disclosed above, there was no other connected transaction and/or continuing connected transaction during the year.

Non-competition Undertaking

As disclosed in the Prospectus, in January 2010, the Resolute Fund, L.P., each of the five parallels funds (namely, The Resolute Fund SIE, L.P., The Resolute Fund Netherlands, PV I, L.P., The Resolute Fund Netherlands, PV II, L.P., The Resolute Fund Singapore PV, L.P., and The Resolute Fund NQP, L.P.) and TJCC Holdings Ltd. (the "Past Controlling Shareholders"), executed a Non-competition Undertaking through which they have undertaken not to compete, either directly or indirectly, whether on its own or jointly with other entities in any activities or businesses which compete with the business of designing, manufacturing and sales of underground longwall coal mining equipment as well as provision of longwall coal mining solutions and such other business related to longwall coal mining equipment as engaged or operated by the Group in China during the term of such undertaking (the "**Non-competition Undertaking**"). Our independent non-executive Directors will review, at least annually, the compliance with and enforcement of the terms of the Non-competition Undertaking by the Past Controlling Shareholders. We will also disclose the annual declarations by the Past Controlling Shareholders in the annual report of the Company.

The Company has received the annual declaration from the Past Controlling Shareholders in respect of their respective compliance with the terms of the Non-competition Undertaking. The independent non-executive Directors of the Company have reviewed the undertaking and are of the view that the Past Controlling Shareholders have complied with the Non-competition Undertaking during the year ended 31 December 2011.

Directors' Interests in Contracts of Significance

Save as already disclosed, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year ended 31 December 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Other Related-party Transactions

Details of other related-party transactions entered into by the Group during the year ended 31 December 2011, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 36 to the consolidated financial statements.

Major Customers and Suppliers

For the year ended 31 December 2011, the aggregate sales attributable to the Group's five largest customers accounted for approximately 40.2% of the Group's total revenue and sales attributable to the Group's largest customer were approximately 9.2% of the Group's total revenue.

For the year ended 31 December 2011, the aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 19.4% of the Group's total purchases, and the purchases attributable to the Group's largest supplier were approximately 5.6% of the Group's total purchases.

None of the Directors, or any of their associates or any shareholders who to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest suppliers or customers.

Code on Corporate Governance Practices (the "Code")

The Company has adopted the code provisions set out in the Code. For the year ended 31 December 2011, the Company has complied with all the applicable code provisions set out in the Code.

For details of the Corporate Governance Report, please refer to pages 30 to 39 of this annual report.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2011.

Report of Directors

Post Balance Sheet Events

As a result of completion of the Share Purchase Agreement, on 6 January 2012 Joy Global Asia Limited made unconditional mandatory cash offers for the remaining 30.7% of the issued share capital of the Company at HK$8.50 per share and for the cancellation of all outstanding options of shares in the Company. At the close of the Share Offer on 10 February 2012, Joy Global had received valid acceptances in respect of approximately 29.6% of the issued share capital of the Company. As at the date of this report, Joy Global owns an aggregate of 1,285,379,247 of the Company's shares, representing approximately 98.9% of the total issued share capital of the Company. As Joy Global has acquired more than 90% of the Shares, the subject of the Share Offer, within four months of the making of the Share Offer, Joy Global will exercise its Compulsory Acquisition rights to compulsorily acquire the remaining 1.1% of the Company's issued shares. Upon completion of the compulsory acquisition, the Company will become a wholly owned subsidiary of Joy Global and will withdraw the listing of the Company's shares from the Stock Exchange.

Material Legal Proceedings

As at 31 December 2011, the Company was not involved in any material litigation or arbitration and no material litigation or claims were pending or threatened or made against the Company so far as the Company is aware.

Sufficiency of Public Float

Following the close of the Share Offer on 10 February 2012, Joy Global Asia Limited holds 98.9% of the total issued Share Capital of the Company. An application has been made to delist the Company on completion of the Compulsory Acquisition.

Banking Facilities

The Company utilizes bank loans for working capital purposes, and all of its bank loans were payable within one year. As of 31 December 2011, the Company's outstanding bank loans bore interest at an annual rate ranging from 5.31% to 14.4%.

Auditors

Ernst & Young was approved as the Company's auditor for the past four years. The consolidated financial statements included in this report were audited by Ernst & Young who will retire as auditors of the Company and, being eligible, offer themselves for re-appointment.

By the order of the Board
International Mining Machinery Holdings Limited
Mr. Michael W. Sutherlin
Chairman

Hong Kong
30 March 2012

Management Discussion and Analysis

Market Overview

China's economic growth moderated to 9.2% in 2011 against 10.3% growth in 2010. This supported growth in China's coal output which reached 3.52 billion tonnes, up 8.7% year on year. Following the success in initiating coal mine consolidation for Shanxi province, other prominent coal producing provinces such as Henan, Shaanxi, Shandong, Hebei and Inner Mongolia have also seen good starts on their coal mine consolidation, which will continue for the next five years. The consolidation initiative has driven higher demand for coal mining machinery, continued to be led by roadheaders.

Business Overview

Results

For the year ended 31 December 2011, our revenue grew by 8.0% to RMB2,097.9 million as a result of the strong market demand for our roadheaders, shearers and electric control systems. The gross profit grew by 8.1% over prior year to RMB910.2 million, and we managed to slightly improve our gross margin to 43.4%.

New Product Introductions

We are strongly committed to pursuing technological development through the engineering of new products. We continued to invest in research and development which is key for distinction in market competition. We offer the broadest range of roadheaders and shearers in the industry, and our electric control systems are extensively used by mining machinery manufacturers in China. In 2011, our notable developments include (i) a cutting-edge thin-seam shearer (MG180/420-BWD) which is specially designed and constructed with a low body profile and high cutting power, for thin seams ranging from 0.95 to 1.10 meters; and (ii) an intelligently designed roadheader (EBZ260A) which has an advanced remote control system to provide a high level of safety and efficiency.

Sale and Purchase of Shares in the Company and Unconditional Mandatory Cash Offers

On 14 July 2011, Joy Global Inc. ("Joy Global") and the Company announced that Joy Global Asia Limited had entered into a Share Purchase Agreement to acquire approximately 41.1% of the entire issued share capital of the Company at the purchase price of HK$8.50 per share. Completion of the Share Purchase Agreement was conditional on, amongst other things, the receipt of anti-trust clearance for Joy Global's acquisition of the Company from the Anti-Monopoly Bureau of the PRC Ministry of Commerce ("MOFCOM").

During the period from 29 July 2011 to 7 September 2011, Joy Global Asia Limited disclosed its acquisition of approximately 28.2% of the issued share capital of the Company.

On 23 December 2011, Joy Global and the Company jointly announced that unconditional MOFCOM anti-trust clearance had been received and on 30 December 2011, Joy Global and the Company announced that the Share Purchase Agreement for the 41.1% of the issued share capital of the Company had been completed.

Management Discussion and Analysis

Events after the Reporting Period

As a result of completion of the Share Purchase Agreement, on 6 January 2012 Joy Global Asia Limited made unconditional mandatory cash offers for the remaining 30.7% of the issued share capital of the Company at HK$8.50 per share and for the cancellation of all outstanding options of shares in the Company. At the close of the Share Offer on 10 February 2012, Joy Global had received valid acceptances in respect of approximately 29.6% of the issued share capital of the Company. As at the date of this report, Joy Global is interested in an aggregate of 1,285,379,247 of the Company's shares, representing approximately 98.9% of the total issued share capital of the Company. As Joy Global has acquired more than 90% in value of the Shares, the subject of the Share Offer, within four months of the making of the Share Offer, Joy Global will exercise its Compulsory Acquisition rights to compulsorily acquire the remaining 1.1% of the Company's issued shares. Upon completion of the Compulsory Acquisition, the Company will become a wholly owned subsidiary of Joy Global and will withdraw the listing of the Company's shares from the Stock Exchange.

Financial Review

Revenue

For the year ended 31 December 2011, the Group's revenue amounted to RMB2,097.9 million, representing an increase of RMB155.3 million or 8.0% as compared to RMB1,942.6 million in 2010. The increase was primarily due to the increase in sales of roadheader products, shearer products, and electric control systems, complemented by favourable product mix. This was, however, partially offset by a decrease in sales of armoured-face conveyors and related products.

The total sales including intersegment sales amounted to RMB2,192.4 million. The intersegment sales were related to the sales between Jiamusi Machinery, Jixi Machinery and Qingdao Tianxun, as Qingdao Tianxun's electric control systems continued to sell to Jiamusi Machinery and Jixi Machinery after it became a subsidiary of the Company post-acquisition. These numbers are derived from the attached Consolidated Financial Statements as audited by the Company's auditors, Ernst & Young.

For the two years ended 31 December 2011 and 2010, the Group's revenue analysis by product segment is as follows:

Product Segments	**2011**		2010		Change	Change
	RMB million	**%**	RMB million	%	RMB million	%
Roadheaders	**1,235.4**	**58.9**	1,081.8	55.7	153.6	14.2
Shearers	**561.3**	**26.8**	538.6	27.7	22.7	4.2
Armoured-face conveyors and related products	**208.1**	**9.9**	267.5	13.8	(59.4)	(22.2)
Electric control systems	**93.1**	**4.4**	54.7[1]	2.8	38.4	70.2
Total	**2,097.9**	**100.0**	1,942.6	100.0	155.3	8.0

(1) In 2010, revenue from the electric control systems segment is only for the period from the date of the acquisition of Qingdao Tianxun on 27 August 2010 to 31 December 2010.

Roadheaders: The revenue from roadheader products increased by RMB153.6 million, or 14.2%, from RMB1,081.8 million in 2010 to RMB1,235.4 million in 2011. This increase is attributable to an increase in market demand for medium and heavy-duty machines.

Shearers: The revenue from shearer products increased by RMB22.7 million, or 4.2%, from RMB538.6 million in 2010 to RMB561.3 million in 2011, primarily due to a favourable sales mix and an increase in thin seam and thick seam shearers and spare parts, offset by a sales decrease in medium seam shearers.

Armoured-face conveyors and related products: The revenue from armoured-face conveyors and related products recorded a decrease of RMB59.4 million, or 22.2%, from RMB267.5 million for 2010 to RMB208.1 million in 2011. We saw great success with our delivery of the first Chinese made armoured-face conveyor to an Australian customer. However, sales and margins were impacted due to lower pricing, intense domestic competition and raw material price increases during the current year.

Electric control systems: The revenue from electric control systems amounted to RMB93.1 million for 2011. Qingdao Tianxun produces electric control system for our other subsidiaries and third party customers.

Cost of Sales

During the year, the Group's cost of sales amounted to RMB1,187.6 million, representing an increase of RMB87.1 million or 7.9% as compared to 2010. The increase was mainly attributable to the corresponding increase in the Group's sales.

The cost of raw materials increased by RMB45.2 million, or 5.3%, from RMB849.4 million in 2010 to RMB894.6 million in 2011, primarily due to cost increases in major components of our raw materials, such as hydraulic parts and outsourced parts. Manufacturing costs increased by RMB33.5 million, or 19.2%, from RMB174.2 million in 2010 to RMB207.7 million in 2011 which was primarily due to the increased depreciation expenses from the asset revaluation at Qingdao Tianxun. Direct labour costs increased by RMB8.4 million, or 10.9%, from RMB76.9 million in 2010 to RMB85.3 million in 2011, primarily due to our increased sales.

Gross Profit and Gross Margin

Gross profit increased by RMB68.1 million, or 8.1%, from RMB842.1 million in 2010 to RMB910.2 million in 2011. During 2011, the gross margin saw a slight growth to 43.4%, from 43.3% in 2010.

Other Income and Gains

The Group's other income and gains amounted to RMB20.8 million in 2011 which represented a decrease of RMB35.4 million as compared to 2010. The decrease was primarily attributable to the waiver of tax liabilities recorded in 2010 that did not reoccur in 2011.

Management Discussion and Analysis

Selling and Distribution Costs

Selling and distribution costs increased by RMB34.8 million, or 22.8%, from RMB152.9 million in 2010 to RMB187.7 million in 2011. The increase was primarily attributable to higher sales resulting in increased (i) commission expenses, and (ii) warranty expenses.

Administrative Expenses

The Group's administrative expenses decreased by RMB35.4 million or 12.9% from RMB274.7 million in 2010 to RMB239.3 million in 2011. The decrease was primarily due to IPO related expenses recorded in 2010.

Other Expenses

The Group's other expenses increased by RMB14.3 million to RMB57.4 million in 2011 as compared to RMB43.1 million in 2010. The increase was attributable to the share option cancellation expenses recorded during the year.

Income Tax

Income tax expense for the Group was RMB97.4 million in 2011 as compared to RMB66.9 million in 2010. The increase in income tax expense is directly attributable to the expiration of certain favourable tax rates enjoyed by the Company since its inception in 2006, as well as the increase in our profits driven by higher revenue. Upon formation as a wholly owned foreign enterprise, from 1 January 2008 to 31 December 2010, the applicable enterprise income tax rate for two of our subsidiaries, Jiamusi Machinery and Jixi Machinery, was 12.5%, which is a 50% reduction from the statutory rates. This favourable tax rate was not available to us in 2011.

Jiamusi Machinery and Jixi Machinery obtained the Certificate of National High-Tech Enterprise in November 2008. Huainan Longwall and Qingdao Tianxun obtained the Certificate of National High-Tech Enterprise in May 2010 and November 2009, respectively, and accordingly, they were entitled to a lower PRC corporate income tax rate of 15% for the year ended 31 December 2011.

Net Profit Attributable to Owners of the Parent

The net profit attributable to owners of the parent was RMB336.7 million, which was a decrease of RMB13.4 million or 3.8% over the net profit attributable to owners of the parent in 2010.

EBITDA

Management has chosen to disclose EBITDA, which is not recognized as a financial measurement under IFRS accounting rules. Management uses EBITDA and other operating metrics as tools to evaluate the profitability of its operations and the effectiveness of its various initiatives. EBITDA is calculated as net profit before taxes, plus depreciation, amortization and finance costs and is reduced by finance revenue.

EBITDA was RMB555.8 million for 2011, an increase of RMB57.0 million or 11.4% over the prior year.

	2011 **RMB millions**	2010 RMB millions
Profit before tax	**434.2**	416.9
Depreciation	**47.1**	34.3
Amortization	**64.6**	36.5
Finance revenue	**(1.7)**	(0.6)
Finance cost	**11.6**	11.7
EBITDA	**555.8**	498.8

Liquidity and Capital Resources

We currently use a combination of cash generated from operations and bank loans to meet our financial obligations. As of 31 December 2011, the total current assets amounted to RMB2,927.3 million, and the total current liabilities of the Group amounted to RMB926.9 million. As of 31 December 2011, we had an aggregate of RMB93.0 million in outstanding bank loans, bearing interest at an annual rate ranging from 5.31% to 14.4% and repayable within one year, as compared to an outstanding balance of RMB123.4 million as of 31 December 2010. We also obtained advance payments on equipment orders to support the purchase of inventory.

As of 31 December 2011 and 2010, the company was in a net cash position and hence, the gearing ratio was not applicable.

Cash Flow

We had a net cash inflow from operating activities of RMB135.6 million in 2011 which increased by RMB268.4 million as compared to the net cash outflow of RMB132.8 million in 2010. The inflow in our cash from operating activities was primarily attributable to an increase in trade payables due to a corresponding increase of purchases for production of inventory to support increased sales volumes.

Net cash inflow from investing activities in 2011 was RMB164.4 million, which increased by RMB1,082.5 million as compared to the net cash used of RMB918.1 million in 2010. The increase in cash from investing activities is mainly due to (i) the maturing of time deposits with maturity of more than three months that were not fully reinvested, and (ii) the payment of 25% equity interest in Huainan Longwall and 100% in Qingdao Tianxun recorded in 2010 that did not occur in 2011.

Management Discussion and Analysis

Net cash used in financing activities in 2011 was RMB105.1 million which decreased by RMB1,348.9 million as compared to RMB1,243.8 million of cash generated from financing activities in 2010. The decrease is mainly due to the proceeds from the Global Offering recorded in the 2010 that did not occur in 2011.

Asset Structure

As of 31 December 2011, the Group's total assets amounted to approximately RMB4,147.0 million, representing an increase of approximately RMB372.2 million or approximately 9.9% as compared to the balance as of 31 December 2010. The increase was mainly attributable to the increase in trade receivables over those of the prior period due to increased sales levels. Current assets amounted to approximately RMB2,927.3 million, and mainly consisted of cash, trade receivables and inventories, accounting for approximately 70.6% of total assets; non-current assets amounted to approximately RMB1,219.7 million, representing an increase of approximately RMB9.6 million as compared to the balance as at 31 December 2010.

Liabilities

As of 31 December 2011, the Group's total liabilities amounted to approximately RMB1,032.9 million, representing an increase of approximately RMB83.0 million as compared to the balance as at 31 December 2010. Current liabilities amounted to approximately RMB926.9 million, accounting for approximately 89.7% of total liabilities and non-current liabilities amounted to approximately RMB106.0 million, accounting for approximately 10.3% of total liabilities. The increase in liabilities was mainly attributable to the increase in trade payables due to the corresponding increase of purchases for production of inventory for increased sales volumes.

Turnover Days

During the year, the average inventory turnover days increased from 122 days to 134 days. This was due to increased finished goods which will be delivered upon receiving notice from our customers that the coal mines are ready for production.

During the year, the average turnover days of trade receivables increased from 173 days to 219 days as compared to 2010 due to longer credit periods that were granted to our strategic customers.

During the year, the average turnover days of trade payables was 147 days, representing an increase of 26 days as compared to 121 days in 2010. This is mainly due to our continuing effort to maximize cash flow while continuing to stabilize our relationship with our suppliers.

Contingent Liabilities

As of 31 December 2011, we had no material contingent liabilities.

Pledge of Assets

As of 31 December 2011, we pledged assets with a value of RMB74.6 million for secured bank loans and bank acceptance notes, comprised primarily of buildings, land use rights, bill receivables and cash deposits.

Capital Expenditure and Commitment

Our capital expenditures were RMB142.6 million in 2011 as compared to RMB461.7 million in 2010. Our capital expenditures during 2011 related primarily to the purchases and overhaul of machinery, establishing new buildings, upgrading information technology systems and investing in associates.

As of 31 December 2011, the Group had capital commitments of RMB61.8 million, which primarily related to commitments to purchase machinery.

Foreign Exchange Exposure

As of 31 December 2011, the Group's foreign currency deposits were equivalent to approximately RMB255.4 million.

Employee Remuneration and Benefit

As of 31 December 2011, the Group had 3,718 employees as compared to 3,675 as of 31 December 2010. All of our employees have employment contracts which specify the individual's position, responsibilities, remuneration and grounds for termination pursuant to Chinese Labour Law and relevant regulations. Our employees are selected through a competitive process.

The table below sets forth the number of our employees by their functions.

	As of 31 December 2011	
	Number	**% of total**
Manufacturing personnel	**2,352**	**63.3%**
Technical personnel (including R&D)	**408**	**11.0%**
Sales and marketing personnel	**347**	**9.3%**
Administrative personnel	**279**	**7.5%**
Procurement personnel	**134**	**3.6%**
Financial personnel	**76**	**2.0%**
Others	**122**	**3.3%**
Total employees	**3,718**	**100.0%**

Staff costs including Directors' remuneration were approximately RMB238.8 million for 2011 as compared to approximately RMB225.7 million for 2010. The remuneration package for our employees generally includes salaries and bonuses. We conduct periodic performance reviews for all of our employees and their salaries and provide our employees with performance-based bonuses. Employees also receive welfare benefits, including medical care, housing subsidies, retirement, occupational injury insurance and other miscellaneous benefits as required by China law. In addition, we contribute to various pension funds organized by municipal and provincial governments for our employees in compliance with applicable laws and regulations.

Corporate Governance Report

The Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. This report outlines the principles and the code provisions of the Code. The Directors believe that during the year ended 31 December 2011, the Company has applied the principles, and complied with all the applicable code provisions set out in the Code.

Set out below is a detailed discussion of the functions of the Board of Directors (the "Board") and corporate governance practices adopted and observed by the Company during the year ended 31 December 2011.

The Directors

Composition

The composition of the Board ensures a balance of skills and experiences appropriate to the requirements of the businesses of the Company and to the exercise of independence. The Board, as of the date of this report, consists of twelve Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors:

Category and name of Director	Date of first becoming Director	Date of current designation
Executive Directors		
Mr. Michael W. Sutherlin *(Chairman of the Board)*	6 January 2012	6 January 2012
Mr. Kee-Kwan Allen Chan	16 May 2006	15 June 2010
Mr. Kwong Ming Pierre Tsui	24 January 2010	24 January 2010
Mr. Yinghui Wang	24 January 2010	24 January 2010
Non-executive Directors		
Mr. Michael S. Olsen	6 January 2012	6 January 2012
Mr. Edward L. Doheny II	6 January 2012	6 January 2012
Mr. Eric A. Nielsen	6 January 2012	6 January 2012
Mr. Sean D. Major	6 January 2012	6 January 2012
Independent non-executive Directors		
Dr. Yiming Hu	24 January 2010	24 January 2010
Dr. Xuezheng Wang	24 January 2010	24 January 2010
Mr. Zhenduo Yuan	24 January 2010	24 January 2010
Dr. Fung Man, Norman Wai	24 January 2010	24 January 2010

Note: Mr. Rubo Li, who first became a Director on 16 May 2006, resigned as a Director on 31 January 2011. Mr. Thomas H. Quinn, Mr. Youming Ye, Mr. John W. Jordan II and Ms. Lisa M. Ondrula resigned as directors of the Company and Mr. Thomas H. Quinn also resigned as chairman of the Board on 6 January 2012.

The biographical details of the Directors as of the date of this report are set out on pages 40 to 45 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board. All Directors are aware of their collective and individual responsibilities to the shareholders of the Company and have exercised their duties with care, skill and diligence, in pursuit of the successful results of the Group. Every Director receives a comprehensive, formal and tailored introduction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his/her duties and responsibilities as a Director under the applicable laws, rules and requirements.

In compliance with the Articles and the Listing Rules, at least one-third of the Directors are subject to retirement by rotation at least once every three years and are eligible for re-election. A new Director appointed by the Board is subject to election by the shareholders of the Company at the first general meeting after his or her appointment.

Number of Board Meetings Held and Attendance

The Company adopted the practice of holding board meetings regularly, at least four times a year, and at approximately quarterly intervals. The Board also meets at other times as and when required to review financial performance, internal control procedures, risk management, company strategy and operating performance of the Group. At least 14 days prior written notice convening each Board and committee meeting will be dispatched to the Directors and committee members setting out the matters to be discussed. At each meeting, the Directors and committee members are provided with the relevant documents to be discussed and approved. Minutes of these meetings are kept by the joint company secretaries and are open for inspection by the Directors.

Corporate Governance Report

The individual attendance records of each Director, on a named basis, at the meetings of the Board during the year ended 31 December 2011 are set out below:

Directors	Number of meetings attended/held
Executive Directors	
Mr. Thomas H. Quinn (resigned on 6 January 2012)	4/4
Mr. Kee-Kwan Allen Chan	4/4
Mr. Kwong Ming Pierre Tsui	4/4
Mr. Yinghui Wang	4/4
Mr. Youming Ye (resigned on 6 January 2012)	4/4
Non-executive Directors	
Mr. Rubo Li (resigned on 31 January 2011)	0/4
Mr. John W. Jordan II (resigned on 6 January 2012)	4/4
Ms. Lisa M. Ondrula (resigned on 6 January 2012)	4/4
Independent non-executive Directors	
Dr. Yiming Hu	4/4
Dr. Xuezheng Wang	4/4
Mr. Zhenduo Yuan	4/4
Dr. Fung Man, Norman Wai	4/4

Responsibilities of the Board

While delegating authority and responsibilities for implementing business strategy and managing the day-to-day operations of the Group's business to the management, the Board is collectively responsible for formulating the strategic business direction of the Group and setting objectives for management, overseeing its performance and assessing the effectiveness of management strategies. The Board reviews the operating performance against agreed targets and budgets on a regular basis. The responsibilities of the Board include, among other things, the following:

- convening shareholders' meetings and reporting its work to shareholders at such meeting;
- implementing shareholders' resolutions;
- making decisions on business plans and investment proposals;
- reviewing and approving annual financial budgets and final accounts;
- formulating profit distribution plans;

- formulating proposals relating to the increase or reduction of the Company's authorized capital, the issuance of bonds or other securities and listing plans;
- formulating proposals for material acquisitions, share repurchases by the Company, or mergers, divisions, dissolutions or transformations;
- making decisions on internal and external investment, assets disposal and acquisition, mortgages, external guarantees, entrusted financing, and connected transactions within the scope authorized in the shareholders' general meetings of the Company;
- deciding on internal management structure;
- proposing the appointment or dismissal of the external auditors at the shareholders' general meetings of the Company; and
- exercising other powers authorized at the shareholders' general meeting of the Company or by the Articles.

Chairman and Chief Executive Officer

The Chairman provides leadership for the Board. He is responsible for approving and monitoring the overall strategies and policies of the Company, approving the annual budget and business plan, assessing the performance of the Company and overseeing the duties of management.

The Chief Executive Officer is responsible for the Company's overall business development, strategic planning and daily operation of our Company. He is also responsible for the overall corporate development and the internal management system of our Company.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are separate and are not performed by the same individual. During the year ended 31 December 2011, Mr. Thomas H. Quinn was the Chairman and Mr. Kee-Kwan Allen Chan was the Chief Executive Officer. As described above, there is a clear distinction between the Chairman's responsibility for providing leadership for the Board and the Chief Executive Officer's responsibility for managing the day-to-day operations of the Group's business.

Corporate Governance Report

Non-executive Directors

Each of the current non-executive Directors (except for Mr. Michael S. Olsen, Mr. Edward L. Doheny II, Mr. Eric A. Nielsen and Mr. Sean D. Major) and independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from 24 January 2010 except for the letter of appointment of Mr. Rubo Li which has a term commencing from 4 December 2009 and ending on 1 May 2011. All of these agreements provide for termination by either party upon proper written notice to the other party. On 31 January 2011, the Company and Mr. Rubo Li agreed to terminate his directorship prior to the end of its stated term. On 6 January 2012, Mr. John W. Jordan II and Ms. Lisa M. Ondrula agreed to terminate their directorships prior to the end of the stated terms. On 6 January 2012, each of the new non-executive Directors entered into service contract with the Company. The incumbent non-executive and independent non-executive Directors have extensive professional experience. Non-executive Directors serve actively on Board committees to provide their independent and objective views, in particular, on issues of policy, performance, accountability, key appointments and standard of conduct and to promote critical review and control. They play an important check-and-balance role to safeguard the interests of the Company and Shareholders as a whole.

The Company has appointed a sufficient number of independent non-executive Directors and the qualifications of the independent non-executive Directors are in compliance with Rule 3.10(2) of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence as required under the Rule 3.13 of the Listing Rules. Independence of each of the independent non-executive Directors has been assessed by the Board and the Board considers that all independent non-executive Directors are independent as required under the Listing Rules. The independent non-executive Directors have no business or financial interests in either the Company or its subsidiaries, nor do they hold administrative posts in the Company. They are entrusted with the duty to safeguard the interests of minority shareholders. They serve a vital role in the decision-making process of the Board and play a key role in corporate governance practices of the Company.

Board Committees

The Board is supported by the Remuneration Committee and the Audit Committee. Each committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The committees are provided with sufficient resources to discharge their duties and report regularly to the Board, addressing major issues and findings, and making valuable recommendations to assist the Board in its decision making.

Remuneration Committee

Composition

The Company established the Remuneration Committee pursuant to a resolution of the Directors passed on 24 January 2010 in compliance with the Code. The Remuneration Committee has written terms of reference as suggested under the code provisions under the Code. The Remuneration Committee is comprised of the following three members:

Mr. Thomas H. Quinn *(Chairman of the committee) (resigned on 6 January 2012)*	Executive Director
Dr. Fung Man, Norman Wai *(appointed as Chairman of the committee on 30 March 2012)*	Independent non-executive Director
Mr. Zhenduo Yuan	Independent non-executive Director
Mr. Edward L. Doheny II *(appointed on 29 March 2012)*	Non-executive Director

The Remuneration Committee has adopted the terms of reference as outlined under the Code.

Functions of Remuneration Committee

The primary functions of the Remuneration Committee are to formulate remuneration policies and practices to enable the Company to attract, retain and motivate quality personnel, make recommendations on the Company's policy and structure of all remuneration of our Directors and senior management, determine the specific remuneration packages of our executive Directors and senior management, and make recommendations on the remuneration of the non-executive Directors.

Number of Meetings Held and Attendance

The Remuneration Committee will meet at least once a year to determine the remuneration policy for the Directors and senior management and at other times when deemed necessary. During 2011, one meeting was held to determine the remuneration policy and bonus for the Directors and/or senior management. Individual attendance of members of the Remuneration Committee at the committee meeting is set out below:

Members of the Remuneration Committee	Number of committee meetings attended/held
Mr. Thomas H. Quinn *(resigned on 6 January 2012)*	1/1
Dr. Fung Man, Norman Wai	1/1
Mr. Zhenduo Yuan	1/1

The following is a summary of the major tasks attended to by the Remuneration Committee during 2011:

- review the bonus execution plan for 2011 according to the key performance indicators for year 2011; and,
- determine the policy for the remuneration of executive Directors and senior management.

In the discharge of its functions, the Remuneration Committee consults and seeks advice from the Chairman, the Chief Executive Officer, the Chief Financial Officer and other relevant personnel of the Company. External professional consultants are engaged to provide advice on issues when the Remuneration Committee considers it necessary.

The primary goal of the Group's remuneration policy for executive Directors is to enable the Company to retain and motivate executive Directors by linking their compensation with their individual performance as measured against the Group's corporate objectives and operating results, taking into account also the comparable market conditions. The principal elements of the remuneration package of an executive Director include salary, performance related bonus, participation in the Company's share option schemes and other benefits and allowances. Remuneration of non-executive Directors (including independent non-executive Directors) includes mainly the director's fee which is a matter for the Board to decide by reference to the duties and responsibilities of non-executive Directors (including independent non-executive Directors) and the comparable market conditions. The Company reimburses reasonable out-of-pocket expenses incurred by the Directors in the course of performing their duties as Directors.

Directors do not participate in decisions or attend meetings approving their own remuneration. The emoluments of each Director for the year ended 31 December 2011 are set out in note 9 to the consolidated financial statements.

Audit Committee

Composition

The Company established the Audit Committee pursuant to a resolution of the Directors passed on 24 January 2010 in compliance with the Code. The Audit Committee has written terms of reference as suggested under the code provisions under the Code. The Audit Committee is comprised of the following three members, all non-executive Directors:

Dr. Yiming Hu *(Chairwoman of committee)*	Independent non-executive Director
Ms. Lisa M. Ondrula *(resigned on 6 January 2012)*	Non-executive Director
Dr. Xuezheng Wang	Independent non-executive Director
Mr. Michael S. Olsen *(appointed on 29 March 2012)*	Non-executive Director

The Audit Committee has adopted the terms of reference as outlined under the Code.

Functions of the Audit Committee

The primary functions of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, to assist the Board in discharging its responsibilities for monitoring the integrity of the Group's financial statements, to nominate and monitor external auditors and provide advice and comments to our Directors.

Number of Meeting Held and Attendance

The Audit Committee will meet at least twice a year to discuss matters relating to the accounting standards and practices adopted by the Company, internal control and financial reporting matters, including reviewing the financial results. During 2011, two meetings were held to review the interim results and annual results of the Company. Individual attendance of members of the Audit Committee at the committee meeting is set out below:

Members of the Audit Committee	Number of committee meetings attended/held
Dr. Yiming Hu	2/2
Ms. Lisa M. Ondrula (resigned on 6 January 2012)	2/2
Dr. Xuezheng Wang	2/2

In compliance with Rule 3.21 of the Listing Rules, at least one member of the Audit Committee possesses appropriate professional qualifications or accounting or related financial management expertise in discharging the responsibilities of the Audit Committee.

The following is a summary of the major tasks attended to by the Audit Committee in 2011:

- review of and recommendation for the Board's approval of the 2010 annual and 2011 interim financial statements with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;
- review the scope of the audit before commencement of audit work for 2011;
- hold discussions with the external auditor and the management on possible accounting risks;
- review and approve the 2011 internal audit plan;
- review of effectiveness of the internal control system;
- approve the audit fee and terms of engagement of the external auditor; and
- review the independence of the external auditor and make recommendations to the Board on the re-appointment of the external auditor.

Corporate Governance Report

Auditors' Fee

For the year ended 31 December 2011, auditing service fees payable to the Company's auditors, Ernst & Young, amounted to approximately RMB3.7 million. The Company also paid fees in the amount of RMB0.3 million to Ernst & Young for non-audit related services including due diligence and acquisition consulting. The Company confirms that there were no other professional fees paid or payable to Ernst & Young during 2011.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out on pages 50 and 51 of this report.

The re-appointment of Ernst & Young as the external auditors of the Company has been recommended by the Audit Committee of the Company, endorsed by the Board and is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

Directors' Securities Transactions

The Company has adopted the Model Code. After making specific enquiries by the Company, all the Directors have confirmed that they had fully complied with the required standards set out in the Model Code and its code of conduct during the year.

The Directors Confirmed Their Responsibilities in Preparing the Company's Financial Statements

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board including the disclosure requirements of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Companies Ordinance**"). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of the state of affairs of the Group, its results and cash flow for the reporting period that are 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. The Directors are also responsible for ensuring that proper accounting records which disclose the financial position of the Group are kept at all times.

Internal Control

The Board acknowledges that it is the responsibility of the Board to review the Company's system of internal control for effectiveness. The Board will conduct periodic reviews on the progress of the improvements to, and endeavour to enhance the, internal control measures of the Group.

The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's internal control system. The Audit Committee works with the Company's Internal Audit Function to carry out internal audit work based on an internal audit plan which is reviewed and approved by the Audit Committee. The Company's Internal Audit Function reports its findings and recommendations for any remediation action required to the Audit Committee. The Audit Committee reviews the reports submitted by the Internal Audit Function, and the issues on the internal control system of the Group are then discussed and evaluated by the Board every year.

The Internal Audit Function conducted reviews on various control aspects during the year, including financial, operational and compliance controls with the aim of mitigating the overall business and operational risk of the Group. Internal control reports were submitted to the Audit Committee for review, and the findings and recommendations were discussed by the Directors of the Audit Committee. The significant findings have been remediated by the management of the Group.

Going Concern

For 2011, there was no uncertainty or conditions of a material nature that would affect the Company's ability to continue as a going concern.

Investor Relations

The Company is committed to maintaining an open and effective investor relations policy and to update investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts will be conducted from time to time. The Company will also reply to the inquiries from shareholders timely. The Directors will host an annual general meeting each year to meet the shareholders and answer their questions.

To promote effective communication, the Company maintains a website at http://www.immchina.com, where up-to-date information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Directors and Senior Management

Directors

Executive Directors

Mr. Michael W. SUTHERLIN, aged 65, is our executive Director and Chairman of the Board of the Company. Mr. Sutherlin was appointed as our Director on 6 January 2012. He has held the position of President and Chief Executive Officer of Joy Global Inc. since 2006. He was previously Executive Vice President of Joy Global Inc. and President and Chief Operating Officer of Joy Mining Machinery from 2003 to 2006. Prior to joining Joy Global Inc. in 2003, Mr. Sutherlin was an executive with Varco International, Inc., a manufacturer of equipment for the global oil and gas drilling industry and a predecessor company to National Oilwell Varco, Inc., where he was President and Chief Operating Officer from 1999 to 2002. Mr. Sutherlin has been a director and member of the Executive Committees of the National Mining Association (United States) since 2007 and of the World Coal Association (United Kingdom) since 2008. He has also served as a director and member of the Executive Committees of the Coal Industry Advisory Board to the International Energy Agency (France) since 2009 and the National Coal Council to the United States Department of Energy since 2009. Mr. Sutherlin previously served as a member of the Society of Petroleum Engineers from 1978 to 2002, the National Ocean Industries Association from 1999 to 2002 and the Petroleum Equipment Suppliers Association from 1982 to 2002, where he was Chairman of the International Operations Committee. Mr. Sutherlin also served as a director of Tesco Corporation from 2002 to August 2011. Mr. Sutherlin holds a Master's degree from the University of Texas at Austin and a dual Bachelor's degree from Texas Tech University.

Mr. Kee-Kwan Allen CHAN (陳其坤), 59, is our Chief Executive Officer and executive Director. He is responsible for the Group's overall business development, strategic planning and daily operation of our Company. He is also responsible for the overall corporate development and the internal management system of our Group. Mr. Chan joined The Jordan Company, L.P. as the President of China Operations in January 2006 and our Company in May 2006, and has been with our Company ever since. Mr. Chan has also served as a director of Jiamusi Machinery and Jixi Machinery since May 2006, and Huainan Longwall since June 2007. Mr. Chan has over 27 years of experience in the machinery manufacturing industry. Prior to joining our Company, he has held management positions in various industrial companies: he was the president at GET Manufacturing, Inc. from October 1996 to March 1998; president of Asia Pacific of Ingersoll-Rand Company and chairman of Ingersoll-Rand (China) Investment Ltd. from March 1999 to September 2004; and president for SIRVA Asia Pacific Pty Ltd. from October 2004 to December 2005. Mr. Chan obtained a Bachelor of Science degree in Mechanical Engineering from University of Lowell, U.S. in 1977, and a Master of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology, U.S. in 1979. Mr. Chan was appointed as our Director on 16 May 2006.

Mr. Kwong Ming Pierre TSUI (徐廣明), 47, is our Chief Financial Officer and executive Director. He is responsible for financial aspects of our Company including overseeing all finance and accounting issues for our Group, overall strategic financial planning and analysis for our Group and supervising the implementation of the annual, quarterly and monthly financial plans of our Group. He is also the joint company secretary of the Company since 6 August 2010. Mr. Tsui has been with our Company since April 2006. Mr. Tsui has over 13 years of financial management experience in the machinery manufacturing industry. Mr. Tsui served in important financial management positions for various companies: the financial controller of CarnaudMetalbox Huapeng (Wuxi) Closures Co., Ltd. (a metal closure manufacturer) from

December 1996 to September 1998, director for financial service of Lucent Technologies (China) Ltd. (a telecommunication equipment manufacturer) from October 1999 to April 2003 and the China controller of Ingersoll-Rand (China) Investment Ltd. (a diversified equipment manufacturer) from May 2003 to November 2005. He is a member of the Hong Kong Institute of Certified Public Accountants since 1995 and the American Institute of Certified Public Accountants since 1995. Mr. Tsui obtained a Bachelor's degree in Accounting and Finance from University of Lancaster, United Kingdom in 1990, a Bachelor of Laws degree from University of Wolverhampton, United Kingdom in 1999, a Master's degree in Accounting and Finance from the London School of Economics & Political Science, United Kingdom in 1999 and a Master's degree in Business Administration from University of Southern California, U.S. in 2009. Mr. Tsui was appointed as our Director on 24 January 2010.

Mr. Yinghui WANG (王穎輝), 55, is our executive Director. He is responsible for Jixi Machinery's overall business development. He is also responsible for devising the annual plan and financial budget and making recommendations on significant investments of our Group. Mr. Wang joined our Company in May 2006. He has also served as a director of Jiamusi Machinery and Jixi Machinery since May 2006. Mr. Wang was the Vice President of our Company from May 2006 to May 2008. Mr. Wang has over 30 years of experience in the mining equipment machinery manufacturing industry. Prior to joining our Company, Mr. Wang served as a senior engineer and manager of the cast steel workshop of the predecessor of Jixi Machinery from August 1980 to February 1995. He was the chief economist of the predecessor of Jixi Machinery from February 1995 to February 1998. Mr. Wang was the plant manager of the predecessor of Jiamusi Machinery from February 1998 to November 2000. Mr. Wang was the general manager of HCMMG from November 2000 to May 2006. Mr. Wang obtained a Bachelor's degree in Engineering from Heilongjiang Mining Institute, PRC in April 1989. Mr. Wang is a senior engineer. Mr. Wang was appointed as our Director on 24 January 2010.

Mr. Thomas H. QUINN, 64, was our executive Director and the Chairman of the Board of our Company during 2011. Mr. Quinn was appointed as our Director on 12 April 2006 and resigned from this position on 6 January 2012. Mr. Quinn has also been a managing principal of The Jordan Company, L.P. (a New York based private investment firm) since September 2001. Mr. Quinn has over 30 years of experience in operations management in the machinery manufacturing industry. He established the Operations Management Group for The Jordan Company, L.P. in 1988 and continues to lead the U.S. and China Operation Management Group teams as well as leading The Jordan Company, L.P.'s investments in various companies. Mr. Quinn has served as director of several portfolio companies of The Jordan Company, L.P., including Healthcare Product Holdings Inc. since September 1998, Sensus Metering Systems, Inc. since December 2003, Jordan Specialty Plastics Inc. since February 1998, Service Logic LLC since September 2007, WCT Holdings, Ltd. since October 2007, Harrington Holdings, Inc. since January 2006 and Wound Care Solutions, LLC since October 2006. Since December 2006, he has also been the chairman of ETX Inc., which manufactures parts for the U.S. auto and heavy-duty truck equipment businesses. Since June 1988, he has been the president of Jordan Industries International, LLC., a diversified holding company with a wide range of manufacturing subsidiaries. Mr. Quinn was also the group vice president for Baxter International, Inc. from November 1985 to May 1987. Mr. Quinn obtained a Bachelor of Arts degree in Economics from the University of Notre Dame, U.S. in 1969, and attended the Graduate School of Economics of Cornell University, U.S. from 1969 to 1970.

Directors and Senior Management

Mr. Youming YE (葉有明), 52, was our executive Director during 2011. Mr. Ye has served as our Director since 16 May 2006 and resigned from this position on 6 January 2012. Mr. Ye began his career with one of the affiliates of The Jordan Company, L.P. in 1995. He is currently responsible for, among other things, all of The Jordan Company, L.P.'s business development and sourcing activities in China and the Far East. He also has a key role in leading negotiations, due diligence, corporate governance and post investment integration efforts for all The Jordan Company, L.P.'s investments in China and Asia. Mr. Ye has over 14 years of experience in operation management in the machinery manufacturing industry. From January 1995 to March 2004, he was the vice president and a director of international business at Jordan Industries, Inc., whose diverse group of subsidiaries are engaged in numerous businesses such as the manufacture of heavy-duty transmissions for industrial equipment and the manufacture of transmissions and torque convertors for the automotive aftermarket industry. He has also been a director of Kinetek De Sheng (Foshan) Motor Co., Ltd. since April 2002. Mr. Ye obtained a Bachelor of Arts degree from Amoy University, PRC in 1984, a master of Business Administration in Marketing from Arizona State University, U.S. in 1994, and a Master of International Management in International Finance degree from American Graduate School of International Management (Thunderbird), U.S. in 1994.

Non-executive Directors

Mr. Michael S. OLSEN, aged 60, is our non-executive Director. Mr. Olsen was appointed as our Director on 6 January 2012. He has held the position of Executive Vice President and Chief Financial Officer of Joy Global Inc. since 2008. Mr. Olsen was the Chief Accounting Officer of Joy Global Inc. from 2006 to 2008, and the Vice President, Controller and Chief Accounting Officer of Joy Global Inc. from 2001 to 2005. Mr. Olsen joined Joy Mining Machinery, a subsidiary of Joy Global Inc., in 1979 as manager of external reporting. Mr. Olsen has a Bachelor of Science degree in Accounting from Pennsylvania State University and a Master of Business Administration degree from the University of Pittsburgh.

Mr. Edward L. DOHENY II, aged 49, is our non-executive Director. Mr. Doheny was appointed as our Director on 6 January 2012. He has held the position of Executive Vice President of Joy Global Inc. and President and Chief Operating Officer of Joy Mining Machinery since 2006. Mr. Doheny started his career with Ingersoll-Rand Corporation in 1984, where he held a series of management positions of increasing responsibility, including President of Industrial Technologies from 2003 to 2005, and President of Shared Services in 2003. Mr. Doheny holds a Bachelor's degree in Engineering from Cornell University and a Master's degree in Management from Purdue University.

Mr. Eric A. NIELSEN, aged 52, is our non-executive Director. Mr. Nielsen was appointed as our Director on 6 January 2012. He has held the position of Executive Vice President of Business Development for Joy Global Inc. since 2010. Prior to joining Joy Global, Mr. Nielsen was President of Terex Corporation's Material Processing and Mining Group since 2008 and held various management positions with Volvo Construction Equipment between 1994 and 2008, most recently as President and CEO of Volvo Excavators and Volvo Construction Equipment Korea, overseeing global marketing, R&D and manufacturing activities in Korea, China, Germany and the United States. Mr. Nielsen began his professional career as an engineer working with both British and Japanese industrial organisations and the majority of Mr. Nielsen's managerial positions have had extensive international focus. Mr. Nielsen has a Bachelor of Science degree in mechanical engineering from Michigan Technological University, and a Master of Business Administration degree from The University of Chicago.

Mr. Sean D. MAJOR, aged 47, is our non-executive Director. Mr. Major was appointed as our non-executive Director on 6 January 2012. He has held the position of Executive Vice President, General Counsel and Secretary of Joy Global Inc. since 2007. Prior to joining Joy Global, Mr. Major was employed by Johnson Controls, Inc., holding roles of increasing legal responsibility since 1998, most recently as Assistant General Counsel & Assistant Secretary. Mr. Major started his in house career with Abbott Laboratories as Counsel International after working for seven years in private practice with law firms in Chicago and Tokyo. Mr. Major has a bachelor's degree in Economics from DePauw University, a juris doctor degree from Indiana University, and a Master of Business Administration degree from Northwestern University's Kellogg Graduate School of Management. Mr. Major is a member of the bar in both Illinois and Michigan

Mr. Rubo LI (李汝波), 55, was our non-executive Director during 2011. Mr. Li was appointed as our Director on 16 May 2006 and served as our Director until he resigned from this position on 31 January 2011. Mr. Li was also a director of Jiamusi Machinery, Jixi Machinery and Huainan Longwall. Mr. Li is one of our founders and our former Vice Chairman. He has been engaged as a consultant to our Company pursuant to a consulting agreement (as amended) since 16 May 2006. Mr. Li has over 12 years of experience in operation management in the mining equipment machinery manufacturing industry and over seven years of experience in the coal mining industry. He was a mining engineer in the infrastructure construction department of China National Coal Ministry (中國煤炭工業部) from 1982 to 1985. From June 1996 to June 2006, he was the chairman and chief executive officer of G.F. Transnational Inc. and invested in a number of concrete plank companies, concrete enterprises and a block machine manufacturer. Mr. Li also has served as chairman and chief executive officer of GFT Group Holding Limited since 1998. Mr. Li is a director of Mining Machinery Limited,a company incorporated in Mauritius, which controlled 100% equity interest in Zhengzhou Siwei through its wholly-owned subsidiary HK Siwei. Mr. Li is also a shareholder with 59.7% equity interest of Jiaozuo Metech Mechanical Manufacturing Co., Ltd. (焦作美泰科機械製造有限公司). Mr. Li became an executive director of ERA Holdings Global Limited on 13 October 2010. Mr. Li obtained a Bachelor's degree in Surface Mining from Fuxin Mining Institute, PRC (currently known as Liaoning Technical University) in 1981, and a Master's degree in Mining Engineering from South Dakota School of Mines, U.S. in 1998.

Mr. John W. JORDAN II, 64, was our non-executive Director during 2011. Mr. Jordan was appointed as our Director on 16 May 2006 and served as our Director until he resigned from this position on 6 January 2012. Mr. Jordan is the founder, chairman and one of the managing principals of The Jordan Company, L.P.which is the manager of The Resolute Fund, L.P. Mr. Jordan has over 20 years of experience in operations management in the machinery manufacturing industry. He has served as a director of several portfolio companies of The Jordan Company, L.P., including Sensus Metering Systems, Inc. since December 2003, TAL International Group, Inc. since November 2004, and Wound Care Solutions, LLC since October 2006. Since May 1988, he has been the chairman and chief executive Officer of Jordan Industries International, LLC., whose subsidiaries have been engaged in numerous businesses such as the manufacture of heavy-duty transmissions for industrial equipment and the manufacture of transmissions and torque convertors for the automotive aftermarket industry. He has been a director of Kinetek Industries, Inc. since November 2006.He remains involved in the U.S. auto and heavy-duty truck equipment businesses through his directorship in ETX Inc. Mr. Jordan currently serves as a director of over 20 public, private and philanthropic organizations in the United States, including the Lyric Opera and the Art Institute of Chicago. Mr. Jordan is a Trustee of the University of Notre Dame serving as Chairman of the Investment Committee. Mr. Jordan obtained a Bachelor of Arts degree in Business Administration from University of Notre Dame, U.S. in 1969, and attended the Graduate School of Business of Columbia University, U.S. from 1971 to 1973.

Ms. Lisa M. ONDRULA, 42, was our non-executive Director during 2011. Ms. Ondrula was appointed as our Director on 24 January 2010 and resigned from this position on 6 January 2012. She is the chief financial officer of Jordan Industries, International LLC., an affiliate of The Jordan Company, L.P. as well as a member of the Operations Management Group of The Jordan Company, L.P. Ms. Ondrula has been with Jordan Industries, Inc. for over 17 years and has extensive experience in financial reporting and analysis, debt offerings, acquisition and divestitures, treasury functions and both public and private audit and reporting requirements. Ms. Ondrula oversees the U.S. based reporting for numerous portfolio companies of Jordan Industries, primarily in the manufacturing, industrial and commercial products sectors, and for The Jordan Company including the reporting for our Group. Prior to her employment at Jordan Industries, Ms. Ondrula worked for Ernst & Young LLP in their audit practice, focusing on manufacturing clients with additional experience in corporate reporting and Securities and Exchange Commission filings. Ms. Ondrula earned a Bachelor of Science degree in Accounting from Miami University in Oxford Ohio, U.S. in 1991 and is a Certified Public Accountant.

Independent Non-executive Directors

Dr. Yiming HU (胡奕明), 48, is our independent non-executive Director. Dr. Hu is currently a professor of accounting and finance of Antai College of Economics & Management and the director of the Company Financial Research Centre of Antai College of Economics & Management at the Shanghai Jiao Tong University, China since January 2005. Dr. Hu has more than 20 years of experience in accounting. Dr. Hu was a research assistant in the Computer Centre at Xiamen University, China from September 1988 to April 1991, lecturer of the Accounting Department at the School of Management of Xiamen University, China from April 1991 to September 1997, associate professor of the MBA Centre of the School of Management at Xiamen University, China from September 1997 to September 1999 and supervisor of Ph.D. students of the School of Accountancy from September 2001 to January 2005 at the Shanghai University of Finance and Economics, China. Dr. Hu has been an administrative officer of China Society for Finance and Banking (中國金融學會) since May 2005, a member of the Accounting Committee of the Asia Pacific Management Association (亞太管理會計指導委員會) since April 2006, and a member of the Professional (Finance and Accounting) Committee of the Chinese Accounting Society (中國會計學會專業委員會（金融會計)) since February 2008. Dr. Hu obtained a Bachelor of Science degree in Chemistry from Xiamen University, PRC in 1985 and a Ph.D. degree in Management/Accounting from Xiamen University, PRC in 1998. Dr. Hu was appointed as our independent non-executive Director on 24 January 2010.

Dr. Xuezheng WANG (王學政), 62, is our independent non-executive Director. Dr. Wang took various positions in the Bureau of Administration of Industry and Commerce (國家工商行政管理局), including director of Administration and Research Division from February 1987 to October 1988, director of Regulation Department (政策法規司) from November 1988 to April 1990, and vice-chief of Laws and Regulation Department (條法司) from May 1990 to June 1994. He was the chief of Department of Law (法制司) and Department of Market Regulation (法規司) in State Administration of Industry and Commerce

(國家工商行政管理總局) respectively from July 1994 to September 2009. Dr. Wang also held positions in various academic and research institutions, including the vice president of Civil Law Department of China Law Society (中國法學會民法學會) from August 2004 to present, researcher of Public Law Centre in Beijing University, China (北京大學公法研究中心), researcher of Development Strategy and Regional Economy Department of the State Council Research Centre (國務院發展研究中心世界發展研究所), and the committee member of the Expert Consultants Committee of the State Council on the Reform of the Administrative Examination and Approval System (國家行政審批制度改革專家諮詢組). Dr. Wang retired from his government position in September 2009. Dr. Wang obtained a Bachelor of Science degree in English from Xibei Normal University, PRC in 1982, a Masters degree of Laws in Civil Law from Jilin University, PRC in 1984, a certificate of World Intellectual Property Organisation Academy in 1994, and a Ph.D. degree in Constitutional and Administrative Law from Beijing University, PRC in 2000. Dr. Wang was appointed as our independent non-executive Director on 24 January 2010.

Mr. Zhenduo YUAN (苑振鐸), 69, is our independent non-executive Director. Mr. Yuan has more than 30 years of experience in the coal mining industry. He served various positions in the Liaoning Province Nanpiao Mining Affairs Bureau (遼寧省南票礦務局) during the period from September 1961 to December 1983, starting from a technician, engineer, and deputy head and concluding as the head of the Liaoning Province Nanpiao Mining Affairs Bureau from August 1980 to December 1983. Mr. Yuan was the deputy general manager of Northeast Inner Mongolia Coal Mining Industry Allied Company (東北內蒙古煤炭工業聯合公司) from March 1984 to March 1994, and the director general of the Liaoning Province Coal Industry Administrative Bureau (遼寧煤炭工業管理局) and the Liaoning Administrative Bureau of Coal Mine Safety (遼寧省煤礦安全監察局) from April 1994 to February 2002. From March 2002 to April 2008, Mr. Yuan was the standing committee member of the Liaoning Province's Political Consultative Conference (中國人民政治協商會議遼寧省委員會). Mr. Yuan is a senior engineer and enjoys special government allowance of the State Council. Mr. Yuan was appointed as our independent non-executive Director on 24 January 2010.

Dr. Fung Man, Norman WAI (衛鳳文), 63, is our independent non-executive Director. Since November 2007, Dr. Wai has been the managing director of New World Telecommunications Limited (NWT), a wholly-owned subsidiary of New World Development Company Limited (stock code: 17). Dr. Wai is also a director of CSL New World Mobility Limited, and a member of its remuneration committee as well as audit committee. Dr. Wai was an executive director and chief executive officer of New World Mobile Holdings Limited, a Hong Kong listed company (Stock Code: 862) from July 2004 to February 2007. He was also the president and chief executive officer of New World PCS Ltd. during July 2000 to June 2004, and the executive director of New World TMT from January 2003 to March 2006. He is also the managing director of a fast-growing biotechnology company in Asia Pacific. Dr. Wai is a veteran with over 40 years of solid experience in telecommunications. He held senior executive positions of various telecommunications companies in Europe, Canada and Hong Kong. Dr. Wai graduated and obtained a Master of Science and a Doctor of Philosophy degree from the University of Manchester, United Kingdom in December 1976 and March 1979, respectively. He is a Chartered Engineer and a Fellow of The Institution of Engineering and Technology, United Kingdom. Dr. Wai was appointed as our independent non-executive Director on 24 January 2010.

Directors and Senior Management

Senior Management

Mr. Kee-Kwan Allen CHAN (陳其坤) was our Chief Executive Officer between 16 May 2006 and 17 October 2007 and was reappointed as our Chief Executive Officer on 6 May 2008. Please refer to his biography under the sub-section headed "Directors".

Mr. Kwong Ming Pierre TSUI (徐廣明), is our Chief Financial Officer appointed on 12 April 2006. Please refer to his biography under the sub-section headed "Directors".

Mr. Yinghui WANG (王穎輝) is our President appointed on 6 May 2008. Please refer to his biography under the sub-section headed "Directors".

Mr. Zhongfeng LI (李中鋒), 45, is our Vice President (Strategic Development and Human Resources) since 12 December 2007 and was appointed as the President on 29 August 2011. He is responsible for formulating strategy for mid and long term development of our Company, coordinating daily management, carrying out market development and public relation work, and managing the operation, in particular, human resources aspect of our Group. Mr. Li has over 20 years of experience in the coal mining industry. Prior to joining our Company in December 2007, Mr. Li served in various positions in a number of coal mining organizations and coal mining authorities, including as a principal staff member and deputy director of the general of China National Coal Corporation (中國統配煤礦總公司) from July 1989 to March 1993, director-general of the general office of China National Coal Ministry (中國煤炭工業部) from March 1993 to March 1998, director of general administration department of the supervision bureau of State Administration of Coal Mine Safety from August 1998 to August 2000, deputy director-general and member of the communist party committee of Shanxi Administration Bureau Coal Mine Safety (山西煤礦安全監察局) from August 2000 to July 2003, and deputy director-general of the general office of the State Administration of Work Safety from July 2003 to December 2007. Mr. Li was appointed as deputy director – general of China National Coal Machinery Industry Association in June 2008. Through his working experience with various coal mining authorities, Mr. Li has gained extensive knowledge in the development, plans and policies on the coal industry in China. Mr. Li graduated from the Jiaozuo Mining Institute, PRC, with a Bachelor of Engineering degree in coal mine survey in July 1989 and obtained a Master's degree in Mining Engineering Management from Liaoning Technical University, PRC in July 1997. Mr. Li attended the training class for young and middle aged cadres in the Central Communist Party School, PRC and graduated in July 2005. Mr. Li is an engineer.

Mr. Xu GUO (郭旭), 54, has been our Vice President (Marketing) since 8 January 2007. He is responsible for supervising the promotional and marketing aspects of our Company. Prior to joining our Company, Mr. Guo was a deputy director general of the general office of Northeast Inner Mongolia Coal Industry Allied Company (東北內蒙古煤炭工業聯合公司) from July 1992 to March 1994, the general manager (vice bureau level) of Multi Operation Company of the Coal Industry Administrative Bureau of Liaoning Province (遼寧煤炭工業管理局多種經營公司) from April 1994 to June 2002. From August 2003 to November 2004, Mr. Guo was the assistant counsel of Liaoning Administration Bureau of Coal Mine Safety (遼寧煤礦安全監察局), his principal responsibility was to supervise the safety of coal mines. He also served as the vice president of GFT Group Holding Limited from November 2004 to December 2006 and the president of Beijing Siwei

Coal Mining Machinery Technology Co., Ltd. from November 2004 to December 2006. Mr. Guo has 30 years working experiences in the coal industry; he is familiar with every stage of the front line of coal production. Mr. Guo graduated from Fuxin Mining Institute, PRC in February 1982 with a Bachelor of Engineering degree in machinery manufacturing and obtained a Master of Business Administration degree from Roosevelt University, U.S. in May 2002. Mr. Guo attended national coal safety supervision training in March 2003. Mr. Guo is a senior engineer.

Mr. Yiman PAN (潘義民), 57, has been our Vice President (Sales) since 1 May 2010. He is responsible for sales management of the Company. Prior to joining our Company, Mr. Pan was the vice president at Fulin International from 2004 to 2009. He also served in various management positions at the then Pingmei Shengma Group (平煤神馬) since 1988 including mining engineer, Secretary of party committee, General Manager of supply chain, and Manager of technical team. Prior to that, Mr. Pan was a team leader in longwall mining at Pingdingshan Mining Bureau (平頂山礦務局) since 1981. Mr. Pan obtained graduated from China University of Mining And Technology with a Bachelor of Engineering degree in mining, and obtained a Master of Engineering degree in coal mining management from China University of Mining And Technology.

Mr. Chunzhao ZHANG (張春照), 63, has been the chief executive officer of Jiamusi Machinery since 5 June 2009. He is responsible for the overall business development and daily management of Jiamusi Machinery. Mr. Zhang served as the chairman and secretary of the communist party committee of the predecessor of Jiamusi Machinery from May 2002 to June 2006. Mr. Zhang joined Jiamusi Machinery in June 2006 and served as the president of Jiamusi Machinery from June 2006 to June 2009. Mr. Zhang has more than 42 years of experience in the mining equipment machinery manufacturing industry. He started his career at Jiamusi Coal Mining Machinery Factory (佳木斯煤機廠) (the predecessor of Jiamusi Machinery) since August 1967 and has worked there for almost 40 years. During his time at Jiamusi Coal Mining Machinery Factory, he served in various positions. Mr. Zhang was the assistant to factory manager, deputy factory manager and factory manager from December 1994 to May 2002. Mr. Zhang studied at Jiamusi Coal Mining Machinery Technology College, PRC from August 1965 to August 1967 and graduated from Jiamusi City Technology College, PRC completing the course in Business Management in December 1988.

Mr. Wenbin WANG (王文斌), 59, has been the president of Jiamusi Machinery since 5 June 2009. He is responsible for the business development and corporate management of Jiamusi Machinery. Mr. Wang has served in various positions at Jiamusi Machinery since June 2006, including vice president of production from June 2006 to March 2007, vice president of sales from March 2007 to July 2008, and vice president of the operation from July 2008 to June 2009. Mr. Wang has more than 26 years of experience in the mining equipment machinery manufacturing industry. Mr. Wang joined the predecessor of Jiamusi Machinery in October 1983, where he served in various management positions. Mr. Wang graduated from Liaoyuan Employees University, PRC in Jilin Province, PRC with a Bachelor's degree in Mechanical Engineering in 1975, and graduated from the Fuxin Mining Institute, PRC completing the course in Mechanical Engineering in December 1993.

Directors and Senior Management

Mr. Hengjun QI (祁恒軍), 48, has been the president of Jixi Machinery since 5 June 2009. He is responsible for the business development and corporate management of Jixi Machinery. Mr. Qi joined Jixi Machinery and served as vice president of production from September 2006 to June 2007, as vice president of sales from June 2007 to August 2008 and vice president of operation from August 2008 to June 2009. Mr. Qi has more than 24 years of experience in the mining equipment machinery manufacturing industry. He had been with the predecessor of Jixi Machinery since August 1985 where he served in various positions: he started with the research department as a technician from August 1985 to August 1986, assistant to engineer from August 1986 to December 1995, senior engineer from December 1995 to January 1997, project principal engineer from January 1997 to November 2000, engineer supervisor from November 2000 to November 2003, deputy chief engineer and head of the research department from November 2003 to January 2005 and chief engineer from January 2005 to September 2006. Mr. Qi obtained a Bachelors degree in Engineering from the China Institute of Mining and Technology, PRC in July 1985.

Mr. Liming BIAN (邊立明), 50, has been the General Manager of Huainan Longwall since 15 October 2010. He is responsible for the daily management of Huainan Longwall. Mr. Bian joined our Company in January 2007 and served as the Vice President of Huainan Longwall from January 2007 to June 2008. Mr. Bian served as the General Manager of Xinjiang Coal Mining Machinery Co., Ltd. Mr. Bian has nearly 30 years of experience in the mining equipment machinery manufacturing industry. He started his career at Zhangjiakou Coal Mining Machinery Factory (the predecessor of China Coal Zhangjiakou Coal Mining Machinery Co., Ltd.) in 1982 and had worked there for almost 25 years. During his time at Zhangjiakou Coal Mining Machinery Factory, he served on managerial positions, such as Vice Section Chief, Section Chief, Deputy Division chief and Division Chief of Sales Department. Mr. Bian studied at Zhangjiakou Coal Mining Machinery Technology College, PRC from 1980 to 1982 and graduated from Broadcasting and Television University of China completing the course in Mechanical Manufacturing from 1986 to 1989. Mr. Bian had completed studying in post-graduates class of Engineering Management in Liaoning Technical University from January 2004 to December 2005.

Mr. Jianqing WEI (衛建清), 47, has been the general manager of Qingdao Tianxun since September 2008 and the general manager of IMM Qingdao Tianxun since September 2010. He is Responsible for the company's overall business development and daily management. Mr. Wei has over 20 years of experience in coal mining technology, production management, equipment supporting industries. His career began in July 1987 in Yancon Group and engaged in coal mine production, technology and equipment management. Mr. Wei studied in Shandong University of Science and Technology from July 1983 to July 1987 and obtained an engineering bachelor degree. He also completed the MBA curriculum from September 1997 to February 1999. From September 2000 to December 2003, he studied at China University Of Mining & Technology (Beijing), and graduated with a Doctoral Degree and entered the postdoctoral research station. Mr Wei is one of the first experts of national coal production management consulting hired by National Development and Reform Commission, secretary-general of ShanDong Standardization Commission Coal Branch Deputy, part-time supervisor of Shandong University of Science and Technology, and researcher of engineering technology application.

Joint Company Secretaries

Ms. Sau Kuen Gloria MA (馬秀絹), 53, is a joint company secretary of the Company. Ms. Ma is a director and Head of Registration and Compliance Services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Ma has over 30 years of experience in corporate secretarial work that includes acting as company secretary for companies listed on the Stock Exchange of Hong Kong Limited, setting up companies in different jurisdictions such as Hong Kong, Cayman Islands and British Virgin Islands. She also has extensive knowledge and experience in corporate restructuring and legal compliance issues. Ms. Ma holds a master degree in Business Administration from the University of Strathclyde, Scotland, and is a Fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ma was appointed as the joint company secretary of the Company on 19 November 2010.

Mr. Kwong Ming Pierre TSUI (徐廣明), please refer to his biography under the sub-section headed "Directors".

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of International Mining Machinery Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of International Mining Machinery Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 52 to 140, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

30 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	6	2,097,855	1,942,615
Cost of sales		(1,187,606)	(1,100,505)
Gross profit		910,249	842,110
Other income and gains	6	20,808	56,225
Selling and distribution costs		(187,697)	(152,879)
Administrative expenses		(239,271)	(274,747)
Other expenses		(57,415)	(43,147)
Finance revenue	7	1,722	633
Finance costs	7	(11,585)	(11,688)
Share of (losses)/profits of associates		(2,651)	386
PROFIT BEFORE TAX	8	434,160	416,893
Income tax expense	11	(97,419)	(66,852)
PROFIT FOR THE YEAR		336,741	350,041
Attributable to:			
Owners of the parent		336,741	350,115
Non-controlling interests		–	(74)
		336,741	350,041
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	14	25.90 cents	28.18 cents
Diluted (RMB)	14	25.84 cents	28.17 cents

Details of the dividends for the year are disclosed in Note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR	**336,741**	350,041
Other comprehensive income:		
Exchange differences on translation of foreign operations	**(16,364)**	(20,120)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**320,377**	329,921
Attributable to:		
Owners of the parent	**320,377**	329,995
Non-controlling interests	**–**	(74)
	320,377	329,921

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**434,719**	378,675
Land use rights	17	**118,646**	121,652
Goodwill	18	**314,969**	314,969
Other intangible assets	19	**268,673**	330,245
Investments in associates	21	**52,428**	21,455
Deferred tax assets	22	**11,923**	8,840
Prepayments, deposits and other receivables	25	**18,342**	34,271
		1,219,700	1,210,107
CURRENT ASSETS			
Inventories	23	**445,632**	424,624
Trade and bills receivables	24	**1,920,263**	1,440,737
Prepayments, deposits and other receivables	25	**79,467**	133,173
Amount due from an associate	27	**19,596**	–
Time deposits with original maturity of more than three months	26	**–**	307,142
Pledged deposits	26	**26,594**	–
Cash and cash equivalents	26	**435,755**	258,990
		2,927,307	2,564,666
CURRENT LIABILITIES			
Interest-bearing bank loans	28	**93,000**	123,420
Trade and bills payables	29	**553,613**	401,304
Other payables and accruals	30	**230,661**	263,149
Tax payable		**49,641**	50,058
		926,915	837,931
NET CURRENT ASSETS		**2,000,392**	1,726,735

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,220,092**	2,936,842
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**106,024**	111,966
NET ASSETS		**3,114,068**	2,824,876
EQUITY			
Equity attributable to owners of the parent:			
Issued capital	31	**114,288**	114,270
Reserves	33	**2,999,780**	2,710,606
TOTAL EQUITY		**3,114,068**	2,824,876

Mr. Kee-Kwan Allen Chan
Director

Mr. Kwong Ming Pierre Tsui
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent										
	Issued capital RMB'000 (Note 31)	Share premium account RMB'000 (Note 33)	Statutory reserve fund RMB'000 (Note 33)	Share option reserve RMB'000 (Note 32)	Difference arising from acquisition of non-controlling interests RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	80	7,937	25,982	–	–	564,730	–	70,014	668,743	23,309	692,052
Profit for the year	–	–	–	–	–	350,115	–	–	350,115	(74)	350,041
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(20,120)	(20,120)	–	(20,120)
Total comprehensive income for the year	–	–	–	–	–	350,115	–	(20,120)	329,995	(74)	329,921
Repurchase of old shares	(80)	80	–	–	–	–	–	–	–	–	–
Issue of shares	45,708	2,184,835	–	–	–	–	–	–	2,230,543	–	2,230,543
Share issue expenses	–	(101,161)	–	–	–	–	–	–	(101,161)	–	(101,161)
Capitalisation of share premium account	68,562	(68,562)	–	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	–	–	–	5,184	–	–	–	–	5,184	–	5,184
Acquisition of non-controlling interests	–	–	–	–	(28,165)	–	–	–	(28,165)	(23,235)	(51,400)
Special dividend	–	–	–	–	–	(280,263)	–	–	(280,263)	–	(280,263)
Proposed final 2010 dividend	–	–	–	–	–	(70,200)	70,200	–	–	–	–
Transfer from retained profits	–	–	19,547	–	–	(19,547)	–	–	–	–	–
At 31 December 2010	114,270	2,023,129*	45,529*	5,184*	(28,165)*	544,835*	70,200*	49,894*	2,824,876	–	2,824,876

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

	Attributable to owners of the parent										
	Issued capital RMB'000 (Note 31)	Share premium account RMB'000 (Note 33)	Statutory reserve fund RMB'000 (Note 33)	Share option reserve RMB'000 (Note 32)	Difference arising from acquisition of non-controlling interests RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	114,270	2,023,129	45,529	5,184	(28,165)	544,835	70,200	49,894	2,824,876	–	2,824,876
Profit for the year	–	–	–	–	–	336,741	–	–	336,741	–	336,741
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(16,364)	(16,364)	–	(16,364)
Total comprehensive income for the year	–	–	–	–	–	336,741	–	(16,364)	320,377	–	320,377
Exercise of share options	18	1,217	–	(361)	–	–	–	–	874	–	874
Equity-settled share option arrangements	–	–	–	38,148	–	–	–	–	38,148	–	38,148
Final dividend declared	–	–	–	–	–	(7)	(70,200)	–	(70,207)	–	(70,207)
Transfer from retained profits	–	–	4,559	–	–	(4,559)	–	–	–	–	–
At 31 December 2011	114,288	2,024,346*	50,088*	42,971*	(28,165)*	877,010*	–	33,530*	3,114,068	–	3,114,068

* These reserve accounts comprise the consolidated reserves of RMB2,999,780,000 (2010: RMB2,710,606,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		434,160	416,893
Adjustments for:			
Depreciation of items of property, plant and equipment	8	47,064	34,298
Amortisation of land use rights	8	3,006	3,350
Amortisation of other intangible assets	8	61,572	33,181
Provision for impairment of an investment in an associate	8	186	–
(Gain)/loss on disposal of items of property, plant and equipment	8	(3,522)	3,575
Gain on disposal of land use rights	8	–	(1,937)
Gain on disposal of an available-for-sale investment	8	–	(2,250)
Write-down/(reversal) of inventories to net realisable value	8	3,901	(5,980)
Provision for impairment of trade receivables	8	25,201	3,311
Provision for impairment of other receivables	8	10,455	–
Reversal of impairment of trade receivables	8	(13,532)	(3,925)
Equity-settled share option expenses	8	38,148	5,184
Finance costs	7	11,585	11,688
Finance revenue	7	(1,722)	(633)
Share of losses/(profits) of associates		2,651	(386)
		619,153	496,369
Increase in trade and bills receivables		(491,195)	(321,464)
Decrease/(increase) in prepayments, deposits and other receivables		43,251	(15,286)
Increase in inventories		(24,909)	(100,277)
Increase in an amount due from an associate		(19,596)	–
Increase in trade an bills payables		144,964	33,747
Decrease in other payables and accruals		(622)	(124,918)
Increase in pledged deposits		(26,594)	–
Decrease in amounts due to a related party and a shareholder		–	(11,643)
		244,452	(43,472)
Interest paid		(2,004)	(2,402)
Income tax paid		(106,861)	(86,958)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		135,587	(132,832)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(80,891)	(131,209)
Capital contribution to an associate		(33,810)	–
Acquisition of a subsidiary		(38,929)	(487,077)
Proceeds from disposal of items of property, plant and equipment		9,159	5,132
Proceeds from disposal of land use rights		–	20,989
Acquisition of non-controlling interests		–	(51,400)
Capital contribution of available-for-sale investments		–	(7,500)
Disposal of an available-for-sale investment		–	17,250
Decrease in an amount due from a related party		–	22,223
Decrease/(increase) in time deposits with original maturity original maturity of more than three months		307,142	(307,142)
Interest received		1,722	633
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		164,393	(918,101)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	2,129,382
Proceeds from exercise of share options		874	–
Repurchase of preference shares		–	(403,397)
New bank loans		90,000	87,000
Repayment of bank loans		(120,420)	(281,574)
Dividend paid		(70,207)	(280,263)
Interest paid		(5,349)	(7,333)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(105,102)	1,243,815
NET INCREASE IN CASH AND CASH EQUIVALENTS		194,878	192,882
Cash and cash equivalents at beginning of year		258,990	73,520
Effect of foreign exchange rate changes, net		(18,113)	(7,412)
CASH AND CASH EQUIVALENTS AT END OF YEAR		435,755	258,990

Statement of Financial Position of the Company

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	280	527
Investments in subsidiaries	20	539,412	537,475
		539,692	538,002
CURRENT ASSETS			
Deposits and other receivables	25	666	775
Amounts due from subsidiaries	27	1,214,303	1,175,338
Time deposits with original maturity of more than three months	26	–	307,142
Cash and cash equivalents	26	246,474	156,500
		1,461,443	1,639,755
CURRENT LIABILITIES			
Other payables and accruals	30	5,782	36,631
Tax payable		1,499	1,574
		7,281	38,205
NET CURRENT ASSETS		1,454,162	1,601,550
TOTAL ASSETS LESS CURRENT LIABILITIES		1,993,854	2,139,552
NET ASSETS		1,993,854	2,139,552
EQUITY			
Issued capital	31	114,288	114,270
Reserves	33	1,879,566	2,025,282
TOTAL EQUITY		1,993,854	2,139,552

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, 87 Mary Street, George Town, Grand Cayman, Cayman Islands.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 February 2010.

On 30 December 2011, Joy Global Inc., through its wholly-owned subsidiary, Joy Global Asia Limited ("Joy Global"), acquired all the Company's shares held by TJCC Holdings Ltd. In the opinion of the Directors, upon the completion of the acquisition, the holding company of the Company is Joy Global Asia Limited, which is incorporated in Hong Kong; the ultimate holding company of the Company is Joy Global Inc., which is incorporated in the United States.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards (the "IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in consolidation in full.

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Right Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

2.2 Changes in Accounting Policy and Disclosures (Continued)

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in *Improvements to IFRSs 2010*, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in Note 36 to the consolidated financial statements.

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

- IFRS 3 *Business Combinations*: The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

2.2 Changes in Accounting Policy and Disclosures (Continued)

(b) (Continued)

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]

2.3 Issued but not yet Effective International Financial Reporting Standards (Continued)

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

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 statement 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 statement 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 statement 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 investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of 31 December. 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.

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

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 that 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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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 in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill 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 an impairment loss is credited to the income statement in the period in which it arises.

2.4 Summary of Significant Accounting Policies (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are the members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

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.

Expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation (Continued)

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
Leasehold improvements	The shorter of the lease terms and their useful lives
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 method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 statement 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 are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. 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)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as of the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

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 the 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.

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

Patents and software copyrights

Purchased patents and software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of six to eight years.

Customer bases and know-how

Customer bases and know-how are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

Research and development costs

All research costs are charged to the income statement 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.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within 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 investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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.

The Group's financial assets include cash and cash equivalents, pledged deposits, time deposits with original maturity of more than three months, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and amounts due from related parties.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 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 as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets designed upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reverse to the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management’s intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 Summary of Significant Accounting Policies (Continued)

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 when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing loans and borrowings.

2.4 Summary of Significant Accounting Policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives also are 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 statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 Summary of Significant Accounting Policies (Continued)

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 between respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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; a discounted cash flow analysis; and option pricing models.

2.4 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 Summary of Significant Accounting Policies (Continued)

Provisions (Continued)

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.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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:

- when the deferred tax liabilities arise from the initial recognition of goodwill or 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, associates and joint ventures, when 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.

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, deferred tax assets are recognised 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:

- when the deferred tax asset relating to the deductible temporary differences 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 to deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

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 by the end of the reporting period.

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.

2.4 Summary of Significant Accounting Policies (Continued)

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. When 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 income statement over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred 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) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

2.4 Summary of Significant Accounting Policies (Continued)

Contracts for services (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 Summary of Significant Accounting Policies (Continued)

Share-based payment transactions (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% to 22% of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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 expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the statement 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.

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar ("HKD"). Each entity in 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items 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 a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements 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 end of the reporting period. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax liabilities are recognised for withholding corporate income taxes relating to the unremitted earnings of the Group's subsidiaries established in Mainland China that are subject to withholding taxes. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The carrying value of deferred tax liabilities arising from the withholding tax associated with the undistributed profits of PRC subsidiaries for the year ended 31 December 2011 was RMB17,531,000 (2010: RMB13,015,000). Further details are contained in Note 22 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described 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 unit 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 the cash-generating unit could change significantly should the cash-generating unit fail to sustain the estimated growth. The carrying amount of goodwill as at 31 December 2011 was RMB314,969,000 (2010: RMB314,969,000). Further details are given in Note 18 to the financial statements.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

(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 and other intangible assets*

The carrying values of property, plant and equipment and other intangible assets are 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 2.4 to the financial statements: Impairment of non-financial assets. 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 the end of the reporting period.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

(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 a 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 the end of the reporting period.

(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 12-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.

(ix) Valuation of share options

As described in Note 32 to the financial statements, the Company has engaged an independent professionally qualified valuer to assist in the valuation of the share options granted during the year ended 31 December 2010. The fair value of the options granted under the share option scheme is determined using a binomial model. The significant inputs into the model were the underlying share price at the grant date, exercise price, risk-free interest rate, expected volatility of the underlying shares, expected dividend yield, expected employee exit rate, exercise multiple and expected life of options. When the actual results of the inputs differ from management's estimate, it will have an impact on share option expenses and the related share option reserve of the Company.

4. Particulars of Companies Comprising the Group and Associates

Particulars of the companies comprising the Group and its associates at 31 December 2011 are set out below:

Name of company	Place of operation and date of incorporation/ registration	Nominal value of registered/ paid-up capital	Attributable equity interest of the Company Direct %	Attributable equity interest of the Company Indirect %	Principal activities
Subsidiaries					
TJCC IMM Siwei Holdings Ltd.	Cayman Islands 16 February 2007	USD1	100	–	Investment holding
TJCC IMM Jiamusi Holdings Ltd.	Cayman Islands 26 January 2007	USD1	100	–	Investment holding
TJCC IMM Jixi Holdings Ltd.	Cayman Islands 26 January 2007	USD1	100	–	Investment holding
TJCC IMM AFC Holdings Ltd.	Cayman Islands 16 February 2007	USD1	100	–	Investment holding
International Mining Machinery Jiamusi Holdings Limited ("IMM JMS Holdings")	Hong Kong 31 January 2007	HKD10	–	100	Investment holding
International Mining Machinery Jixi Holdings Limited ("IMM JX Holdings")	Hong Kong 31 January 2007	HKD10	–	100	Investment holding
International Mining Machinery AFC Holdings Limited ("IMM AFC Holdings")	Hong Kong 22 February 2007	HKD10	–	100	Investment holding

4. Particulars of Companies Comprising the Group and Associates (Continued)

Particulars of the companies comprising the Group and its associates at 31 December 2011 are set out below: (Continued)

Name of company	Place of operation and date of incorporation/ registration	Nominal value of registered/ paid-up capital	Attributable equity interest of the Company Direct %	Indirect %	Principal activities
Subsidiaries (continued)					
Jiamusi Coal Mining Machinery Co., Ltd. * ("Jiamusi Machinery")	PRC/Mainland China 4 September 2002	RMB94,895,630	–	100	Manufacture and sale of coal mining machinery
Jixi Coal Mining Machinery Co., Ltd. * ("Jixi Machinery")	PRC/Mainland China 19 September 2001	RMB100,000,000	–	100	Manufacture and sale of coal mining machinery
Huainan Longwall Coal Mining Machinery Co., Ltd. * ("Huainan Longwall")	PRC/Mainland China 27 June 2007	RMB132,000,000	–	100	Manufacture and sale of coal mining machinery
Qingdao Tian Xun Electric Co., Ltd. * ("Qingdao Tianxun")	PRC/Mainland China 7 September 2001	RMB5,000,000	100	–	Manufacture and sale of electric control systems

4. Particulars of Companies Comprising the Group and Associates (Continued)

Particulars of the companies comprising the Group and its associates at 31 December 2011 are set out below: (Continued)

Name of company	Place of operation and date of incorporation/ registration	Nominal value of registered/ paid-up capital	Attributable equity interest of the Company Direct %	Attributable equity interest of the Company Indirect %	Principal activities
Associates					
Huainan Shunli Coal Mining Machinery Repairing Co., Ltd.*(a) ("Huainan Shunli")	PRC/Mainland China 29 November 2006	RMB2,000,000	–	25	Repair service for coal mining machinery
Neimenggu Tianlong Coal Mining Machinery Repairing Co., Ltd.*	PRC/Mainland China 17 July 2008	RMB100,000,000	–	20	Repair service for coal mining machinery
Shanxi Meijia Coal Mining Machinery Company Limited*(b)	PRC/Mainland China 23 February 2011	RMB69,000,000	–	49	Manufacture and sale of coal mining machinery

Notes:

(a) As at 31 December 2011, the Group fully impaired the investment in Huainan Shunli at year end.

(b) On 23 February 2011, Jiamusi Machinery, a wholly-owned subsidiary of the Group, established an associate, Shanxi Meijia Coal Mining Machinery Company Limited ("Shanxi Meijia"), with a wholly-owned subsidiary of Shanxi Coal Transportation Group, an independent third party to the Group.

* The English names of the subsidiaries 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.

5. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) **Roadheader products and aftermarket parts and services**
Engaged in the design, manufacture and sale of roadheader products and the provision of aftermarket services which include onsite repair service, overhaul and supply of spare parts to customers.

(b) **Shearer products and aftermarket parts and services**
Engaged in the design, manufacture and sale of shearer products and the provision of aftermarket services which include onsite repair service, overhaul and supply of spare parts to customers.

(c) **Armoured-face conveyors and related products and aftermarket parts and services**
Engaged in the manufacture and sale of armoured-face conveyors and related spare parts and the provision of aftermarket services which include onsite repair service, overhaul and supply of spare parts to customers.

(d) **Electric control systems and related products and aftermarket parts and services**
Engaged in the manufacture and sale of electric control systems and related spare parts and the provision of aftermarket services which include onsite repair service, 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 and income tax. Management monitors the operating results of the Group's 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 and the Group's consolidated assets are substantially located inside the PRC, no geographical information is presented.

5. Operating Segment Information (Continued)

Year ended 31 December 2011	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Armoured-face conveyors and related products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,235,400	561,298	208,038	93,119	2,097,855
Intersegment sales	–	4,152	–	90,413	94,565
	1,235,400	565,450	208,038	183,532	2,192,420
Reconciliation:					
Elimination of intersegment sales					(94,565)
Total revenue					2,097,855
Segment results	429,596	58,460	(64,724)	57,156	480,488
Reconciliation:					
Elimination of intersegment results					(5,284)
Interest income					1,166
Corporate and other unallocated expenses*					(37,978)
Finance costs					(4,232)
Profit before tax					434,160
Segment assets	2,098,547	967,160	374,859	696,627	4,137,193
Reconciliation:					
Elimination of intersegment receivables					(247,163)
Corporate and other unallocated assets					256,977
Total assets					4,147,007

5. Operating Segment Information (Continued)

Year ended 31 December 2011	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Armoured-face conveyors and related products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
Segment liabilities	434,116	519,653	214,275	86,837	1,254,881
Reconciliation:					
Elimination of intersegment payables					(247,163)
Corporate and other unallocated liabilities					25,221
Total liabilities					1,032,939
Other segment information:					
Share of losses of associates	(2,651)	–	–	–	(2,651)
Research and development costs	20,130	15,206	13,145	11,667	60,148
Depreciation of items of property, plant and equipment	16,732	18,764	9,943	1,397	46,836
Reconciliation:					
Corporate and other unallocated depreciation					228
Total depreciation					47,064

5. Operating Segment Information (Continued)

Year ended 31 December 2011	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Armoured-face conveyors and related products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
Other segment information: (Continued)					
Amortisation of land use rights	1,550	1,019	369	68	3,006
Amortisation of other intangible assets	3,714	743	3,384	53,731	61,572
Reversal of impairment of trade receivables	(2,801)	(9,664)	(1,067)	–	(13,532)
Impairment of trade receivables	3,576	12,889	7,840	896	25,201
Impairment of other receivables	–	455	10,000	–	10,455
Provision for impairment of an investment in an associate	–	186	–	–	186
Write-down/(reversal) of inventories to net realisable value	1,436	(1,413)	3,524	354	3,901
Product warranty provision	12,465	7,064	21,791	590	41,910
(Gain)/loss on disposal of items of property, plant and equipment	(386)	(1,678)	(1,601)	143	(3,522)
Investments in associates	52,428	–	–	–	52,428
Capital expenditure**	62,500	66,982	6,582	6,510	142,574
Reconciliation:					
Corporate and other unallocated expenditure					–
Total capital expenditure					142,574

* Corporate and other unallocated expenses mainly represent central administration costs, Directors' remuneration and consulting fees which are managed on a group basis and are not allocated to operating segments.

** Capital expenditure consists of additions to property, plant and equipment and establishment of an associate during the year.

5. Operating Segment Information (Continued)

Year ended 31 December 2010	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Armoured-face conveyors and related products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,081,758	538,571	267,526	54,760	1,942,615
Intersegment sales	3,946	94	–	23,969	28,009
	1,085,704	538,665	267,526	78,729	1,970,624
Reconciliation:					
Elimination of intersegment sales					(28,009)
Total revenue					1,942,615
Segment results	408,907	98,832	20,137	30,079	557,955
Reconciliation:					
Elimination of intersegment results					(5,861)
Interest income					389
Corporate and other unallocated expenses					(133,637)
Finance costs					(1,953)
Profit before tax					416,893
Segment assets	1,590,729	780,733	424,298	658,303	3,454,063
Reconciliation:					
Elimination of intersegment receivables					(145,311)
Corporate and other unallocated assets					466,021
Total assets					3,774,773

5. Operating Segment Information (Continued)

Year ended 31 December 2010	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Armoured-face conveyors and related products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
Segment liabilities	304,478	440,524	197,807	100,181	1,042,990
Reconciliation:					
Elimination of intersegment payables					(145,311)
Corporate and other unallocated liabilities					52,218
Total liabilities					949,897
Other segment information:					
Share of profits/(losses) of associates	626	(240)	–	–	386
Research and development costs	19,099	13,515	2,061	5,906	40,581
Depreciation of items of property, plant and equipment	14,177	16,328	3,110	523	34,138
Reconciliation:					
Corporate and other unallocated depreciation					160
Total depreciation					34,298

5. Operating Segment Information (Continued)

Year ended 31 December 2010	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Armoured-face conveyors and related products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
Other segment information: (continued)					
Amortisation of land use rights	1,550	1,409	369	22	3,350
Amortisation of other intangible assets	9,905	1,982	3,384	17,910	33,181
Reversal of impairment of trade receivables	(3,925)	–	–	–	(3,925)
Impairment of trade receivables	–	1,498	1,567	246	3,311
(Reversal)/write-down of inventories to net realisable value	(3,303)	(4,087)	1,410	–	(5,980)
Product warranty provision	9,672	8,619	3,695	254	22,240
Loss/(gain) on disposal of items of property, plant and equipment	74	3,504	12	(15)	3,575
Gain on disposal of land use rights	–	(1,937)	–	–	(1,937)
Investments in associates	21,269	186	–	–	21,455
Capital expenditure	15,326	24,292	78,327	307	118,252
Reconciliation:					
Corporate and other unallocated expenditure					343,417
Total capital expenditure					461,669

5. Operating Segment Information (Continued)

Information about major customers

During the year ended 31 December 2011, the Group had no customers from whom the revenues raised individually accounted for more than 10% of the Group's total revenue during the year.

During the year ended 31 December 2010, the Group had two customers from whom the revenues raised of RMB269,585,000 and RMB243,414,000, respectively, individually accounted for more than 10% of the Group's total revenue during that year.

Details of the concentration of credit risk arising from the customers are set out in Note 38 to the financial statements.

6. Revenue, Other Income and Gains

Revenue represents the net invoiced value of goods sold and the value of services rendered after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of revenue, other income and gains is as follows:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	2,097,442	1,935,181
Rendering of services	20,908	9,223
	2,118,350	1,944,404
Less: Government surcharges	(20,495)	(1,789)
	2,097,855	1,942,615
Other income and gains		
Waiver of unpaid tax	–	32,888
Reversal of long-aged trade debts	13,730	17,895
Gain on disposal of items of property, plant and equipment	3,522	–
Gain on disposal of an available-for-sale investment	–	2,250
Gain on disposal of land use rights	–	1,937
Sale of scrap materials	1,227	409
Government grants	1,000	–
Others	1,329	846
	20,808	56,225

7. Finance Revenue and Finance Costs

An analysis of finance revenue and finance costs is as follows:

	2011 RMB'000	2010 RMB'000
Finance revenue		
Interest income	1,722	633
Finance costs		
Loan interests	5,349	7,333
Interest arising from discounted bills	2,004	2,402
Notional interest	4,232	1,953
Total finance costs	11,585	11,688

8. Profit Before Tax

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

	2011 RMB'000	2010 RMB'000
Cost of inventories sold	1,178,140	1,095,746
Cost of services provided	9,466	4,759
	1,187,606	1,100,505
Employee benefit expense (including Directors' remuneration as set out in Note 9):		
– Wages and salaries	175,633	168,390
– Pension scheme contributions	25,057	18,880
– Founder participation rights payment	–	33,198
– Equity-settled share option expense (Note 32)	38,148	5,184
	238,838	225,652

8. Profit Before Tax (Continued)

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

	2011 RMB'000	2010 RMB'000
Research and development costs	60,148	40,581
Auditors' remuneration	3,680	3,560
Depreciation of items of property, plant and equipment (Note 16)	47,064	34,298
Amortisation of land use rights (Note 17)	3,006	3,350
Amortisation of other intangible assets (Note 19)	61,572	33,181
Reversal of impairment of trade receivables (Note 24)	(13,532)	(3,925)
Impairment of trade receivables (Note 24)	25,201	3,311
Impairment of other receivables	10,455	–
Minimum lease payments under operating leases	2,741	4,053
Write down/(reversal) of inventories to net realisable value	3,901	(5,980)
Product warranty provision	41,910	22,240
Provision for impairment of an investment in an associate	186	–
(Gain)/loss on disposal of items of property, plant and equipment	(3,522)	3,575
Gain on disposal of land use rights	–	(1,937)
Gain on disposal of an available-for-sale investment	–	(2,250)
Fee for early termination of a management consulting agreement with TJCC Services Ltd. ("TJCC Services")	–	68,344

9. Directors' Remuneration

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

	2011 RMB'000	2010 RMB'000
Fees	736	2,270
Other emoluments:		
Salaries, allowances and benefits in kind	9,474	11,814
Performance-related bonuses*	2,545	917
Founder participation rights payment	–	23,239
Equity-settled share option expense	5,623	644
	17,642	36,614
	18,378	38,884

* 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.

In April 2010 and October 2010, certain Directors and employees were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 32 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' remuneration disclosures.

9. Directors' Remuneration (Continued)

(a) Independent non-executive Directors

The remuneration of each of the independent non-executive Directors during the year is as follows:

	Fees RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
2011			
Yiming Hu	150	32	182
Xuezheng Wang	150	32	182
Zhengduo Yuan	150	32	182
Fung Man, Norman Wai	150	32	182
	600	128	728
2010			
Yiming Hu	141	14	155
Xuezheng Wang	141	14	155
Zhengduo Yuan	141	14	155
Fung Man, Norman Wai	141	14	155
	564	56	620

There were no other emoluments payable to the independent non-executive Directors during the year (2010: Nil).

9. Directors' Remuneration (Continued)

(b) Executive Directors

The remuneration of each of the executive Directors during the year is as follows:

	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity settled share option expense RMB'000	Total RMB'000
2011				
Thomas H. Quinn (ii)	–	–	–	–
Kee-Kwan Allen Chan	4,746	1,613	–	6,359
Youming Ye (ii)	–	–	–	–
Kwong Ming Pierre Tsui	2,682	626	2,608	5,916
Yinghui Wang	1,020	306	2,887	4,213
	8,448	2,545	5,495	16,488
2010				
Thomas H. Quinn	–	–	–	–
Kee-Kwan Allen Chan	4,521	–	–	4,521
Youming Ye	3,635	–	–	3,635
Kwong Ming Pierre Tsui	2,004	529	287	2,820
Yinghui Wang	714	388	301	1,403
David W. Zalaznick (i)	–	–	–	–
	10,874	917	588	12,379

(i) Mr. David W. Zalaznick resigned as an executive Director of the Company on 14 January 2010.

(ii) Subsequent to the completion of acquiring the majority of the shares of the Company by Joy Global, Mr. Thomas H. Quinn and Mr. Youming Ye resigned as executive Directors of the Company, effective on 6 January 2012.

Subsequent to the end of the reporting period, on 6 January 2012, Mr. Michael W. Sutherlin was appointed as executive Director of the Company.

9. Directors' Remuneration (Continued)

(c) Non-executive Directors

The remuneration of each of the non-executive Directors for the year is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Founder participant rights payment RMB'000	Total RMB'000
2011				
John W. Jordan II (iv)	–	–	–	–
Rubo Li a/k/a John Lee (iii)	136	–	–	136
Lisa M. Ondrula (iv)	–	1,026	–	1,026
	136	1,026	–	1,162
2010				
John W. Jordan II	–	–	–	–
Rubo Li a/k/a John Lee	1,706	–	23,239	24,945
Lisa M. Ondrula	–	940	–	940
	1,706	940	23,239	25,885

(iii) For the year ended 31 December 2011, the remuneration above excludes the remuneration paid to Mr. Rubo Li a/k/a John Lee after his resignation as a non-executive Director of the Company on 31 January 2011.

(iv) Subsequent to the completion of acquiring the majority of the shares of the Company by Joy Global, Mr. John W. Jordan II and Ms. Lisa M. Ondrula resigned as non-executive Directors of the Company, effective on 6 January 2012.

Subsequent to the end of the reporting period, on 6 January 2012, Mr. Michael S. Olsen, Mr. Edward L. Doheny II, Mr. Eric A. Nielsen and Mr. Sean D. Major were appointed as non-executive Directors of the Company.

9. Directors' Remuneration (Continued)

Mr. Thomas H. Quinn, Mr. John W. Jordan II and Mr. David W. Zalaznick did not receive any remuneration from the Company for the years ended 31 December 2011 and 2010, but were remunerated by The Jordan Company arising from their individual capacity as members of senior management of The Resolute Fund, L.P. The Jordan Company, which was incorporated in the United States, manages The Resolute Fund, L.P., which is the holding company of the Company's former controlling shareholder, TJCC Holdings Ltd.

Mr. Youming Ye did not receive any remuneration from the Company for the year ended 31 December 2011, but was remunerated by TJCC Services arising from his individual capacity as a member of senior management of TJCC Services, a former related party of the Company.

There was no arrangement under which Directors waived or agreed to waive any remuneration during the year.

10. Five Highest Paid Employees

The five highest paid employees during the year included three (2010: four) Directors, details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining two (2010: one) non-director, highest paid employee for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	**2,866**	1,082
Performance-related bonuses	**671**	571
Equity-settled share option expense	**5,216**	287
Pension scheme contributions	**30**	28
	8,783	1,968

10. Five Highest Paid Employees (Continued)

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

	Number of employees	
	2011	2010
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
Over HK$2,000,000	2	1
	2	1

During the year ended 31 December 2010, share options were granted to the above non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 32 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

During the year, no emoluments were paid by the Group to the Directors, or the non-director and highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

11. Income 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, the Group is not subject to any income tax in the Cayman Islands.

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 year.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the Group as determined in accordance with the 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 granted tax concession and are taxed at preferential rates.

Jiamusi Machinery and Jixi Machinery obtained the Certificate of National High-Tech Enterprise in November 2008 and were able to obtain the renewed certificate in October 2011 for another three years. Huainan Longwall and Qingdao Tianxun obtained the Certificate of National High-Tech Enterprise in May 2010 and November 2009, respectively. Accordingly, they were entitled to a lower PRC corporate income tax rate of 15% for the year ended 31 December 2011.

The share of tax attributable to associates for the years ended 31 December 2010 and 2011, respectively, is included in "Share of profits/(losses) of associates" on the face of the consolidated income statements.

11. Income Tax (Continued)

The major components of income tax charge for the year are as follows:

	2011 RMB'000	2010 RMB'000
Current tax		
– Income tax in the PRC for the year	106,444	77,133
– Deferred tax (Note 22)	(9,025)	(10,281)
Total tax charge for the year	97,419	66,852

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled (i.e. in their respective countries of incorporation) to the tax expense at the effective tax rate for the year is as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	434,160	416,893
Tax at an applicable tax rate	108,540	104,223
Lower tax rate for certain loss making entities in different jurisdictions	7,010	37,397
Tax concession for certain subsidiaries*	(71,250)	(76,890)
Losses attributable to associates	(132)	(97)
Adjustments in respect of current tax of previous periods	(847)	(16,194)
Income not subject to tax	–	(8,222)
Tax losses not recognised	8,607	–
Expenses not deductible for tax	40,877	15,779
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	4,614	10,856
Tax charge at the Group's effective rate	97,419	66,852

* Jiamusi Machinery and Jixi Machinery were recognised as High-Tech companies and enjoyed a tax rate of 15% (2010:12.5%, subject to a 50% deduction of the standard tax rate) starting from 1 January 2011. Huainan Longwall and Qingdao Tianxun were recognised as High-Tech companies and enjoyed a tax rate of 15% starting from 1 January 2010.

12. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB36,502,000 (2010: a loss of RMB136,775,000) which has been dealt with in the financial statements of the Company (Note 33(b)).

13. Dividends

(a) Dividends attributable to the current year

	2011 RMB'000	2010 RMB'000
Proposed final – nil (2010: RMB5.4 cents) per ordinary share	–	70,200

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

(b) Special dividend declared in connection with the initial public offering

	2011 RMB'000	2010 RMB'000
Declared during the year	–	280,263
Paid during the year	–	280,263

14. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,300,091,473 (2010: 1,242,222,222) in issue during the year, as adjusted to reflect the rights issued during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share includes the 520,000,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange on 10 February 2010.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

14. Earnings per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

	Number of shares 2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,300,091,473**	1,242,222,222
Effect of dilution – weighted average number of ordinary shares:	**3,002,167**	639,986
	1,303,093,640*	1,242,862,208

* Diluted earnings per share amount is based on the profit for the year of RMB336,741,000, and the weighted average number of ordinary shares of 1,303,093,640 in issue during the year.

15. Retirement Benefits and Accommodation Benefits

Retirement benefits

In accordance with PRC regulations, Jiamusi Machinery, Jixi Machinery, Huainan Longwall and Qingdao Tianxun 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, Huainan Longwall and Qingdao Tianxun 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, Huainan Longwall and Qingdao Tianxun to whom the defined contribution retirement plan is applicable. Jiamusi Machinery, Jixi Machinery, Huainan Longwall and Qingdao Tianxun 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, Huainan Longwall and Qingdao Tianxun 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, Huainan Longwall and Qingdao Tianxun, except for contributions to the accommodation fund.

16. Property, Plant and Equipment

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2010	162,807	–	144,316	25,542	11,139	29,174	372,978
Additions	717	2,035	4,541	6,414	12,906	92,321	118,934
Transfers	52,685	–	67,227	765	–	(120,677)	–
Acquisition of a subsidiary	4,680	–	2,540	594	2,275	–	10,089
Disposals	(14,556)	–	(5,639)	(405)	(4,601)	–	(25,201)
At 31 December 2010 and 1 January 2011	206,333	2,035	212,985	32,910	21,719	818	476,800
Additions	2,380	39	12,964	2,033	5,000	86,348	108,764
Transfers	5,145	–	40,979	105	244	(46,473)	–
Disposals	(150)	–	(9,828)	(1,498)	(6,374)	–	(17,850)
Exchange realignment	–	(12)	–	(20)	–	–	(32)
At 31 December 2011	**213,708**	**2,062**	**257,100**	**33,530**	**20,589**	**40,693**	**567,682**
Accumulated depreciation:							
At 1 January 2010	22,710	–	37,432	13,624	6,555	–	80,321
Charge for the year	7,758	262	18,749	5,606	1,923	–	34,298
Disposals	(8,928)	–	(4,046)	(396)	(3,124)	–	(16,494)
At 31 December 2010 and 1 January 2011	21,540	262	52,135	18,834	5,354	–	98,125
Charge for the year	10,001	714	25,904	6,155	4,290	–	47,064
Disposals	(8)	–	(8,491)	(1,414)	(2,300)	–	(12,213)
Exchange realignment	–	(5)	–	(8)	–	–	(13)
At 31 December 2011	**31,533**	**971**	**69,548**	**23,567**	**7,344**	**–**	**132,963**
Net book value:							
At 31 December 2011	**182,175**	**1,091**	**187,552**	**9,963**	**13,245**	**40,693**	**434,719**
At 31 December 2010	184,793	1,773	160,850	14,076	16,365	818	378,675

16. Property, Plant and Equipment (Continued)

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2010	–	–	–	–	–	–	–
Additions	–	258	–	425	–	–	683
At 31 December 2010 and 1 January 2011	–	258	–	425	–	–	683
Exchange realignment	–	(12)	–	(20)	–	–	(32)
At 31 December 2011	**–**	**246**	**–**	**405**	**–**	**–**	**651**
Accumulated depreciation:							
At 1 January 2010	–	–	–	–	–	–	–
Charge for the year	–	59	–	97	–	–	156
At 31 December 2010 and 1 January 2011	–	59	–	97	–	–	156
Charge for the year	–	86	–	142	–	–	228
Exchange realignment	–	(5)	–	(8)	–	–	(13)
At 31 December 2011	**–**	**140**	**–**	**231**	**–**	**–**	**371**
Net book value:							
At 31 December 2011	**–**	**106**	**–**	**174**	**–**	**–**	**280**
At 31 December 2010	–	199	–	328	–	–	527

16. Property, Plant and Equipment (Continued)

Group

The net book values of property, plant and equipment pledged as security for interest-bearing bank loans granted to the Group are as follows (Note 28):

	2011 RMB'000	2010 RMB'000
Buildings	7,344	51,013

As at 31 December 2011, the Group has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB2,031,000.

17. Land Use Rights

Group

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	132,427	152,823
Acquisition of a subsidiary	–	2,860
Additions	–	–
Disposals	–	(23,256)
At 31 December	132,427	132,427
Accumulated amortisation:		
At 1 January	10,775	11,629
Charge for the year	3,006	3,350
Disposals	–	(4,204)
At 31 December	13,781	10,775
Net book value:		
At 31 December	118,646	121,652
Net book value pledged (Note 28)	1,719	84,831

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

18. Goodwill

Group

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	314,969	101,203
Addition	–	213,766
At 31 December	314,969	314,969

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
- Shearer products and aftermarket parts and services
- Electric control systems and related products and aftermarket parts and services

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

	Roadheader products and aftermarket parts and services RMB'000	Shearer products and aftermarket parts and services RMB'000	Electric control systems and related products and aftermarket parts and services RMB'000	Total RMB'000
31 December 2011	99,669	1,534	213,766	314,969
31 December 2010	99,669	1,534	213,766	314,969

18. Goodwill (Continued)

The recoverable amounts 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 for the segment of roadheader products and aftermarket parts and services is 18.8% (2010: 18.3%). The discount rate applied to the cash flow projections for the segment of shearer products and aftermarket parts and services is 17.4% (2010: 18.0%). The discount rate applied to the cash flow projections for the segment of electric control systems and related products and aftermarket parts and services is 17.8% (2010: 18.2%). 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 2010 and 2011. 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 rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

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

19. Other Intangible Assets

Group

	Customer bases RMB'000	Patents and software copyrights RMB'000	Know-how RMB'000	Total RMB'000
Cost:				
At 1 January 2010	59,431	19,052	5,010	83,493
Acquisition of a subsidiary	85,666	244,120	–	329,786
At 31 December 2010 and 31 December 2011	145,097	263,172	5,010	413,279
Accumulated amortisation:				
At 1 January 2010	43,087	4,764	2,002	49,853
Charge for the year	17,597	14,583	1,001	33,181
At 31 December 2010 and 1 January 2011	60,684	19,347	3,003	83,034
Charge for the year	21,591	38,979	1,002	61,572
At 31 December 2011	**82,275**	**58,326**	**4,005**	**144,606**
Net book value:				
At 31 December 2011	**62,822**	**204,846**	**1,005**	**268,673**
At 31 December 2010	84,413	243,825	2,007	330,245

20. Investments in Subsidiaries

Company

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**539,412**	537,475

Investments in subsidiaries as at 31 December 2011 represent the cost of the entire interests in TJCC IMM Siwei Holdings Ltd., TJCC IMM Jiamusi Holdings Ltd. ("TJCC IMM Jiamusi"), TJCC IMM Jixi Holdings Ltd. ("TJCC IMM Jixi"), TJCC IMM AFC Holdings Ltd. ("TJCC IMM AFC") and Qingdao Tianxun.

Details of investments in subsidiaries are set out in Note 4 to the financial statements.

21. Investments in Associates

Group

	2011 RMB'000	2010 RMB'000
Share of net assets	**52,428**	21,455

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

	2011 RMB'000	2010 RMB'000
Current assets	**110,632**	76,880
Non-current assets	**104,698**	92,510
Current liabilities	**(66,596)**	(44,698)
Non-current liabilities	**(37,600)**	(17,600)
Net assets	**111,134**	107,092
Revenue	**78,279**	48,116
Total expense	**(71,894)**	(44,877)
Tax	**(1,596)**	(1,067)
Profit after tax	**4,789**	2,172

Details of investments in associates are set out in Note 4 to the financial statements.

22. Deferred Tax

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group

	Decelerated tax amortisation of intangible assets RMB'000	Decelerated tax depreciation of property, plant and equipment RMB'000	Provision for inventories RMB'000	Unrealised gain arising from intra-group transactions RMB'000	Accrued expenses RMB'000	Total RMB'000
Gross deferred tax assets as at 1 January 2010	368	4,052	3,234	–	–	7,654
Acquisition of subsidiaries	–	–	–	–	15	15
Deferred tax (charged)/credited to the income statement during the year (Note 11)	(107)	335	(250)	–	1,193	1,171
Gross deferred tax assets at 31 December 2010 and 1 January 2011	261	4,387	2,984	–	1,208	8,840
Deferred tax credited to the income statement during the year (Note 11)	399	535	59	1,672	418	3,083
Gross deferred tax assets as at 31 December 2011	**660**	**4,922**	**3,043**	**1,672**	**1,626**	**11,923**

The Group has tax losses arising in Mainland China of RMB34,427,000 that will expire in five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. Deferred Tax (Continued)

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Total RMB'000
Gross deferred tax liabilities at 1 January 2010	37,487	12,577	50,064
Acquisition of a subsidiary	71,012	–	71,012
Deferred tax (credited)/charged to the income statement during the year (Note 11)	(9,548)	438	(9,110)
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	98,951	13,015	111,966
Deferred tax (credited)/charged to the income statement during the year (Note 11)	(10,458)	4,516	(5,942)
Gross deferred tax liabilities at 31 December 2011	**88,493**	**17,531**	**106,024**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding corporate income tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding corporate income tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable withholding rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

23. Inventories

Group

	2011 RMB'000	2010 RMB'000
Raw materials	**90,807**	95,412
Work in progress	**234,101**	233,213
Finished goods	**144,529**	115,903
	469,437	444,528
Less: Provision for inventories	**(23,805)**	(19,904)
	445,632	424,624

24. Trade and Bills Receivables

Group

	2011 RMB'000	2010 RMB'000
Trade receivables	**1,510,096**	1,073,888
Bills receivable	**435,654**	381,130
Less: Impairment provision	**(25,487)**	(14,281)
	1,920,263	1,440,737

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 receivables are approximate to their fair values.

24. Trade and Bills Receivables (Continued)

An aged analysis of trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

Group

	2011 RMB'000	2010 RMB'000
Outstanding balances with ages:		
Within 90 days	576,615	502,967
91 to 180 days	394,388	295,240
181 to 365 days	362,381	176,112
1 to 2 years	143,140	75,638
Over 2 years	8,085	9,650
	1,484,609	1,059,607

The movements in the provision for impairment of trade receivables are as follows:

Group

	2011 RMB'000	2010 RMB'000
At 1 January	14,281	14,895
Reversal of impairment losses (Note 8)	(13,532)	(3,925)
Amount written off as uncollectible	(463)	–
Impairment of trade receivables (Note 8)	25,201	3,311
At 31 December	25,487	14,281

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 all mature within 180 days from the end of the reporting period.

24. Trade and Bills Receivables (Continued)

The carrying amounts of bills receivables pledged as security for interest-bearing bank loans granted to the Group and for the issuance of bank acceptance notes are as follows:

	2011 RMB'000	2010 RMB'000
Pledged for interest-bearing bank loans (Note 28)	3,000	30,420
Pledged for bank acceptance notes	36,000	–
	39,000	30,420

The analysis of trade receivables that are not considered to be impaired is as follows:

Group

	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	770,819	599,202
Past due but not impaired:		
Less than 90 days	376,871	268,759
91 to 180 days	205,648	107,465
181 to 365 days	108,836	66,432
1 to 2 years	22,435	17,749
	1,484,609	1,059,607

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

	2011 RMB'000	2010 RMB'000
Non-current portion		
Prepayments for purchases of property, plant and equipment	18,342	34,271
Current portion		
Prepayments	56,571	110,690
Deposits and other receivables	33,351	22,483
Less: Impairment provision	(10,455)	–
	79,467	133,173
Total	97,809	167,444

The movements in the provision for impairment of other receivables are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	–	–
Impairment of other receivables (Note 8)	10,455	–
At 31 December	10,455	–

The impaired other receivables mainly relates to a prepayment of an investment to an independent third party that was in financial difficulty and the receivables are not expected to be recovered.

Company

	2011 RMB'000	2010 RMB'000
Current portion		
Deposits and other receivables	666	775

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

None of the above assets not impaired is past due. The financial assets included in the above balances not impaired relate to receivables for which there was no recent history of default.

26. Cash and Cash Equivalents, Time Deposits with Original Maturity of more than Three Months and Pledged Deposits

Group

	2011 RMB'000	2010 RMB'000
Cash and bank balances	462,349	566,132
Less: Time deposits with original maturity of more than three months	–	(307,142)
Pledged deposits	(26,594)	–
Cash and cash equivalents	435,755	258,990
Denominated in RMB	206,977	94,789
Denominated in USD	251,322	449,028
Denominated in HKD	4,044	21,796
Denominated in EUR	6	519
	462,349	566,132

Company

	2011 RMB'000	2010 RMB'000
Cash and bank balances	246,474	463,642
Less: Time deposits with original maturity of more than three months	–	(307,142)
Cash and cash equivalents	246,474	156,500
Denominated in USD	242,433	441,851
Denominated in HKD	4,041	21,791
	246,474	463,642

Cash at banks earn 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's 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.

27. Balances with an Associate and Subsidiaries

Group

	Note	2011 RMB'000	2010 RMB'000
Amount due from an associate			
Shanxi Meijia	(i)	19,596	–

Company

	Notes	2011 RMB'000	2010 RMB'000
Amounts due from subsidiaries			
TJCC IMM AFC	(ii)	259,271	255,739
TJCC IMM Jixi	(ii)	163,478	107,105
TJCC IMM Jiamusi	(ii)	83,390	83,158
IMM JX Holdings	(iii)	143,710	151,089
IMM JMS Holdings	(iii)	122,904	113,997
IMM AFC Holdings	(iii)	11	–
TJCC IMM Jiamusi	(iv)	441,539	464,250
		1,214,303	1,175,338

Notes:

(i) The balance due from Shanxi Meijia is trade in nature. The balance is unsecured, interest-free and repayable on demand.

(ii) The amounts due from the subsidiaries are non-trade in nature. The balances are unsecured, bear interest at rates of 3.5% to 6.66% per annum and are repayable on demand.

(iii) The amounts due from the subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

(iv) The balances represented the special dividends declared by TJCC IMM Jiamusi to the Company of USD70,106,000 (equivalent to approximately RMB441,539,000).

The nature of the transactions with related parties and subsidiaries is disclosed in Note 36 to the financial statements.

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

28. Interest-bearing Bank Loans

Group

	2011 RMB'000	2010 RMB'000
Bank loans:		
Secured	**18,000**	73,420
Unsecured	**75,000**	50,000
	93,000	123,420
The bank loans bear interest at rates per annum in the range of	**5.31% to 14.40%**	4.10% to 5.84%

The above bank loans were all repayable within one year. The carrying amounts of the Group's current bank loans approximate their fair values.

The Group's bank loans that are secured by the pledge of assets are as follows:

	Notes	2011 RMB'000	2010 RMB'000
Building and land use rights	(i)	**15,000**	43,000
Bills receivable	(ii)	**3,000**	30,420
		18,000	73,420

Notes:

(i) The loans were secured by the Group's building and land use rights, which had aggregate carrying values of RMB7,344,000 and RMB1,719,000, respectively, as at 31 December 2011 (2010: RMB51,013,000 and RMB84,831,000, respectively), as set out in Notes 16 and 17 to the financial statements.

(ii) The loans were secured by the Group's bills receivable with an aggregate carrying value of RMB3,000,000 as at 31 December 2011 (2010: RMB30,420,000), as set out in Note 24 to the financial statements.

29. Trade and Bills Payables

Group

	2011 RMB'000	2010 RMB'000
Trade payables	**499,118**	377,524
Bills payable	**54,495**	23,780
	553,613	401,304

An aged analysis of outstanding trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2011 RMB'000	2010 RMB'000
Within 90 days	**231,454**	225,527
91 to 180 days	**130,524**	83,223
181 to 365 days	**102,704**	34,036
1 to 2 years	**19,488**	4,922
2 to 3 years	**1,069**	1,777
Over 3 years	**13,879**	28,039
	499,118	377,524

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

30. Other Payables and Accruals

Group

	2011 RMB'000	2010 RMB'000
Advances from customers	**38,820**	57,325
Payroll payable	**25,849**	20,292
Value added tax payable	**14,460**	30,638
Accrued expenses	**93,308**	72,801
Welfare payable	**15,103**	12,663
Other payables	**43,121**	69,430
	230,661	263,149

Company

	2011 RMB'000	2010 RMB'000
Payroll payable	**3,766**	–
Accrued expenses	**1,949**	1,964
Other payables	**67**	34,667
	5,782	36,631

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

31. Ordinary Share Capital

Group and Company

	2011 RMB'000	2010 RMB'000
Authorised:	5,000,000,000 shares of HKD0.1 each	5,000,000,000 shares of HKD0.1 each
Issued and fully paid	114,288	114,270

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

	Number of ordinary shares	Nominal value RMB'000
Issued and fully paid:		
As at 1 January 2011	1,300,000,000	114,270
Exercise of share options	214,200	18
As at 31 December 2011	1,300,214,200	114,288

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in Note 32 to the financial statements.

32. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's Directors, including independent non-executive Directors and other employees of the Group. The Scheme became effective on 24 January 2010 and, unless otherwise cancelled or amended, will expire on 23 January 2020.

The maximum number of share options currently permitted to be granted under the Scheme is 130,000,000 shares, being 10% of total number of shares in issue as at 10 February 2010. Unless approved by shareholders in a general meeting, no participant shall be granted an option within the 12-month period up to and including the proposed date on which the grant of an option is made, if such grant, would represent in aggregate over 1% of the number of shares in issue as at the proposed grant date. The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of any member of the Group must not exceed 30% of the number of shares in issue from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a vesting period of one to five years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the Directors, but may not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. Share Option Scheme (Continued)

The following share options were outstanding under the Scheme during the year:

	2011		2010	
	Weighted average exercise price HKD per share	Number of options '000	Weighted average exercise price HKD per share	Number of options '000
At 1 January	6.37	21,939	–	–
Granted during the year	–	–	6.37	21,939
Forfeited during the year	6.45	(3,805)	–	–
Exercised during the year	4.95	(214)	–	–
Cancelled during the year (i)	6.37	(17,920)	–	–
At 31 December	–	–	6.37	21,939

(i) The outstanding share options were deemed cancelled upon the acquisition of the Company by Joy Global. The mandatory general offer for all outstanding share options became unconditional on 30 December 2011.

The fair value of equity-settled share options granted during the year ended 31 December 2010 was estimated at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	28 April 2010	29 October 2010
Stock price (HKD)	3.97	6.75
Exercise price (HKD)	4.07	6.75
Risk-free interest rate (%)	2.89	2.10
Expected volatility (%)	53	52
Dividend yield (%)	1.5	1.0
Post-vesting exit rate (%)	19	12
Exercise multiple	3	2
Expected life of options (year)	9.75	9.24

No other feature of the options granted was incorporated into the measurement of fair value.

The 214,200 share options exercised during the year resulted in the issue of 214,200 ordinary shares of the Company and new share capital of HKD21,420 (equivalent to approximately RMB18,000) and share premium of HKD1,453,536 (equivalent to approximately RMB1,217,000), as further detailed in Notes 31 and 33 to the financial statements.

32. Share Option Scheme (Continued)

The fair value of the share options granted during the year ended 31 December 2010 was HKD63,069,000. During the year ended 31 December 2011, the Group recognised a share option expense of HKD19,518,000 (equivalent to approximately RMB16,182,000) (2010: HKD5,958,000 (equivalent to approximately RMB5,184,000)).

At the end of the reporting period, the outstanding share options under the Scheme of 17,919,800 shares were cancelled upon the acquisition of the Company by Joy Global. The Group therefore recognised a share option expense of HKD26,494,000 (equivalent to approximately RMB21,966,000) during the year ended 31 December 2011, that otherwise would have been recognised for services received over the remainder of the vesting period as an acceleration of vesting.

The total equity-settled share option expenses recognised during the year ended 31 December 2011 amounted to HKD46,012,000 (equivalent to approximately RMB38,148,000) (2010: HKD5,958,000 (equivalent to approximately RMB5,184,000)) as set out in Note 8 to the financial statements.

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 56 to 57 of the consolidated financial statements.

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 profit 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, their 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 a 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.

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.

33. Reserves (Continued)

(a) Group (Continued)

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 these financial statements which are 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

	Share premium account RMB'000	Share option reserve RMB'000	Retained profits (accumulated)/ losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2010	7,937	–	256,463	8,960	273,360
Repurchase of old shares	80	–	–	–	80
Issue of shares	2,184,835	–	–	–	2,184,835
Share issue expenses	(101,161)	–	–	–	(101,161)
Capitalisation of share premium account	(68,562)	–	–	–	(68,562)
Equity-settled share option arrangements	–	5,184	–	–	5,184
Special dividend	–	–	(280,263)	–	(280,263)
Total comprehensive income for the year*	–	–	81,274	(69,465)	11,809
As at 31 December 2010 And 1 January 2011	2,023,129	5,184	57,474	(60,505)	2,025,282
Exercise of share options	1,217	(361)	–	–	856
Equity-settled share option arrangements	–	38,148	–	–	38,148
Final dividend declared	–	–	(70,207)	–	(70,207)
Total comprehensive income for the year	–	–	(12,619)	(101,894)	(114,513)
As at 31 December 2011	**2,024,346**	**42,971**	**(25,352)**	**(162,399)**	**1,879,566**

34. 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.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	2011 RMB'000	2010 RMB'000
Within a year	1,212	1,513
In the second to fifth years, inclusive	743	1,399
	1,955	2,912

35. Commitments

In addition to the operating lease commitments detailed in Note 34 above, the Group had the following capital commitments at the end of the reporting period:

Group

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
Plant and machinery	61,792	28,214
Investments	–	33,810
	61,792	62,024

36. 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:

	Notes	2011 RMB'000	2010 RMB'000
Nature of transactions			
Consulting fee			
Rubo Li a/k/a John Lee	(i)	**1,628**	1,706
Sales of products			
Shanxi Meijia	(ii)	**16,749**	–
Operating lease of office buildings			
Benniu		–	153
Management fee			
TJCC Services		–	68,344
Founder participation rights payment			
Rubo Li a/k/a John Lee		–	23,239
Emory Williams		–	9,959
		–	33,198

Notes:

(i) According to the consulting agreements entered between Mr. Rubo Li a/k/a John Lee and the Company, the Company agreed to pay a consulting service fee to Mr. Rubo Li a/k/a John Lee who acted as a shareholder and Director of the Company, for consulting services provided to the Company. Mr. Rubo Li a/k/a John Lee resigned as a Director of the Company on 31 January 2011. This agreement was terminated on 30 December 2011 upon completion of acquiring the majority of the shares of the Company by Joy Global.

(ii) The prices and terms of the referenced transactions were mutually agreed by both parties.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related parties at the end of the reporting period together with maximum outstanding balances due from related parties during the year are disclosed in Note 27 to the financial statements.

36. Related Party Transactions (Continued)

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

	2011 RMB'000	2010 RMB'000
Basic salaries and other benefits	22,996	24,000
Retirement benefit scheme contributions	139	120
Founder participation rights payment	–	23,239
Equity-settled share option expense	15,130	2,750
	38,265	50,109

37. Financial Instruments by Category

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

Group

	2011 RMB'000	2010 RMB'000
Financial assets		
Trade and bills receivables	1,920,263	1,440,737
Financial assets included in prepayments, deposits and other receivables	22,896	22,483
Amount due from an associate	19,596	–
Time deposits with original maturity of more than three months	–	307,142
Pledged deposits	26,594	–
Cash and cash equivalents	435,755	258,990
	2,425,104	2,029,352
Financial liabilities		
Trade and bills payables	553,613	401,304
Financial liabilities included in other payables and accruals	177,381	175,186
Interest-bearing bank loans	93,000	123,420
	823,994	699,910

37. Financial Instruments by Category (Continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Company

	2011 RMB'000	2010 RMB'000
Financial assets		
Financial assets included in deposits and other receivables	666	775
Time deposits with original maturity of more than three months	–	307,142
Cash and cash equivalents	246,474	156,500
Amounts due from subsidiaries	1,214,303	1,175,338
	1,461,443	1,639,755
Financial liabilities		
Financial liabilities included in other payables and accruals	5,782	36,631

38. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans, time deposits with original maturity of more than three months, and cash and cash equivalents. The main purpose of these financial instruments is to raise funds 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 year, 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:

38. Financial Risk Management Objectives and Policies (Continued)

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 Group's bank loans all bear fixed interest rates 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, 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 and HKD. The Group does not enter into any hedging transactions to manage the potential fluctuation in foreign currencies 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, and 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, 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 37% and 30% of the Group's total trade receivable balances as at 31 December 2011 and 2010, respectively. Sales to these customers accounted for 40% and 45% of the Group's total sales for the years ended 31 December 2011 and 2010, 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.

38. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period is as follows:

Group

31 December 2011	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	3,000	90,000	–	–	93,000
Trade and bills payables	267,663	260,007	25,943	–	–	553,613
Financial liabilities included in other payables and accruals	177,381	–	–	–	–	177,381
	445,044	263,007	115,943	–	–	823,994

31 December 2010	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	28,420	95,000	–	–	123,420
Trade and bills payables	139,933	248,871	12,500	–	–	401,304
Financial liabilities included in other payables and accruals	140,519	–	34,667	–	–	175,186
	280,452	277,291	142,167	–	–	699,910

Company

31 December 2011	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	5,782	–	–	–	–	5,782

31 December 2010	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	1,964	–	34,667	–	–	36,631

38. Financial Risk Management Objectives and Policies (Continued)

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 shareholders' 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 year.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's net debt includes interest-bearing bank loans less cash and cash equivalent. Capital represents total equity.

At the end of the reporting period, the Group's strategy was to maintain the net borrowings to equity ratio at a healthy capital level in order to support its business. 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.

As at 31 December 2011, the Group's cash and cash equivalents exceeded the total interest-bearing bank loans. As such, no gearing ratio as at 31 December 2011 is presented.

39. Events after the Reporting Period

On 6 January 2012, Joy Global Asia Limited launched a mandatory cash share offer to acquire all of the issued shares of the Company (the "Share Offer"). On 10 February 2012, the Share Offer was completed and Joy Global Asia Limited had acquired approximately 98.9% of the Company's issued shares.

Upon the completion of the Share Offer, Joy Global Asia Limited will exercise its rights to compulsorily acquire the remaining 1.1% of the Company's issued shares (the "Compulsory Acquisition").

The Board of Directors is of the view that if the Compulsory Acquisition is completed, the Company will become a wholly-owned subsidiary of Joy Global Asia Limited and an application will be made for the withdrawal of listing of the Company from the Stock Exchange.

As at the date of approval of the financial statements, the Compulsory Acquisition mentioned above is still in progress.

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2012.

国际煤机集团

INTERNATIONAL MINING MACHINERY