IMM 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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

Comparison of results for the first half of 2010 and 2009

RMB million	**For the six months ended 30 June 2010**	2009	**Change %**
Revenue	**926.2**	743.2	24.6%
Cost of sales	**(530.4)**	(463.9)	14.3%
Gross profit	**395.8**	279.3	41.7%
EBITDA, as adjusted(1)	**286.7**	173.6	65.1%
EBITDA, as reported	**211.1**	173.6	21.6%
Profit before tax, as adjusted(1)	**255.7**	148.1	72.6%
Profit before tax, as reported	**180.1**	148.1	21.6%
Profit attributable to the equity holders of the Company, as adjusted(1)	**220.8**	114.3	93.3%
Profit attributable to the equity holders of the Company, as reported	**145.2**	114.3	27.1%
Basic earnings per share, as adjusted(1)(2)	**18.64 cents**	14.65 cents	27.3%
Basic earnings per share, as reported(2)	**12.26 cents**	14.65 cents	(16.3)%

(1) Amounts exclude non-recurring items associated with the Company's recent Global Offering and the granting of a waiver of taxes for periods prior to the formation of the Company.

(2) The earnings per share are calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period (2010: 1,184,444,444 and 2009: 780,000,000).

RESULTS

The board of directors (the "**Board**") of International Mining Machinery Holdings Limited (the "**Company**") is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the first six months of 2010 along with additional commentary on trends and conditions that impacted our business during the period, as follows:

Interim Consolidated Income Statement

	Notes	For the six months ended 30 June **2010** **Unaudited** ***RMB'000***	2009 Unaudited *RMB'000*
Revenue	*3*	**926,203**	743,244
Cost of sales		**(530,381)**	(463,953)
Gross profit		**395,822**	279,291
Other income and gains	*3*	**39,813**	772
Selling and distribution costs		**(67,230)**	(50,233)
Administrative expenses		**(146,480)**	(76,526)
Other expenses		**(35,749)**	(4,921)
Finance revenue	*4*	**93**	8,738
Finance costs	*4*	**(5,769)**	(9,027)
Share of (loss)/profit of associates		**(373)**	34
Profit before tax	*5*	**180,127**	148,128
Income tax expense	*6*	**(34,972)**	(31,349)
Profit for the period		**145,155**	116,779
Attributable to:			
Equity holders of the Company		**145,229**	114,269
Non-controlling interests		**(74)**	2,510
		145,155	116,779
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic *(RMB)*	*8*	**12.26 cents**	14.65 cents

Details of the dividends proposed for the period are disclosed in note 7 to the interim condensed consolidated financial statements.

Interim Consolidated Income Statement of Comprehensive Income

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit for the period	**145,155**	116,779
Other comprehensive (expense)/income:		
Exchange realignment	**(10,160)**	183
Total comprehensive income for the period	**134,995**	116,962
Attributable to:		
Equity holders of the Company	**135,069**	114,452
Non-controlling interests	**(74)**	2,510
	134,995	116,962

Interim Consolidated Statement of Financial Position

	Notes	30 June 2010 Unaudited *RMB'000*	31 December 2009 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**335,582**	292,657
Land use rights		**137,297**	141,194
Goodwill		**101,203**	101,203
Other intangible assets		**26,003**	33,640
Investment in associates		**20,696**	21,069
Available-for-sale investments		**15,000**	7,500
Deferred tax assets		**9,546**	7,654
Prepayments, deposits and other receivables		**18,982**	21,996
		664,309	626,913
CURRENT ASSETS			
Inventories		**398,649**	310,213
Trade and bills receivables	*9*	**1,255,171**	1,046,156
Prepayment, deposits and other receivables		**122,539**	112,914
Cash and cash equivalents		**1,197,318**	73,520
Amounts due from related parties		**–**	35,723
		2,973,677	1,578,526
CURRENT LIABILITIES			
Interest-bearing loans		**231,670**	304,994
Trade payables	*10*	**437,596**	352,977
Other payables and accruals		**242,011**	319,692
Tax payable		**57,297**	57,120
Amounts due to shareholders		**–**	143
Amounts due to related parties		**–**	25,000
Preference shares		**–**	403,397
		968,574	1,463,323
NET CURRENT ASSETS		**2,005,103**	115,203
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,669,412**	742,116
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**44,270**	50,064
NET ASSETS		**2,625,142**	692,052
EQUITY			
Equity attributable to equity holders of the Company:			
Ordinary share capital		**114,270**	80
Reserves		**2,510,872**	668,663
		2,625,142	668,743
Non-controlling interests		**–**	23,309
TOTAL EQUITY		**2,625,142**	692,052

Notes to Interim Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new and revised International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as noted below.

The Group has adopted the following new and revised IFRSs for the first time in these interim condensed consolidated financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs issued in May 2008*	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
Improvements to IFRSs (issued in April 2009)*	Amendments to a number of IFRSs

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

The adoption of these new and revised IFRSs has had no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these interim condensed consolidated financial statements.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold 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:

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**923,161**	733,142
Rendering of services	**3,042**	10,102
	926,203	743,244
Other income and gains		
Waiver of unpaid tax	**32,888**	–
Sale of scrap materials	**927**	678
Gain on disposal of items of property, plant and equipment	**500**	–
Gain on disposal land use right	**5,010**	–
Others	**488**	94
	39,813	772

4. FINANCE REVENUE AND FINANCE COSTS

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

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Finance revenue		
Interest income	**93**	8,738
Finance costs		
Loan interest	**4,543**	8,121
Interest arising from discounted bills	**1,226**	906
Total finance costs	**5,769**	9,027

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold	**529,018**	457,636
Cost of services provided	**1,363**	6,317
Employee benefits expense including Directors' remuneration:		
– Wages and salaries	**71,583**	63,241
– Pension scheme contributions	**9,464**	8,931
– Founder participation rights payment	**33,198**	–
– Equity-settled share option expense	**376**	–
	114,621	72,172
Research and development costs	**13,168**	15,325
Auditors' remuneration	**1,940**	1,215
Depreciation of items of property, plant and equipment	**15,936**	15,909
Amortisation of land use rights	**1,736**	1,681
Amortisation of other intangible assets	**7,637**	7,637
Impairment of trade receivables	**2,220**	–
Minimum lease payments under operating lease	**2,432**	1,953
Reversal of write down of inventories to net realisable value	**(1,921)**	(13,699)
Product warranty provision	**9,742**	7,519
(Gain)/loss on disposal of items of property, plant and equipment	**(500)**	1,030
Gain on disposal of land use rights	**(5,010)**	–
Fee for early termination of TJCC Services Ltd. ("TJCC Services") management consulting agreement	**68,344**	–

6. INCOME TAX EXPENSE

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 relevant periods.

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

The share of tax attributable to associates for the six months ended 30 June 2010 and 2009, respectively, are included in "Share of (loss)/profit of associates" on the face of the interim consolidated income statements.

Major components of income tax are as follows:

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current tax		
– Income tax in the PRC for the period	**42,658**	24,300
Deferred tax	**(7,686)**	7,049
Income tax expense	**34,972**	31,349

7. DIVIDENDS

(a) Dividends attributable to the interim period

The Board of Directors does not recommend the payment of an interim dividend to the ordinary equity holders of the Company for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

(b) Dividends attributable to the previous financial year, declared and paid during the interim period

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Declared during the period		
Special dividend	**280,263**	–
Paid during the period	**280,263**	–

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings per share amount for the six months ended 30 June 2010 is computed by dividing the profit attributable to equity holders of the Company by the weighted average of 1,184,444,444 ordinary shares (six months ended 30 June 2009: 780,000,000 ordinary shares) in issue during the period ended 30 June 2010.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2010 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 Company did not have any potential diluted shares throughout the six months ended 30 June 2010 and 2009. Accordingly, diluted earnings per share amounts are the same as basic earnings per share amounts.

9. TRADE AND BILLS RECEIVABLES

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
Trade receivable	**1,003,041**	798,880
Bills receivable	**269,004**	262,171
Impairment provision	**(16,874)**	(14,895)
	1,255,171	1,046,156

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

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

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

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
Outstanding balances with ages:		
Within 90 days	**420,921**	368,158
91 to 180 days	**282,327**	215,511
181 to 365 days	**212,876**	129,885
1 to 2 years	**62,513**	60,420
Over 2 years	**7,530**	10,011
	986,167	783,985

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

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
At beginning of period/year	**14,895**	12,447
Impairment of trade receivables *(Note 5)*	**2,220**	2,448
Amounts written off as uncollectible	**(241)**	–
At end of period/year	**16,874**	14,895

The individually impaired trade receivables relate to 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 date.

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

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
Trade receivables	**36,303**	45,663
Bills receivables	**59,170**	118,006
Total	**95,473**	163,669

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

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
Neither past due nor impaired	**590,200**	455,993
Past due but not impaired		
less than 90 days	**205,219**	188,052
91 to 180 days	**101,797**	81,874
181 to 365 days	**69,284**	39,215
1 to 2 years	**19,667**	18,851
Total	**986,167**	783,985

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.

10. TRADE PAYABLES

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

	30 June 2010 Unaudited ***RMB'000***	31 December 2009 Audited *RMB'000*
Within 90 days	**278,167**	191,931
91 to 180 days	**79,194**	74,858
181 to 365 days	**30,599**	33,898
1 to 2 years	**12,051**	14,459
2 to 3 years	**2,107**	5,942
Over 3 years	**35,478**	31,889
	437,596	352,977

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

11. EVENTS AFTER THE REPORTING PERIOD

On 15 July 2010, the Company entered into a share purchase agreement with Mr. Deng Kefei, Mr. Deng Kelong, Mr. Ma Fuqian and Mr. Wang Dongxing in relation to an acquisition of an aggregate of 100% equity interest in Qingdao Tian Xun Electric Co., Ltd. ("Qingdao Tianxun") for a total consideration of RMB500,000,000 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).

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In the first half year of 2010, China's overall economy continued its improvement from the second half of 2009. Coal mine consolidation is progressing. The consolidation in Shanxi province will reduce the number of mines from more than 4,000 to less than 1,000, 70% of which will have annual production capacity of over 900,000 tonnes each and will require increased levels of mechanization in order to meet these targets. The consolidation will be an ongoing process and will extend to other coal producing provinces such as Henan, Shannxi, Shandong, and Inner Mongolia. The consolidation has driven higher demand for coal mining machineries, led by roadheaders.

Business Overview

For the six months ended 30 June 2010, we have achieved remarkable results. As compared to the first six months of 2009, our revenue increased by 24.6%, including an increase of 41.7% in roadheader sales, to RMB926.2 million driven by the strong market demand for our roadheaders, shearers, and armoured-face conveyors. Compared to the prior year gross profit surged by 41.7% to RMB395.8 million, and gross margin improved by 5.1 points to 42.7%. The net profit attributable to the equity holders of the Company as adjusted increased by 93.3% over the prior year to RMB220.8 million, excluding the impact of RMB75.6 million of non-recurring net charges related to our recent global offering of the shares of the Company (the "Global Offering") and waivers of historical tax amounts. The Company benefited tremendously from its recent Global Offering which provided new funds for expansion, upgrades and acquisitions. There were approximately RMB108.5 million in one-time charges associated with the Global Offering restructuring and completion. These items were non-operating in nature and will not repeat in future periods. In addition, during the period, the Company was granted a waiver of taxes due for periods prior to the formation of the Company. This waiver resulted in non-recurring income for the Company of RMB32.9 million in the first half of 2010. To present our readers with comparable results for all periods, we have excluded all non-recurring charges related to the Global Offering and all non-recurring income from the tax waivers in our presentation of adjusted EBITDA, adjusted profit before tax and adjusted net profit attributable to the equity holders of the Company. Management believes that these adjusted numbers more accurately reflect the financial results of the ongoing operations of the Company and impressively demonstrate management's capabilities and the earning potential of the Company. Management has also disclosed numbers referred to as "as reported". These numbers include the impact of the non-recurring charges and income discussed above and are derived from the Interim Condensed Consolidated Financial Statements as reviewed by the Company's auditors, Ernst & Young.

The impressive 5.1 point improvement in gross margin was a direct result of (i) continuous and vigorous cost control and reduction, (ii) better customer, product, and pricing mix, (iii) leveraging costs due to higher volume, (iv) more efficient capacity utilization, and (v) supply chain management. All of these actions demonstrate the true potential of the Company, and we believe all these actions will continue to position the Company to benefit from favourable market conditions. We are quick to point out that the Company's results come from the efforts and hard work of our management teams and associates of the Company. We wish to thank all of them for their outstanding contributions.

Acquisition

On 27 August 2010, the Company completed the acquisition of 100% of the equity interest of Qingdao Tianxun Electric Co., Ltd., a manufacturer and supplier of electrical control systems and related components for roadheaders, shearers and armoured-face conveyors. This strategic acquisition enables us to (i) increase shareholder value, (ii) improve gross margins, (iii) enhance operational efficiency, and (iv) leverage complementary strengths between the companies. It will further enhance the Company's capability to provide integrated longwall systems, develop new products such as continuous miners, increase aftermarket sales, access new customers, and increase international sales.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2010, the Group's revenue amounted to approximately RMB926.2 million, representing an increase of approximately RMB183.0 million or 24.6% as compared to approximately RMB743.2 million for the same period in 2009. The increase was primarily due to the increase in sales of roadheader products and shearer products, partially offset by a decrease in sales of armoured-face conveyors and related products due to the interruption caused by moving that business to a new facility. The sales volumes in units increased as compared to the same period in 2009, and a favourable sales mix also contributed to the significant growth in the Group's revenue.

For the six months ended 30 June 2010, the Group's revenue analysis by product segment is as follows:

	For the six months ended 30 June					
Product Segments	**2010**		2009		Change	Change
	RMB million	***% of the total revenue***	*RMB million*	*% of the total revenue*	*RMB million*	*%*
Roadheader products	**584.0**	**63.1**	412.1	55.4	171.9	41.7
Shearer products	**220.1**	**23.8**	187.0	25.2	33.1	17.7
Armoured-face conveyors and related products	**122.1**	**13.1**	144.1	19.4	(22.0)	(15.3)
Total	**926.2**	**100.0**	743.2	100.0	183.0	24.6

Roadheader products: The revenue from roadheader products increased by RMB171.9 million, or 41.7%, from RMB412.1 million for the six months ended 30 June 2009 to RMB584.0 million for the same period in 2010. This increase is attributed to the increase in the sales volume of medium and heavy-duty roadheaders driven by an increase in market demand as well as our strong development capability in this category to meet the demands of our customers.

Shearer products: The revenue from shearer products increased by RMB33.1 million, or 17.7%, from RMB187.0 million for the six months ended 30 June 2009 to RMB220.1 million for the same period in 2010, primarily reflecting higher demand and a sales increase for medium seam and thin seam shearers.

Armoured-face conveyors and related products: The revenue from armoured-face conveyors and related products decreased by RMB22.0 million, or 15.3%, from RMB144.1 million for the six months ended 30 June 2009 to RMB122.1 million for the same period in 2010. This decrease was due to capacity constraints during the plant relocation of Huainan Longwall Coal Mining Machinery Co., Ltd. ("AFC"), which will be completed by the end of September 2010. The new larger, technically advanced facilities are anticipated to contribute to increased sales in the second half of the year.

Cost of Sales

The Group's cost of sales amounted to RMB530.4 million for the six months ended 30 June 2010, representing an increase of approximately RMB66.5 million or 14.3% as compared to the same period in 2009. The increase was mainly attributable to the corresponding increase in the Group's sales.

The Group's sales increased 24.6% compared to prior year, however, the cost of raw materials only increased by RMB56.1 million, or 15.3%, from RMB367.8 million for the six months ended 30 June 2009 to RMB423.9 million for the same period in 2010. The increase in the cost of materials is primarily due to cost increases in major components of our raw materials, such as steel, hydraulic parts and electrical components. Direct labor costs increased by RMB2.3 million, or 7.3%, from RMB31.5 million for the six months ended 30 June 2009 to RMB33.8 million for the same period in 2010 which was primarily due to our increased sales. Manufacturing costs increased by RMB8.1 million, or 12.5%, from RMB64.6 million for the six months ended 30 June 2009 to RMB72.7 million for the same period in 2010, primarily due to our increased sales.

Gross Profit and Gross Margin

The following table sets forth, for the period indicated, gross profit (by amount and percentage of total gross profit) and gross margin information by product segment for the Group.

	For the six months ended 30 June					
Segment Gross Profit	**2010**		2009		Change	Change
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Roadheaders	**284.3**	**71.8**	183.5	65.7	100.8	54.9
Shearers	**75.0**	**18.9**	58.0	20.8	17.0	29.3
Armoured-face conveyors and related products	**36.5**	**9.3**	37.8	13.5	(1.3)	(3.4)
Total	**395.8**	**100.0**	279.3	100.0	116.5	41.7

Segment Gross Margin	2010	2009	Change
Roadheaders	**48.7%**	44.5%	4.2pts
Shearers	**34.1%**	31.0%	3.1pts
Armoured-face conveyors and related products	**29.9%**	26.2%	3.7pts
Consolidated	**42.7%**	37.6%	5.1pts

Gross profit increased by RMB116.5 million, or 41.7%, from RMB279.3 million for the first half of 2009 to RMB395.8 million for the same period in 2010. During the first half of 2010, the gross margin was approximately 42.7%, representing a 5.1 point increase as compared to 37.6% for the same period in 2009, which primarily reflects the increase in the percentage of revenue derived from higher margin sales of roadheader products and shearer products, offset by a slight decrease in gross profit of our armoured-face conveyors and related products due to a decrease in sales of these products.

Gross margin of our roadheader products increased from 44.5% for the first half of 2009 to 48.7% for the same period in 2010, primarily reflecting higher demand for higher margin medium and heavy-duty roadheaders.

Gross margin of our shearer products increased from 31.0% for the first half of 2009 to 34.1% for the same period in 2010, primarily reflecting increases in the sales of our higher gross margin medium seam shearer products.

Gross margin of our armoured-face conveyors and related products increased from 26.2% for the first half of 2009 to 29.9% for the same period in 2010, primarily due to the increased sales of higher margin products to our strategic customers.

Other Income and Gains

For the six months ended 30 June 2010, the Group's other income and gains amounted to approximately RMB39.8 million which represented an increase of approximately RMB39.0 million as compared to the same period in 2009. The increase was primarily attributable to the waiver of previous year's tax liabilities of Jiamusi Coal Mining Machinery Co., Ltd. ("**Jiamusi Machinery**") and Jixi Coal Mining Machinery Co., Ltd. ("**Jixi Machinery**") amounting to RMB32.9 million.

Selling and Distribution Costs

Selling and distribution costs increased by RMB17.0 million, or 33.9%, from RMB50.2 million in the first half of 2009 to RMB67.2 million for the same period in 2010, primarily reflecting increases in commission expense due to the increase of sales, and warranty expenses accrued as a result of the increased sales.

Administrative Expenses

The Group's administrative expenses amounted to RMB146.5 million for the six months ended 30 June 2010, which increased by RMB70.0 million as compared to RMB76.5 million for the same period in 2009. The increase was primarily due to the non-recurring Global Offering related charges incurred during the first half of 2010 in the amount of RMB75.3 million. Excluding non-recurring Global Offering expenses, the Group's administrative expenses would have decreased RMB5.3 million from the same period in the prior year due to our continuing cost control efforts.

Other Expenses

The Group's other expenses increased by RMB30.8 million to RMB35.7 million in the first six months of 2010 as compared to RMB4.9 million during the same period in 2009. The increase is attributable to non-recurring Global Offering related charges of RMB33.2 million. Excluding these non-recurring charges, other expenses would have decreased RMB2.4 million or 49.0% as compared to the same period in 2009.

Income Tax

Income tax expense for the Group for the first half of 2010 was RMB35.0 million as compared to RMB31.3 million for the same period in 2009. The increase in income tax expense is directly attributable to the increase in our profits driven by higher revenue.

In accordance with the relevant income tax laws and regulations of China, from 1 January 2008 to 31 December 2010, the applicable enterprise income tax rate for two of our subsidiaries, Jiamusi Machinery and Jixi Machinery, is 12.5%, which is a 50% reduction from the statutory rates. The enterprise income tax rate for AFC was 25% for the six months ended 30 June 2010.

Net Profit Attributable to the Equity Holders of the Company

The Group's adjusted net profit attributable to the equity holders of the Company for the six months ended 30 June 2010 was RMB220.8 million as compared to RMB114.3 million for the same period in 2009, representing an increase of 93.3%. As discussed above, the adjusted net profit attributable to the equity holders of the Company excludes the non-recurring expenses and income associated with the Global Offering and tax waivers. This increase is a direct result of increased sales, expansion of markets and customer bases, supply chain management and other cost containment initiatives. Management focuses on adjusted net profit because it considers the non-recurring Global Offering related expenses and the income from the waiver of taxes for periods prior to the formation of the Company to be unrelated to the day to day operating performance of the Company. The reported net profit attributable to the equity holders of the Company for the first half of 2010 was RMB145.2 million, which was an increase of RMB30.9 million or 27.1% over the reported net profit attributable to the equity holders of the Company for the same period in 2009.

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.

During the six months ended 30 June 2010, adjusted EBITDA was approximately RMB286.7 million, representing an increase of approximately RMB113.1 million or 65.1% as compared to RMB173.6 million for the same period in 2009. As discussed above, the adjusted EBITDA excludes the non-recurring charges and income associated with the Company's Global Offering and tax waivers and, in the view of management, accurately reflects the operating results of the Company. The increase was due to a higher increase in gross profit than selling, distribution and administrative expenses. EBITDA calculated based on results as reported in the financial statements was RMB211.1 million for the first six months of 2010, an increase of RMB37.5 million or 21.6% over the same period in the prior year.

	For the six months ended 30 June	
	2010	2009
Profit before tax, as reported	**180.1**	148.1
Depreciation	**15.9**	15.9
Amortization	**9.4**	9.3
Finance revenue	**(0.1)**	(8.7)
Finance cost	**5.8**	9.0
EBITDA, as reported	**211.1**	173.6
Non-recurring charges related to Global Offering	**108.5**	–
Non-recurring income from tax waivers	**(32.9)**	–
EBITDA, as adjusted	**286.7**	173.6

Liquidity and Capital Resources

We currently use a combination of cash generated from operations, bank loans and loans from shareholders to meet our financial obligations. As of 30 June 2010, the total current assets amounted to approximately RMB2,973.7 million, and the total current liabilities of the Group amounted to approximately RMB968.6 million. As of 30 June 2010, we had an aggregate of RMB231.7 million in outstanding bank loans, bearing interest at an annual rate ranging from 2.60% to 5.31% and repayable within one year, as compared to RMB305.0 million as of 31 December 2009. We use bills payable to purchase raw materials for our manufacturing operations to enhance the return on assets, which leads to better control over the level of the Group's bank loans.

As of 30 June 2010, the company was in a net cash position and hence, the gearing ratio was not applicable. As of 31 December 2009, our gearing ratio was 47.8%.

Cash Flow

We had a net cash outflow from operating activities of RMB168.4 million for the six months ended 30 June 2010 which increased by RMB91.0 million as compared to the net cash outflow of RMB77.4 million for the same period in 2009. The increase in our cash used by operating activities was primarily attributable to the increase in inventories as our sales and production grew significantly and a decrease in payables and accruals due to the payment of previously accrued IPO related expenses.

Cash used by investment activities for the six months ended 30 June 2010 was RMB69.3 million which increased by RMB28.5 million as compared to RMB40.8 million for the same period in 2009. The increase in cash used by financing operations is due to the construction of a new plant for our subsidiary, AFC, the purchase of equipment for capacity upgrading, and the payment for the remaining 25% equity interest in AFC.

Net cash inflow from financing activities for the six months ended 30 June 2010 was RMB1,366.6 million which increased by RMB1,269.5 million as compared to RMB97.1 million of cash generated from financing activities for the same period in 2009. The increase is mainly due to the proceeds from the Global Offering and offset by the repurchase of preference shares and the dividend paid to the pre-IPO shareholders as outlined in the Company's prospectus dated 29 January 2010.

Asset Structure

As of 30 June 2010, the Group's total assets amounted to approximately RMB3,638.0 million, representing an increase of approximately RMB1,432.6 million or approximately 65.0% as compared to the balance as of 31 December 2009. The increase was mainly attributable to the increase in cash and cash equivalents as a result of the proceeds from the Global Offering, and increased trade receivables over those of the prior period due to increased sales levels. Current assets amounted to approximately RMB2,973.7 million, and mainly consisted of cash, trade receivables and inventories, accounting for approximately 81.7% of total assets; non-current assets amounted to approximately RMB664.3 million, representing an increase of approximately RMB37.4 million as compared to the balance as at 31 December 2009.

Liabilities

As of 30 June 2010, the Group's total liabilities amounted to approximately RMB1,012.9 million, representing a decrease of approximately RMB500.5 million as compared to the balance as at 31 December 2009. Current liabilities amounted to approximately RMB968.6 million, accounting for approximately 95.6% of total liabilities and non-current liabilities amounted to approximately RMB44.3 million, accounting for approximately 4.4% of total liabilities. The decrease in liabilities was mainly attributable to the redemption of our preference shares in connection with our Global Offering.

Turnover Days

During the six months ended 30 June 2010, the average inventory turnover days decreased from 155 days to 121 days. This was attributable to our constant efforts focused on efficient inventory management.

During the six months ended 30 June 2010, the Group proactively managed its cash flow. As a result, it maintained stable financial ratios. The Group prudently monitored recoverability of its trade receivables, kept a close eye on the financial condition of its customers and intensified cash collections. The average turnover days of trade receivables increased slightly from 171 days to 173 days which is impressive given the significant increase in sales and the corresponding increase in trade receivables.

The average turnover days of trade payables were 135 days, representing a decrease of 39 days as compared to 174 days for the six months ended 30 June 2009. This decrease is mainly due to our continuing effort to secure a constant supply of key components with our strategic suppliers.

Contingent Liabilities

As of 30 June 2010, we had no material contingent liabilities.

Off-balance Sheet Transactions

As of 30 June 2010, we had no material off-balance sheet transactions.

Capital Expenditure and Commitment

Our capital expenditures were RMB59.2 million for the six months ended 30 June 2010 as compared to RMB5.2 million for the same period in 2009. Our capital expenditures during the first half of 2010 related primarily to the construction of a plant and facilities, and purchases of machinery, office equipment and motor vehicles.

As of 30 June 2010, the Group had capital commitments of approximately RMB46.2 million, which primarily related to commitments to purchase plant and machinery.

Foreign Exchange Rate Risk

Substantially all of our revenue generating transactions are conducted in RMB. Substantially all of our net proceeds from our Global Offering in February 2010 are in foreign currency, namely Hong Kong dollars. Fluctuations in exchange rates may adversely affect the value, translated or converted into RMB, of our net assets and earnings. For the six months ended 30 June 2010, the net loss from foreign exchange rate changes amounted to approximately RMB5.2 million.

Employee Remuneration and Benefit

As of 30 June 2010, the Group had 3,486 employees as compared to 3,397 as at 31 December 2009. All members of our work force are employed under employment contracts which specify the employee's position, responsibilities, remuneration and grounds for termination pursuant to China Labor 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 30 June 2010	
	Number	**% of total**
Manufacturing personnel	**2,275**	**65.3**
Technical personnel (including R&D)	**352**	**10.1**
Sales and marketing personnel	**308**	**8.8**
Administrative personnel	**249**	**7.1**
Procurement personnel	**131**	**3.8**
Financial personnel	**63**	**1.8**
Others	**108**	**3.1**
Total employees	**3,486**	**100.0**

Staff costs including Directors' remuneration were approximately RMB114.6 million for the six months ended 30 June 2010 as compared to approximately RMB72.2 million for the same period in 2009. The costs in 2010 include a non-recurring charge of RMB33.2 million related to a payment made to a current director and a former director in connection with the completion of the Company's Global Offering. The payment was made pursuant to a founder's participation agreement that provided for a one time payment upon the redemption of the Company's preference shares. The preference shares were redeemed as a result of the Global Offering and the payment under the agreement was settled in full. The director and former director are not entitled to any further payments under this agreement.

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 the laws of China. In addition, we contribute to various pension funds organized by municipal and provincial governments for our employees in compliance with applicable laws and regulations. In addition, the Company has adopted the share option scheme as an incentive for directors and eligible employees.

Charges on Assets

As of 30 June 2010, we pledged assets with a value of RMB197.8 million for secured bank loans, comprised primarily of buildings and land use rights, plant and machinery, and trade and bill receivables.

SOCIAL RESPONSIBILITIES

We are dedicated to social responsibility and our commitment is exhibited by making significant improvements to the safety of our factories and contributing to the charitable organizations in the societies in which we work. We made donations to The Community Chest of Hong Kong in February 2010, and to the Chinese Red Cross Foundation for the Yushu earthquake relief in April 2010.

PROSPECTS

We expect to see growth in commodity demand to be in line with broader economic growth. However, we cannot accurately predict the future trends in demand, price and economic conditions.

Our industry will continue to benefit from the consolidation of coal enterprises being carried out under the guidance of China's Twelfth Five-Year Plan. The goal under the Twelfth Five-Year Plan is that the large and medium scale mines capable of producing at least 300,000 tonnes annually will produce 90% of the country's coal. This will bode well for mining machinery manufacturers. Since the large state-owned mines, most of which are our customers, are likely to be the consolidators, we believe that the current industry and regulatory environment requiring our customers to increase the output and percentage of mechanization in their mines will drive the need for our products and services and significantly contribute to our growth.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

OTHER INFORMATION

Code on Corporate Governance Practices

The directors of the Company recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company and its subsidiaries so as to achieve effective accountability. Since 10 February 2010 (the "Listing Date") and up to 30 June 2010, the Company has applied the principles and complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (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 throughout the period from the date of listing of the Company's shares and up to 30 June 2010.

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

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 February 2010. Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to 30 June 2010.

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% (2009: 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 the staff leaves the position, the Company is not entitled to recover the contributions paid in respect of their pension scheme benefits.

Review of Accounts by Audit Committee

The Audit Committee has reviewed the accounting principles and practices of the Company and has also reviewed the internal control and financial reporting matters of the Group, including the review of unaudited financial reports for the six months ended 30 June 2010.

The Company's external auditor, Ernst & Young has performed an independent review of the Group's interim financial information for the six months ended 30 June 2010. Based on their review, Ernst & Young confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By the order of the Board
International Mining Machinery Holdings Limited
Mr. Thomas H. Quinn
Chairman

Hong Kong, 30 August 2010

As at the date of this announcement, the executive directors of the Company 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 of the Company are Mr. Rubo Li, Mr. John W. Jordan II and Ms. Lisa M. Ondrula; the independent non-executive directors of the Company are Dr. YimingHu, Dr. Xuezheng Wang, Mr. Zhenduo Yuan and Dr. Fung Man, Norman Wai.