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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

Comparison of results for 2010 and 2009

	For the year ended 31 December (RMB million)		
	2010	2009	**Change %**
Revenue	**1,942.6**	1,519.5	27.8%
Cost of sales	**(1,100.5)**	(944.4)	16.5%
Gross Profit	**842.1**	575.1	46.4%
EBITDA, as adjusted(1)	**585.4**	363.0	61.3%
EBITDA, as reported	**498.8**	346.3	44.0%
Profit before tax, as adjusted(1)	**503.5**	310.8	62.0%
Profit before tax, as reported	**416.9**	294.2	41.7%
Profit attributable to owners of the parent, as adjusted(1)	**436.7**	245.4	78.0%
Profit attributable to owners of the parent, as reported	**350.1**	228.7	53.1%
Basic earnings per share, as adjusted(1) (2)	**35.15 cents**	31.46 cents	11.7 %
Basic earnings per share, as reported(2)	**28.18 cents**	29.32 cents	(3.9)%

(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 basic 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: 1,242,222,222 and 2009: 780,000,000)

RESULTS

The board of directors (the "**Board**") of International Mining Machinery Holdings Limited (the "**Company**") is pleased to present the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2010 along with additional commentary on trends and conditions that impacted our business during the year, as follows:

Consolidated Income Statement
Year ended 31 December 2010

	Notes	**2010** *RMB'000*	2009 *RMB'000*
REVENUE	*3*	**1,942,615**	1,519,503
Cost of sales		**(1,100,505)**	(944,375)
Gross profit		**842,110**	575,128
Other income and gains	*3*	**56,225**	15,484
Selling and distribution costs		**(152,879)**	(105,252)
Administrative expenses		**(274,747)**	(180,867)
Other expenses		**(43,147)**	(8,839)
Finance revenue	*4*	**633**	18,743
Finance costs	*4*	**(11,688)**	(20,144)
Share of profits/(losses) of associates		**386**	(98)
PROFIT BEFORE TAX	*5*	**416,893**	294,155
Income tax expense	*6*	**(66,852)**	(61,311)
PROFIT FOR THE YEAR		**350,041**	232,844
Attributable to:			
Owners of the parent		**350,115**	228,726
Non-controlling interests		**(74)**	4,118
		350,041	232,844
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB)*	*8*	**28.18 cents**	29.32 cents
Diluted *(RMB)*	*8*	**28.17 cents**	29.32 cents

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

Consolidated Income Statement of Comprehensive Income
Year ended 31 December 2010

	2010 *RMB'000*	2009 *RMB'000*
PROFIT FOR THE YEAR	**350,041**	232,844
Other comprehensive income:		
Exchange differences on translation of foreign operations	**(20,120)**	570
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**329,921**	233,414
Attributable to:		
Owners of the parent	**329,995**	229,296
Non-controlling interests	**(74)**	4,118
	329,921	233,414

Consolidated Statement of Financial Position
31 December 2010

	Notes	2010 *RMB'000*	2009 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**378,675**	292,657
Land use rights		**121,652**	141,194
Goodwill		**314,969**	101,203
Other intangible assets		**330,245**	33,640
Investments in associates		**21,455**	21,069
Available-for-sale investments		**–**	7,500
Deferred tax assets		**8,840**	7,654
Prepayments, deposits and other receivables		**34,271**	21,996
		1,210,107	626,913
CURRENT ASSETS			
Inventories		**424,624**	310,213
Trade and bills receivables	*9*	**1,440,737**	1,046,156
Prepayments, deposits and other receivables		**133,173**	112,914
Time deposits with original maturity of more than three months		**307,142**	–
Cash and cash equivalents		**258,990**	73,520
Amount due from a related party		**–**	35,723
		2,564,666	1,578,526

	Notes	2010 RMB'000	2009 RMB'000
CURRENT LIABILITIES			
Interest-bearing loans		**123,420**	304,994
Trade and bills payables	*10*	**401,304**	352,977
Other payables and accruals		**263,149**	319,692
Tax payable		**50,058**	57,120
Amount due to a shareholder		**–**	143
Amount due to a related party		**–**	25,000
Preference shares		**–**	403,397
		837,931	1,463,323
NET CURRENT ASSETS		**1,726,735**	115,203
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,936,842**	742,116
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**111,966**	50,064
NET ASSETS		**2,824,876**	692,052
EQUITY			
Equity attributable to owners of the parent:			
Issued capital		**114,270**	80
Reserves		**2,710,606**	668,663
		2,824,876	668,743
Non-controlling interests		**–**	23,309
TOTAL EQUITY		**2,824,876**	692,052

Notes to Consolidated Financial Statements

1.1 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 ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and 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

Basis of consolidation from 1 January 2010

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 2010. 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 on consolidation in full.

Losses within a subsidiary are 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.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

1.2 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 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – 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 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments 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 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised) and amendments to IAS 7 and IAS 17 included in *Improvements to IFRSs 2009*, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 3 (Revised) *Business Combinations* and IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows,* IAS 12 *Income Taxes,* IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

1.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2] Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adpoters*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
IFRS 9	Financial Instruments[6]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

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. 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 service repairs, 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 service repairs, 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 service repairs, 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 service repairs, overhaul and supply of spare parts to customers.

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

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

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

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*	Group *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**

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*	Group *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**
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)**
Provision for 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**

* 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, land use rights and other intangible assets including assets from the acquisition of a subsidiary during the year.

Year ended 31 December 2009

	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*	Group *RMB'000*
Segment revenue:				
Sales to external customers	819,044	456,892	243,567	1,519,503
Intersegment sales	–	–	–	–
Total revenue	819,044	456,892	243,567	1,519,503
Segment results	272,043	37,433	26,431	335,907
Reconciliation:				
Interest income				18,225
Corporate and other unallocated expenses				(48,613)
Finance costs				(11,364)
Profit before tax				294,155
Segment assets	1,301,291	687,689	297,742	2,286,722
Reconciliation:				
Elimination of intersegment receivables				(103,251)
Corporate and other unallocated assets				21,968
Total assets				2,205,439
Segment liabilities	442,600	553,419	159,064	1,155,083
Reconciliation:				
Elimination of intersegment payables				(103,251)
Corporate and other unallocated liabilities				461,555
Total liabilities				1,513,387
Other segment information:				
Share of profits/(losses) of associates	238	(336)	–	(98)
Research and development costs	16,626	11,099	1,791	29,516
Depreciation of items of property, plant and equipment	12,119	16,463	3,470	32,052
Amortisation of land use rights	1,550	1,574	304	3,428
Amortisation of other intangible assets	9,904	1,982	3,383	15,269
Impairment of trade receivables	–	2,448	–	2,448
Write-down/(reversal) of inventories to net realisable value	2,561	(20,837)	–	(18,276)
Product warranty provision	6,662	7,630	1,152	15,444
(Gain)/loss on disposal of items of property, plant and equipment	(449)	1,234	(286)	499
Investments in associates	20,643	426	–	21,069
Capital expenditure	24,901	5,291	36,562	66,754

Information about major customers

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 the year.

During the year ended 31 December 2009, the Group had two customers from whom the revenues raised of RMB217,579,000 and RMB160,048,000, respectively, individually accounted for more than 10% of the Group's total revenue during that year.

3. 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:

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,935,181**	1,507,281
Rendering of services	**9,223**	12,222
	1,944,404	1,519,503
Less: Government surcharges	**(1,789)**	–
	1,942,615	1,519,503
Other income and gains		
Waiver of unpaid tax	**32,888**	13,273
Reversal of long-aged trade debts	**17,895**	–
Gain on disposal of an available-for-sale investment	**2,250**	–
Gain on disposal of land use rights	**1,937**	–
Sale of scrap materials	**409**	910
Others	**846**	1,301
	56,225	15,484

4. FINANCE REVENUE AND FINANCE COSTS

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

	2010	2009
	RMB'000	*RMB'000*
Finance revenue		
Interest income	**633**	18,743
Finance costs		
Loan interests	**7,333**	18,113
Interest arising from discounted bills	**2,402**	2,031
Notional interest	**1,953**	–
Total finance costs	**11,688**	20,144

5. PROFIT BEFORE TAX

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

	2010	2009
	RMB'000	*RMB'000*
Cost of inventories sold	**1,095,746**	936,682
Cost of services provided	**4,759**	7,693
Employee benefit expense (including Directors' remuneration)		
– Wages and salaries	**168,390**	133,134
– Pension scheme contributions	**18,880**	18,217
– Founder participation rights payment	**33,198**	–
– Equity-settled share option expenses	**5,184**	–
	225,652	151,351
Research and development costs	**40,581**	29,516
Auditors' remuneration	**3,560**	2,430
Depreciation of items of property, plant and equipment	**34,298**	32,052
Amortisation of land use rights	**3,350**	3,428
Amortisation of other intangible assets	**33,181**	15,269
Reversal of impairment of trade receivables *(Note 9)*	**(3,925)**	–
Provision for impairment of trade receivables *(Note 9)*	**3,311**	2,448
Minimum lease payments under operating leases	**4,053**	4,367
Reversal of inventories to net realisable value	**(5,980)**	(18,276)
Product warranty provision	**22,240**	15,444
Loss on disposal of items of property, plant and equipment	**3,575**	499
Gain on disposal of land use rights	**(1,937)**	–
Gain on disposal of an available-for-sale investments	**(2,250)**	–
Fee for early termination of management consulting agreement with TJCC Services Ltd. ("TJCC Services")	**68,344**	–

6. 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 PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are exempted from tax at preferential rates.

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

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

The share of tax attributable to associates for the years ended 31 December 2009 and 2010, respectively, is included in "Share of profits/(losses) of associates" on the face of the consolidated income statements.

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

	2010	2009
	RMB'000	*RMB'000*
Current tax		
– Income tax in the PRC for the year	**77,133**	58,039
– Deferred tax	**(10,281)**	3,272
Total tax charge for the year	**66,852**	61,311

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., the PRC) to the tax expense at the effective tax rate for the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
Profit before tax	**416,893**	294,155
Tax at an applicable tax rate	**104,223**	73,539
Lower tax rate for certain loss making entities in different jurisdictions	**37,397**	11,522
Tax concession for certain subsidiaries*	**(76,890)**	(46,425)
(Profit)/loss attributable to associates	**(97)**	25
Adjustments in respect of current tax of previous periods	**(16,194)**	–
Income not subject to tax	**(8,222)**	–
Expenses not deductible for tax	**15,779**	9,934
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**10,856**	12,716
Tax charge at the Group's effective rate	**66,852**	61,311

* Jiamusi Machinery and Jixi Machinery were converted to FIEs on 11 April 2006 and 10 April 2006, respectively. Their income generated starting from May 2006 to December 2007 was fully exempted from tax, and that for the years ended 31 December 2009 and 2010 was subjected to a 50% deduction to the standard rate of tax. Huainan Longwall and Qingdao Tianxun were recognised as High-Tech companies and enjoyed a tax rate of 15% (2009: 25%) starting from 1 January 2010.

7. DIVIDENDS

(a) Dividends attributable to the current year

	2010	2009
	RMB'000	*RMB'000*
Proposed final – RMB5.4 cents per ordinary share	**70,200**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

	2010	2009
	RMB'000	*RMB'000*
Declared during the year	**280,263**	–
Paid during the year	**280,263**	–

8. EARNINGS PER SHARE

The calculation of basic earnings per share amounts 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 1,242,222,222 (2009: 780,000,000) 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 for the year 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 diluted earnings per share amounts 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.

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,242,222,222**	780,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**639,986**	–
	1,242,862,208*	780,000,000

* The diluted earnings per share amount is increased when taking the share option granted on 29 October 2010 into account, because the exercise price of these outstanding share options was higher than the average market price for the Company's shares during the current year, which had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the year of RMB350,115,000, and the weighted average number of ordinary shares of 1,242,862,208 in issue during the year.

9. TRADE AND BILLS RECEIVABLES

Group

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**1,073,888**	798,880
Bills receivable	**381,130**	262,171
Less: Impairment provision	**(14,281)**	(14,895)
	1,440,737	1,046,156

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

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

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

Group

	2010	2009
	RMB'000	*RMB'000*
Outstanding balances with ages:		
Within 90 days	**502,967**	368,158
91 to 180 days	**295,240**	215,511
181 to 365 days	**176,112**	129,885
1 to 2 years	**75,638**	60,420
Over 2 years	**9,650**	10,011
	1,059,607	783,985

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

Group

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**14,895**	12,447
Reversal of impairment losses *(Note 5)*	**(3,925)**	–
Impairment of trade receivables *(Note 5)*	**3,311**	2,448
At 31 December	**14,281**	14,895

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.

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

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**–**	45,663
Bills receivable	**30,420**	118,006
Total	**30,420**	163,669

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

Group

	2010	2009
	RMB'000	*RMB'000*
Neither past due nor impaired	**599,202**	455,993
Past due but not impaired		
Less than 90 days	**268,759**	188,052
91 to 180 days	**107,465**	81,874
181 to 365 days	**66,432**	39,215
1 to 2 years	**17,749**	18,851
	1,059,607	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 AND BILLS PAYABLES

Group

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**377,524**	352,977
Bills payable	**23,780**	–
	401,304	352,977

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

	2010	2009
	RMB'000	*RMB'000*
Within 90 days	**236,807**	191,931
91 to 180 days	**95,723**	74,858
181 to 365 days	**34,036**	33,898
1 to 2 years	**4,922**	14,459
2 to 3 years	**1,777**	5,942
Over 3 years	**28,039**	31,889
	401,304	352,977

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.

11. EVENTS AFTER THE REPORTING PERIOD

There were no significant events that took place after the reporting period and up to the date of the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2010, the global economy experienced modest recovery. Meanwhile, China's economy grew 10.3%, outpacing the rest of the world, and surpassed Japan to become the world's second largest economic body. In the first half of 2010, the demand for coal grew rapidly driven by China's increased energy needs. In the second half of the year, the economy slowed modestly, which led to a slight reduction in coal demand. However, coal mine consolidation continues, which led to the shut down of 1,355 small coal mines, reducing production capacity by about 125 million tons in the first nine months of 2010. This correlates to China's Twelfth Five-Year plan to increase the mechanization rate for improved safety and efficiency, and to create more large-scale coal mines for efficiency, environmental protection, and conservation of resources. All of these factors lead to continuing demand for more coal mining machineries.

BUSINESS OVERVIEW

Results

For the year ended 31 December 2010, we delivered impressive results. Our revenue exceeded 2009 by 27.8% to RMB1,942.6 million as a result of the strong market demand for our roadheaders, shearers, armoured-faced conveyors and related products and electric control systems. The gross profit grew by 46.4% over prior year to RMB842.1, and our gross margin improved by 5.5 points over 2009 due to the better sales mix in customer, product and pricing, better overhead leverage from a higher volume of sales and reduced outsourcing by enhancing capacity utilization. Compared to 2009, our net profit attributable to the equity holders of the Company as adjusted increased by RMB191.3 million to RMB436.7 million, excluding the impact of RMB86.6 million of non-recurring charges related to our Global Offering in February 2010 and non-recurring income from the waiver of taxes related to periods prior to the formation of the Company. There were approximately RMB119.5 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 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 demonstrate 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 attached Consolidated Financial Statements as audited by the Company's auditors, Ernst & Young.

New Product Introductions

We continued to pursue advanced technological development by engineering new products and enhancing our current technology to suit the large variety of our domestic customers' needs. We offer the broadest range of roadheaders and shearers in the industry. A few of the notable developments in 2010 were Jiamusi Machinery's development of the EBZ135C roadheader for thin seam applications which is capable of handling separate coal and rock mining, and the EBZ260B roadheader designed for applications with rock hardness of up to f10. Jixi Machinery developed the MG180/420-BWD shearer that provides maximum under-body clearance for passage in a thin seam application for a wide range of slopes, and the MG2×40/120-TBW shearer which adapts to either a single or double cutting drum suiting the user's needs. Huainan Longwall developed the technologically advanced SGZ1000/1400 for one of our strategic customers which is a breakthrough for improving mining efficiency. Qingdao Tianxun developed a 1140V high voltage inverter, which improves the efficiency and reliability of thin seam shearers by enhancing the electrical haulage on them. Our strengths in engineering and product development have been enhanced through the acquisition of Qingdao Tianxun which has a distinguished R&D team with a long history of developing and manufacturing control systems to the highest standards in the industry. These strengths, and many others, allow us to maintain and grow our market leading position in the industry.

Acquisition

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

Establishment of Joint Venture

On 8 December 2010, the Company (through its wholly owned subsidiary, Jiamusi Machinery) entered into an agreement with Shanxi Coal Transportation and Sales Group Co., Ltd. ("Shanxi Coal Transportation") (through its wholly owned subsidiary山西煤炭運銷集團裝備產業有限公司) to establish a joint venture company, Shanxi Meijia Mining Machinery Company Limited (山西美佳礦業設備製造有限公司)("Shanxi Meijia"), The Company owns 49% of the equity of the joint venture company. Shanxi Meijia is located in the city of Taiyuan, Shanxi Province, and will be principally engaged in the production, sale and marketing of roadheaders and other mining machinery. Shanxi Coal Transportation ranked number five in China's coal industry in 2010 and is one of the major beneficiaries of the coal mine consolidation in Shanxi. Our Jiamusi management team will be responsible for Shanxi Meijia's daily operations, and we believe the partnership with Shanxi Coal Transportation will be another cornerstone on which to plan for our future growth in China's largest market and beyond. The factory construction of Shanxi Meijia began in December 2010 and is anticipated to be completed in the fourth quarter of 2011.

Capital Expenditure

We invested RMB119.0 million in operational capital expenditures in 2010, which enabled us to increase overall production capacity by about 25% over the prior year. These expenditures included the construction and completion of a new armoured-face conveyor factory in Huainan, as well as the acquisition of a number of other pieces of sophisticated manufacturing equipment and processes to further improve our quality and operational productivity at our other businesses. In addition to adding new capacity, we invested in a number of factory improvements further enhancing the environment, health, and safety of our workplace for our valued employees.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2010, the Group's revenue amounted to approximately RMB1,942.6 million, representing an increase of approximately RMB423.1 million or 27.8% as compared to approximately RMB1,519.5 million in 2009. The increase of the revenue was primarily due to the increase in sales of roadheader products, shearer products, armoured-face conveyors and related products and electric control systems. The sales volumes in units increased as compared to 2009, and a favourable sales mix also contributed to the significant growth in the Group's revenue. After the acquisition completed on 27 August 2010, Qingdao Tianxun's sales of electric control systems contributed to the Group's sales for the four months ended 31 December 2010.

The total sales including intersegment sales amounted to approximately RMB1,970.6 million. The intersegment sales were related to the sales between Jiamusi Machinery, Jixi Machinery and Qingdao Tianxun, as Qingdao Tianxun became a subsidiary of the Company after the 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 2010 and 2009, the Group's revenue analysis by product segment is as follows:

Product Segments	**2010**		2009		Change	Change
	RMB million	***%***	*RMB million*	*%*	*RMB million*	*%*
Roadheaders	**1,081.8**	**55.7%**	819.0	53.9%	262.8	32.1%
Shearers	**538.6**	**27.7%**	456.9	30.1%	81.7	17.9%
Armoured-face conveyors and related products	**267.5**	**13.8%**	243.6	16.0%	23.9	9.8%
Electric control systems	**54.7**	**2.8%**	–	–	54.7	N/A
Total	**1,942.6**	**100.0%**	1,519.5	100.0%	423.1	27.8%

Roadheaders: The revenue from roadheader products increased by RMB262.8 million, or 32.1%, from RMB819.0 million in 2009 to RMB1,081.8 million in 2010, which was attributable to the increase in the sales volume of medium and heavy-duty roadheaders driven by an increase in market demand as well as our focus on product development in this category to meet the demands of our customers. Medium and heavy-duty roadheaders offer a more attractive profit margin than most of our light-duty roadheaders.

Shearers: The revenue from shearer products increased by RMB81.7 million, or 17.9%, from RMB456.9 million in 2009 to RMB538.6 million in 2010, primarily reflecting higher demand and a sales increase of medium seam shearers, partially offset by a decrease in sales of extra-thin seam shearers.

Armoured-face conveyors and related products: The revenue from armoured-face conveyors and related products increased by RMB23.9 million, or 9.8%, from RMB243.6 million in 2009 to RMB267.5 million in 2010. This increase was attributable to the favourable sales mix, and partially offset by the impact of the capacity constraints during the plant relocation, which was completed at the end of October 2010.

Electric control systems: The revenue from electric control systems for the four months ended 31 December 2010 amounted to approximately RMB54.7 million. This revenue was generated from our new product segment, as the acquisition was completed on 27 August 2010.

Cost of Sales

During the year, the Group's cost of sales amounted to RMB1,100.5 million, representing an increase of approximately RMB156.1 million or 16.5% as compared to 2009. The increase was mainly attributable to the corresponding increase in the Group's sales.

The cost of raw materials increased by RMB118.0 million, or 16.1%, from RMB731.4 million in 2009 to RMB849.4 million in 2010, primarily due to cost increases in major components of our raw materials, such as steel and hydraulic parts. Manufacturing costs increased by RMB31.0 million, or 21.6%, from RMB143.2 million in 2009 to RMB174.2 million in 2010 which was primarily due to the increase in fuel cost and depreciation charges on our plant and equipment. Direct labour costs increased by RMB7.1 million, or 10.2%, from RMB69.8 million in 2009 to RMB76.9 million in 2010, primarily due to our increased sales.

Gross Profit and Gross Margin

Gross profit increased by RMB267.0 million, or 46.4%, from RMB575.1 million in 2009 to RMB842.1 million in 2010. During 2010, the gross margin was approximately 43.3%, representing an increase of 5.5pts as compared to 37.8% in 2009, which primarily reflects the increase in the percentage of revenue derived from higher margin sales of roadheaders, shearers, armoured-face conveyors and related products and electric control systems.

Other Income and Gains

The Group's other income and gains amounted to approximately RMB56.2 million in 2010 which represented an increase of approximately RMB40.7 million as compared to 2009. The increase was primarily attributable to the write-down of trade payables amounting to RMB17.9 million and the waiver of prior years' 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 RMB47.6 million, or 45.2%, from RMB105.3 million in 2009 to RMB152.9 million in 2010, primarily due to higher sales resulting in increased (i) commission expense and compensation to agents and distributors, (ii) warranty expenses accrued and (iii) cost of freight due to the use of more truck than train transportation.

Administrative Expenses

The Group's administrative expenses increased by RMB93.8 million from approximately RMB180.9 million for the year ended 31 December 2009 to approximately RMB274.7 million for the current year, representing an increase of approximately 51.9%, which was primarily due to (i) non-recurring Global Offering related expenses incurred during 2010, (ii) the compensation for new talents in our management team, (iii) increased investment in research and development, and (iv) deal fees and related depreciation expenses from the Qingdao Tianxun acquisition.

Other Expenses

The Group's other expenses increased by RMB34.3 million to RMB43.1 million in 2010 as compared to RMB8.8 million 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 increased RMB1.1 million as compared to 2009, which was due to the loss on disposal of certain land and equipment.

Income Tax

Income tax expense for the group for 2010 was RMB66.9 million as compared to RMB61.3 million for 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, was 12.5%, which is a 50% reduction from the statutory rates. Huainan Longwall and Qingdao Tianxun obtained the Certificate of National High-Tech Enterprise in May 2010 and November 2009, respectively, and accordingly, were entitled to a lower PRC corporate income tax rate of 15% for the year ended 31 December 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 year ended 31 December 2010 was RMB436.7 million as compared to RMB245.4 million in 2009, representing an increase of 78.0%. 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 related to periods prior to the formation of the Company. 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 was RMB350.1 million, which was an increase of RMB121.4 million or 53.1% over the reported net profit attributable to the equity holders of the Company 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.

In 2010, adjusted EBITDA was approximately RMB585.4 million, representing an increase of approximately RMB222.4 million or 61.3% as compared to RMB363.0 million 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 related to periods prior to the formation of the Company, which 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 Company's financial statements was RMB498.8 million for 2010, an increase of RMB152.5 million or 44.0% over the same period in the prior year.

	2010 *RMB millions*	2009 *RMB millions*
Profit before tax, as reported	**416.9**	294.2
Depreciation	**34.3**	32.0
Amortization	**36.5**	18.7
Finance revenue	**(0.6)**	(18.7)
Finance cost	**11.7**	20.1
EBITDA, as reported	**498.8**	346.3
Non-recurring charges related to Global Offering	**119.5**	30.0
Non-recurring income from tax waiver	**(32.9)**	(13.3)
EBITDA, as adjusted	**585.4**	363.0

Liquidity and Capital Resources

We currently use a combination of the proceeds from the Global Offering, cash generated from operations and bank loans to meet our financial obligations. As of 31 December 2010, the total current assets amounted to approximately RMB2,564.7 million, and the total current liabilities of the Group amounted to approximately RMB837.9 million. As of 31 December 2010, we had an aggregate of RMB123.4 million in outstanding bank loans, bearing interest at an annual rate ranging from 4.10% to 5.84% 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 31 December 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 48%.

Cash Flow

We had a net cash outflow from operating activities of RMB132.8 million for 2010 which decreased by RMB152.0 million as compared to the net cash inflow of RMB19.2 million in 2009. The outflow 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 investing activities in 2010 was RMB918.1 million which increased by RMB805.6 million as compared to RMB112.5 million in 2009. The increase in cash used is due to (i) the acquisition of Qingdao Tianxun, (ii) time deposits with maturity of more than three months for currency exchange, and (iii) the purchase of plant and equipment to increase production capacity.

Net cash inflow from financing activities in 2010 was RMB1,243.8 million which increased by RMB1,158.0 million as compared to RMB85.8 million of cash generated from financing activities in 2009. The increase is mainly due to the proceeds from the Global Offering and offset by the decrease in bank loans, 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 31 December 2010, the Group's total assets amounted to approximately RMB3,774.8 million, representing an increase of approximately RMB1,569.4 million or approximately 71.2% as compared to the balance as of 31 December 2009. The increase was mainly attributable to the increase in (i) goodwill and other intangible assets acquired through business combination with Qingdao Tianxun, (ii) the increased trade receivables over those of the prior period due to increased sales levels, and (iii) cash and cash equivalents as a result of the proceeds from the Global Offering. Current assets amounted to approximately RMB2,564.7 million, and mainly consisted of cash, trade receivables and inventories, accounting for approximately 67.9% of total assets; non-current assets amounted to approximately RMB1,210.1 million, representing an increase of approximately RMB583.2 million as compared to the balance as at 31 December 2009.

Liabilities

As of 31 December 2010, the Group's total liabilities amounted to approximately RMB949.9 million, representing a decrease of approximately RMB563.5 million as compared to the balance as at 31 December 2009. Current liabilities amounted to approximately RMB837.9 million, accounting for approximately 88.2% of total liabilities and non-current liabilities amounted to approximately RMB112.0 million, accounting for approximately 11.8% of total liabilities. The decrease in liabilities was mainly attributable to the redemption of our preference shares in connection with our Global Offering, and repayment of short-term bank loans.

Turnover Days

During the year, the average inventory turnover days decreased from 140 days to 122 days. This was attributable to our constant efforts focused on efficient inventory management.

The Group prudently monitored recoverability of its trade receivables. The average turnover days of trade receivables increased from 166 days to 173 days which was due to a combination of our increased sales and strategic customer development.

The average turnover days of trade payables was 121 days, representing a decrease of 28 days as compared to 149 days in 2009. This was mainly attributable to our continuing effort to strengthen our supplier relationships to obtain more favourable pricing and the exclusion of accounts payables to Qingdao Tianxun after the acquisition.

Contingent Liabilities

As of 31 December 2010, we had no material contingent liabilities.

Events After the Reporting Period

There are no significant events occurring after the balance sheet date and up to the date of this announcement.

Pledge of Assets

As of 31 December 2010, we pledged assets with a value of RMB73.4 million for secured bank loans, comprised primarily of buildings, land use rights, and bill receivables.

Capital Expenditure and Commitment

Our capital expenditures were RMB461.7 million for 2010 as compared to RMB66.8 million for 2009, among which RMB342.7 million was related to our acquisition of Qingdao Tianxun. Besides the acquisition, our capital expenditures in 2010 related primarily to the construction of a plant and facilities, and purchases of machinery, office equipment and motor vehicles.

As of 31 December 2010, the Group had capital commitments of approximately RMB62.0 million, which primarily related to commitments to purchase machinery.

Foreign Exchange Exposure

Although our financial assets are not subject to foreign currency risk, some of our borrowings are in foreign currency. As of 31 December 2010, the Group's foreign currency deposits were equivalent to approximately RMB471.3 million.

Employee Remuneration and Benefit

As of 31 December 2010, the Group had 3,675 employees as compared to 3,397 as of 31 December 2009. 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 2010	
	Number	**% of total**
Manufacturing personnel	**2,387**	**65.0%**
Technical personnel (including R&D)	**372**	**10.1%**
Sales and marketing personnel	**310**	**8.4%**
Administrative personnel	**230**	**6.3%**
Procurement personnel	**137**	**3.7%**
Financial personnel	**75**	**2.0%**
Others	**164**	**4.5%**
Total employees	**3,675**	**100.0%**

Staff costs including Directors' remuneration were approximately RMB225.7 million for 2010 as compared to approximately RMB151.4 million for 2009. 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.

SOCIAL RESPONSIBILITIES

We are committed to our customers, in terms of providing quality products and services, and to the staff, by making available opportunities to them for career development. We pledge to contribute to the community while pursuing profitable growth, by managing the business within relevant laws and environmental regulations, improving the standard of corporate governance, actively participating in social charities and contributing to local social development. In 2010, 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. Our subsidiary, Jiamusi Machinery which is one of the biggest companies in the city of Jiamusi, sponsored the Twelfth Sports Game of Heilongjiang Province. Jixi Machinery, contributed generously to the local charity foundation for children's education funding.

PROSPECTS

China's coal mining equipment sector revenue has grown approximately 15% each year for the past five years. In the next five years, the growth will likely be driven by more coal enterprise consolidation in 2011. In the draft Twelfth Five-Year Plan, China's aims to form 10 large mining companies, each with an annual capacity of more than 100 million tons. As a result, we expect to benefit from the increased demand for equipment from our current customer base, the large State-owned mining companies, and continue to grow at an accelerated pace.

OTHER INFORMATION

Dividends

The Board has resolved to recommend the payment of a final dividend of RMB5.4 cents (to be paid in HK$ at the closing spot exchange rate on the day of the forthcoming annual general meeting ("AGM")) per share for the year ended 31 December 2010 payable to shareholders of the Company whose names appear on the register of members of the Company on 14 June 2011.

Closure of Register of Members

The register of members will be closed from Friday, 10 June 2011 to Tuesday, 14 June 2011, both days inclusive, during which period no share transfers can be registered. In order to qualify for the final dividend and to be eligible for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 9 June 2011. Dividend are expected to be despatched on or around 1 July 2011.

Code on Corporate Governance Practices (the "Code")

The Company has adopted the code provisions set out in the Code. Since the date of listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and up to the date of this announcement, the Company has complied with all the applicable code provisions set out in the Code.

Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

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 throughout the period from the date of listing of the Company's shares and up to the date of this announcement.

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 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 the date of this announcement.

Audit Committee

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	Non-executive Director
Dr. Xuezheng WANG	Independent non-executive Director

The Audit Committee has adopted the terms of reference as outlined under the Code. The Audit Committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2010, including the accounting policies adopted by the Group and has discussed the internal controls and financial reporting matters of the Group.

Auditors

Ernst & Young was approved as the Company's auditor for the past three years. The consolidated financial statements included in this announcement were audited by Ernst & Young who will retire as auditors of the Company and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

Annual General Meeting and Despatch of 2010 Annual Report

The AGM of the Company will be held on 14 June 2011. A notice convening the AGM will be published on the Company's website at www.immchina.com and the Stock Exchange's website at www.hkexnews.hk and will be dispatched to all shareholders together with the Annual Report in due course.

The annual results announcement is published on the websites mentioned above. The annual report of the Group for the year ended 31 December 2010 containing all the information required by the Rules Governing the Listing of securities on the Hong Kong Stock Exchange will be dispatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 15 March 2011

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. John W. Jordan II and Ms. Lisa M. Ondrula; the independent non-executive directors of the Company are Dr. Yiming Hu, Dr. Xuezheng Wang, Mr. Zhenduo Yuan and Dr. Fung Man, Norman Wai.