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**国际煤机集团**  
INTERNATIONAL MINING MACHINERY

## **INTERNATIONAL MINING MACHINERY HOLDINGS LIMITED**

**國際煤機集團**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 100% EQUITY INTEREST IN QINGDAO TIANXUN**

The Directors are pleased to announce that on 15 July 2010, the Company entered into the Share Purchase Agreement with the Vendors in relation to the Acquisition of an aggregate of 100% equity interest in Qingdao Tianxun for a total Consideration of RMB500 million plus RMB38,929,239, which represents an amount equal to the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010, subject to Adjustment (if any). Upon completion of the Share Purchase Agreement, Qingdao Tianxun will become a direct wholly-owned subsidiary of the Company.

As the highest of the applicable percentage ratios exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

#### **THE SHARE PURCHASE AGREEMENT**

A summary of the key terms of the Share Purchase Agreement is set out as follow:

##### **Date**

15 July 2010

##### **Parties**

First Vendor: Mr. Deng Kefei, holding 30% equity interest in Qingdao Tianxun;

Second Vendor: Mr. Deng Kelong, holding 60% equity interest in Qingdao Tianxun;

Third Vendor: Mr. Ma Fuqian, holding 5% equity interest in Qingdao Tianxun;

Fourth Vendor: Mr. Wang Dongxing, holding 5% equity interest in Qingdao Tianxun; and

Purchaser: the Company

## **Target Company**

Qingdao Tianxun is a manufacturer and supplier of electrical control systems and related components for roadheaders and shearers used in longwall coal mining systems.

Based on the management accounts of Qingdao Tianxun, the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010 was approximately RMB38.93 million, which represents approximately 97% of its audited net profit of RMB40.1 million for the year ended 31 December 2009.

## **Consideration**

The aggregate Consideration payable by the Company to the Vendors for the Acquisition is RMB500 million plus RMB38,929,239, which represents an amount equal to the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010, subject to Adjustment (if any).

The Consideration will be paid by the Company by way of cash in HK dollar using the internal resources of the Group and will be settled, subject to the terms and conditions of the Share Purchase Agreement, by two installments in the following manner:

- (i) an initial payment of RMB500 million will be made by the Company on the Completion Date; and
- (ii) the final payment of RMB38,929,239, which is subject to Adjustment (if any), will be made by the Company on the Business Day immediately preceding the first anniversary of the date of issuance of the amended business license of Qingdao Tianxun.

Payments of the Consideration will be made by the Company to the Vendors in proportion to their respective interest in Qingdao Tianxun.

In light of the net profit of Qingdao Tianxun for the year ended 31 December 2009, the Directors estimate that the Adjustment (if any) will not change the classification of the transaction from being a discloseable transaction under the Listing Rules. The Company will make a further announcement on the amount of the final installment payment of the Consideration in accordance with the Listing Rules if there is any Adjustment made to the second installment of the Consideration.

The Consideration was determined after arm's length negotiations between the Company and the Vendors taking into account (i) the audited net profit of Qingdao Tianxun as at 31 December 2009 of approximately RMB40,102,058; (ii) the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010 of approximately RMB38,929,239; and (iii) the synergy to be brought to the Group upon Completion through joint initiatives by the Group and Qingdao Tianxun and the future business prospects of Qingdao Tianxun.

## **Other conditions**

The Share Purchase Agreement will be effective from the date of signing of the agreement by the respective Parties and upon approval by the competent governmental authorities.

The Completion Date will be mutually agreed by the Company and the Vendors following the satisfaction or waiver (as the case may be) of all the conditions precedent set out in the Share Purchase Agreement including, but not limited to, the completion of all government approval and registration procedures in the PRC necessary for the transfer of the shares of Qingdao Tianxun.

Each Party shall use all reasonable efforts to cause the satisfaction of the conditions precedent for which it is responsible and shall endeavor to hold the Completion within ninety (90) days from the date of signing the Share Purchase Agreement. Either the Vendors (acting unanimously) or the Company shall have the right to terminate the Share Purchase Agreement upon a written notice to the other Party(ies) if Completion has not taken place on or before 31 December 2010, except where such delay was caused by such Party's act or omission.

Qingdao Tianxun will become a direct wholly-owned subsidiary of the Company upon Completion.

## **INFORMATION OF THE COMPANY, THE VENDORS AND QINGDAO TIANXUN**

### **Company**

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 the PRC, including roadheaders, shearers and armoured-face conveyors. The shares of the Company have been listed on the Main Board since 10 February 2010.

### **Vendors**

Each of Mr. Deng Kefei, Mr. Deng Kelong, Mr. Ma Fuqian and Mr. Wang Dongxing, the Vendors under the Share Purchase Agreement, is a PRC identification card holder and a third party independent of the Company and connected persons of the Company.

### **Qingdao Tianxun**

Qingdao Tianxun was established under PRC laws in Qingdao Municipality, Shandong Province as a limited liability company on 7 September 2001 with a registered capital of RMB5,000,000. Qingdao Tianxun's principal business is to manufacture electrical control systems and related components for coal mining machinery such as shearers, roadheaders, shuttle cars, armoured-face conveyors and hydraulic roof supports.

The audited net assets book value of Qingdao Tianxun as at 31 December 2009 amounted to approximately RMB48,334,465.

Based on the financial statements of Qingdao Tianxun which were prepared in accordance with the accounting principles generally accepted in the PRC, the audited net profit of Qingdao Tianxun (both before and after taxation and extraordinary items) as at 31 December 2009 were approximately RMB41,808,097 and RMB40,102,058, respectively. As at 31 December 2008, the audited net profit of Qingdao Tianxun both before and after taxation and extraordinary items were approximately RMB34,690,133 and RMB33,488,473, respectively.

Based on the management account of Qingdao Tianxun, the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010 was approximately RMB38.93 million, which represents approximately 97% of its audited net profit of RMB40.1 million for the year ended 31 December 2009.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Company is a designer and manufacturer of underground longwall coal mining equipment in China. Three of its products are roadheaders, shearers and armoured-face conveyors.

Qingdao Tianxun is currently a large supplier to the Company's subsidiaries and has consistently supplied the Company with the highest quality electrical control systems available on the market. The Acquisition will not only enhance the operational efficiency of the Company and improve its economies of scale, but also provide the Company with greater control over its value chain, thus creating a solid foundation for the Company's future expansion and growth of shareholder value.

In addition to providing an opportunity to expand its market share of new equipment, the Company also believes that the Acquisition will allow it to increase its share in aftermarket sales as well. As a subsidiary of the Company, Qingdao Tianxun's engineering and development strengths will further enhance the quality, safety and reliability of the Company's roadheaders, shearers and armoured-face conveyors, thereby strengthening the Company's capability in providing integrated systems to domestic and international markets.

The Directors are of the view that the Share Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and such terms (including the Consideration) are fair and reasonable and in the interests of the Group and shareholders of the Company as a whole.

## **GENERAL**

As the highest of the applicable percentage ratios exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction pursuant to Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

- |                       |   |
|-----------------------|---|
| “Acquisition”         | the acquisition of an aggregate of 100% equity interest in Qingdao Tianxun by the Company from the Vendors pursuant to the terms and subject to the conditions set out in the Share Purchase Agreement  |
| “Adjustment”          | any reasonable downward adjustments made to the amount of final installment payment of the Consideration, being RMB38,929,239, which represents an amount equals to the net profit of Qingdao Tianxun for the six months ended 30 June 2010, upon Adjustment Analysis in accordance with the applicable accounting standards pursuant to the Share Purchase Agreement |
| “Adjustment Analysis” | analysis of the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010 to be conducted by one of the international accounting firms designated by the Company by reference to Qingdao Tianxun's financial operations for the first six months ended 30 June 2010 pursuant to the Share Purchase Agreement                                      |
| “Business Day”        | a day (excluding Saturday and Sunday) on which commercial banks are open for business in the PRC and Hong Kong  |

“Company”	International Mining Machinery Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Main Board
“Completion”	completion of the Acquisition and the transactions contemplated under the Share Purchase Agreement
“Completion Date”	the date of Completion as mutually agreed by the Parties following the satisfaction or waiver (as the case may be) of the conditions precedent set out in the Share Purchase Agreement
“Consideration”	the amount to be paid by the Company to the Vendors for the purchase of an aggregate of 100% equity interest in Qingdao Tianxun pursuant to the Share Purchase Agreement, being RMB500 million plus RMB38,929,239, which represents an amount equal to the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010, subject to Adjustment (if any)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$/HK dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the main board of The Stock Exchange of Hong Kong Limited
“Party(ies)”	any of the Vendors and the Company may be referred to individually as a “Party” and collectively as the “Parties”
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Qingdao Tianxun”	Qingdao Tianxun Electric Co., Ltd., a limited liability company established under PRC laws in Qingdao Municipality, Shandong Province
“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Agreement”	the share purchase agreement entered into between the Vendors and the Company on 15 July 2010 in relation to the sale and purchase of an aggregate of 100% equity interest in Qingdao Tianxun

“Vendor(s)” any of Mr. Deng Kefei, Mr. Deng Kelong, Mr. Ma Fuqian and Mr. Wang Dongxing may be referred to individually as a “Vendor” and collectively as the “Vendors”

“%” Percent

By order of the board of directors  
**International Mining Machinery Holdings Limited**  
**Thomas H. Quinn**  
*Chairman*

Hong Kong, 15 July 2010

*As at the date of this announcement, the executive Directors are Mr. Thomas H. Quinn, Mr. Kee-Kwan Allen Chan, Mr. Kwong Ming Pierre Tsui, Mr. Yinghui Wang and Mr. Youming Ye; the non-executive Directors are Mr. Rubo Li, Mr. John W. Jordan II and Ms. Lisa M. Ondrula; the independent non-executive Directors are Dr. Yiming Hu, Dr. Xuezheng Wang, Mr. Zhenduo Yuan and Dr. Fung Man, Norman Wai.*