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 2011

FINANCIAL HIGHLIGHTS

Comparison of results for the first half of 2011 and 2010

RMB million	**For the six months ended 30 June**		
	2011	2010	**Change %**
Revenue	**1,112.8**	926.2	20.1
Cost of sales	**(616.0)**	(530.4)	16.1
Gross profit	**496.8**	395.8	25.5
EBITDA	**321.6**	211.1	52.3
Profit before tax	**257.6**	180.1	43.0
Profit attributable to the equity holders of the Company	**203.5**	145.2	40.2
Basic earnings per share[(1)]	**15.65 cents**	12.26 cents	27.7

(1) 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 (2011: 1,300,038,657 and 2010: 1,184,444,444).

RESULTS

The board of directors (the "**Board**") of International Mining Machinery Holdings Limited (the "**Company**") is pleased to present its report and the financial information of the Company and its subsidiaries (the "**Group**") for the first six months of 2011 along with additional commentary on trends and conditions that impacted our business during the period.

Interim Consolidated Income Statement

		For the six months ended 30 June	
		2011	2010
		Unaudited	Unaudited
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**1,112,784**	926,203
Cost of sales		**(615,991)**	(530,381)
Gross profit		**496,793**	395,822
Other income and gains	*3*	**16,542**	39,813
Selling and distribution costs		**(98,122)**	(67,230)
Administrative expenses		**(124,806)**	(146,480)
Other expenses		**(25,730)**	(35,749)
Finance revenue	*4*	**912**	93
Finance costs	*4*	**(7,415)**	(5,769)
Share of losses of associates		**(586)**	(373)
Profit before tax	*5*	**257,588**	180,127
Income tax expense	*6*	**(54,067)**	(34,972)
Profit for the period		**203,521**	145,155
Attributable to:			
Owners of the parent		**203,521**	145,229
Non-controlling interests		**–**	(74)
		203,521	145,155
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB)*	*8*	**15.65 cents**	12.26 cents
Diluted *(RMB)*	*8*	**15.62 cents**	12.26 cents

Details of the dividends proposed for the period are disclosed in note 7 of this announcement.

Interim Consolidated Income Statement of Comprehensive Income

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Profit for the period	**203,521**	145,155
Other comprehensive income:		
Exchange differences on translation of foreign operations	**(9,673)**	(10,160)
Total comprehensive income for the period	**193,848**	134,995
Attributable to:		
Owners of the parent	**193,848**	135,069
Non-controlling interests	**–**	(74)
	193,848	134,995

Interim Consolidated Statement of Financial Position

	Notes	**30 June 2011 Unaudited** *RMB'000*	31 December 2010 Audited *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**389,892**	378,675
Land use rights		**120,149**	121,652
Goodwill		**314,969**	314,969
Other intangible assets		**297,231**	330,245
Investments in associates		**27,445**	21,455
Deferred tax assets		**10,919**	8,840
Prepayments, deposits and other receivables		**33,440**	34,271
		1,194,045	1,210,107
CURRENT ASSETS			
Inventories		**474,748**	424,624
Trade and bills receivables	*9*	**1,789,830**	1,440,737
Prepayment, deposits and other receivables		**105,369**	133,173
Time deposits with original maturity of more than three months		**253,857**	307,142
Cash and cash equivalents		**258,117**	258,990
		2,881,921	2,564,666
CURRENT LIABILITIES			
Interest-bearing loans		**140,000**	123,420
Trade and bills payables	*10*	**551,707**	401,304
Other payables and accruals		**258,926**	263,149
Tax payable		**59,132**	50,058
Dividend payable		**77**	–
		1,009,842	837,931
NET CURRENT ASSETS		**1,872,079**	1,726,735
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,066,124**	2,936,842
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**108,704**	111,966
NET ASSETS		**2,957,420**	2,824,876
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**114,282**	114,270
Reserves		**2,843,138**	2,710,606
TOTAL EQUITY		**2,957,420**	2,824,876

Notes to Interim Condensed Financial Information

1. BASIS OF PREPARATION

The unaudited interim condensed financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting.

The unaudited interim condensed financial information does 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 as at 31 December 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of certain new and revised International Financial Reporting Standards ("IFRSs", which also include IASs and Interpretations) that are relevant to the Group's operations mandatory for the annual periods beginning 1 January 2011. The effect of the adoption of these standards was not material to the Group's results of operations or financial position.

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:

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**1,113,840**	923,161
Rendering of services	**8,423**	3,042
	1,122,263	926,203
Less: Government surcharges	**(9,479)**	–
	1,112,784	926,203

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Other income and gains		
Reversal of long-aged trade debts	**13,725**	–
Gain on disposal of items of property, plant and equipment	**1,292**	500
Sale of scrap materials	**1,112**	927
Waiver of unpaid tax	**–**	32,888
Gain on disposal land use rights	**–**	5,010
Others	**413**	488
	16,542	39,813

4. FINANCE REVENUE AND FINANCE COSTS

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

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Finance revenue		
Interest income	**912**	93
Finance costs		
Loan interest	**2,429**	4,543
Interest arising from discounted bills	**1,836**	1,226
Notional interest	**3,150**	–
Total finance costs	**7,415**	5,769

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Cost of inventories sold	**612,117**	529,018
Cost of services provided	**3,874**	1,363
Employee benefit expense including Directors' remuneration:		
– Wages and salaries	**100,834**	71,583
– Pension scheme contributions	**12,759**	9,464
– Equity-settled share option expense	**8,426**	376
– Founder participation rights payment	**–**	33,198
	122,019	114,621
Research and development costs	**31,766**	13,168
Auditors' remuneration	**1,970**	1,940
Depreciation of items of property, plant and equipment	**22,981**	15,936
Amortisation of land use rights	**1,503**	1,736
Amortisation of other intangible assets	**33,014**	7,637
Impairment of trade receivables	**11,811**	2,220
Reversal of impairment of trade receivables	**(4,949)**	–
Impairment of other receivables	**10,485**	–
Minimum lease payments under operating leases	**5,458**	2,432
Write-down/(reversal) of inventories to net realisable value	**2,154**	(1,921)
Product warranty provision	**29,000**	9,742
Gain on disposal of items of property, plant and equipment	**(1,292)**	(500)
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.

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.

Jiamusi Machinery and Jixi Machinery obtained the Certificate of National High-Tech Enterprise in November 2008. Huainan Longwall and Qingdao Tianxun obtained the Certificate of National High-Tech Enterprise in May 2010 and November 2009, respectively, and accordingly, they were entitled to a lower PRC corporate income tax rate of 15% for the six months ended 30 June 2011.

The share of tax attributable to associates for the six months ended 30 June 2011 and 2010, respectively, is included in "Share of losses 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	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current tax		
– Income tax in the PRC for the period	**59,408**	42,658
Deferred tax	**(5,341)**	(7,686)
Income tax expense	**54,067**	34,972

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 parent for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

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

	For the six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Declared during the period		
Special dividend	**–**	280,263
Final dividend for 2010: RMB5.4 cents (for 2009: Nil)	**70,207**	–
Paid during the period	**70,130**	280,263

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

Basic

The calculation of basic earnings per share amounts for the period is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,300,038,657 (six months ended 30 June 2010: 1,184,444,444) in issue during the period, as adjusted to reflect the rights issue during the period.

Diluted

The calculation of diluted earnings per share amount is based on the profit for the period 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 period 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 for the six months ended 30 June	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,300,038,657**	1,184,444,444
Effect of dilution – weighted average number of ordinary shares: share options	**2,560,104**	–
	1,302,598,761	1,184,444,444

9. TRADE AND BILLS RECEIVABLES

	30 June 2011 Unaudited *RMB'000*	31 December 2010 Audited *RMB'000*
Trade receivables	**1,319,086**	1,073,888
Bills receivable	**491,887**	381,130
Less: impairment provision	**(21,143)**	(14,281)
	1,789,830	1,440,737

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 2011 Unaudited *RMB'000*	31 December 2010 Audited *RMB'000*
Outstanding balances with ages:		
Within 90 days	**632,787**	502,967
91 to 180 days	**302,916**	295,240
181 to 365 days	**242,796**	176,112
1 to 2 years	**96,579**	75,638
Over 2 years	**22,865**	9,650
	1,297,943	1,059,607

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

	30 June 2011 Unaudited *RMB'000*	31 December 2010 Audited *RMB'000*
At beginning of period/year	**14,281**	14,895
Impairment of trade receivables	**11,811**	3,311
Reversal of impairment losses	**(4,949)**	(3,925)
At end of period/year	**21,143**	14,281

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 period.

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

	30 June 2011 Unaudited *RMB'000*	31 December 2010 Audited *RMB'000*
Bills receivable	**47,000**	30,420

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

	30 June 2011 Unaudited ***RMB'000***	31 December 2010 Audited *RMB'000*
Neither past due nor impaired	**721,198**	599,202
Past due but not impaired		
Less than 90 days	**325,349**	268,759
91 to 180 days	**104,602**	107,465
181 to 365 days	**122,314**	66,432
1 to 2 years	**22,040**	17,749
Over 2 years	**2,440**	–
	1,297,943	1,059,607

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10. TRADE AND BILLS PAYABLES

	30 June 2011 Unaudited ***RMB'000***	31 December 2010 Audited *RMB'000*
Trade payables	**533,057**	377,524
Bills payable	**18,650**	23,780
	551,707	401,304

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

	30 June 2011 Unaudited ***RMB'000***	31 December 2010 Audited *RMB'000*
Within 90 days	**318,959**	225,527
91 to 180 days	**126,354**	83,223
181 to 365 days	**62,321**	34,036
1 to 2 years	**9,840**	4,922
2 to 3 years	**1,227**	1,777
Over 3 years	**14,356**	28,039
	533,057	377,524

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

11. EVENTS AFTER THE REPORTING PERIOD

In a joint announcement dated 14 July 2011 (the "Announcement") made by Joy Global lnc. ("Joy Global") and the Company, it was announced that Joy Global agreed to acquire a 41.14% interest in (or 534,800,000 shares of) the Company from TJCC Holdings Ltd. at a price of HKD8.50 per share (the "Proposed Acquisition") through one of its subsidiaries, Newco 123 Hong Kong Limited, and to make a conditional mandatory cash offer for the Company's shares at a cash offer price of HKD8.50 per share and an option offer for the cancellation of all outstanding share options after the completion of the Proposed Acquisition. As completion of the Proposed Acquisition is subject to (amongst other things) the approval from relevant regulatory authorities, it is uncertain whether the Proposed Acquisition will be completed and (if it does complete) when completion of the Proposed Acquisition will take place.

The Board is of the view that if the Proposed Acquisition is fully implemented, Newco 123 Hong Kong Limited and Joy Global may become the Company's controlling shareholder and ultimate controlling shareholder, respectively.

As at the date of approval of and authorised to issue this interim condensed financial information, the Proposed Acquisition mentioned above was still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

China's economic growth continued with 9.6% growth in the first six months of 2011. This supported growth in China's coal output and coal sales which reached 1.77 billion tonnes and 1.71 billion tonnes respectively, up 12.7% and 13.8% year on year. After the success in initiating coal mine consolidation for Shanxi province, which is progressing well, other prominent coal producing provinces such as Henan, Shaanxi, Shandong, Hebei and Inner Mongolia will embark on consolidation in the coming years. The consolidation initiative has driven higher demand for coal mining machinery, led by roadheaders.

BUSINESS OVERVIEW

For the six months ended 30 June 2011, our results were impressive. Our revenue increased by 20.1% over prior year to RMB1,112.8 million driven by the strong market demand for our roadheaders, shearers, armoured-face conveyors, and electric controls. Our gross profit grew impressively by 25.5% over prior year to RMB496.8 million. We continued to improve our gross margin by 1.9 points over the same period last year to 44.6% and our net profit attributable to the equity holders of the Company increased by 40.2% to RMB203.5 million against the same period last year. These reflect management's continued commitment and efforts to grow the business with quality operational control.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2011, the Group's revenue amounted to approximately RMB1,112.8 million, representing an increase of approximately RMB186.6 million, or 20.1%, as compared to approximately RMB926.2 million for the same period in 2010. The increase was primarily due to the increase in sales of roadheader products, shearer products, and electric control systems, complemented by favourable product mix. This was, however, partially offset by a decrease in sales of armoured-face conveyors and related products.

Total sales including intersegment sales amounted to approximately RMB1,162.1 million. The intersegment sales were related to the sales between Jiamusi Coal Mining Machinery Co., Ltd ("Jiamusi Machinery"), Jixi Coal Mining Machinery Co., Ltd ("Jixi Machinery") and Qingdao Tianxun Electric Co., ("Qingdao Tianxun"), as Qingdao Tianxun became a subsidiary of the Company after its acquisition in August 2010. These numbers are derived from the attached Condensed Financial Information as reviewed by the Company's auditors, Ernst & Young.

For the six months ended 30 June 2011, the Group's revenue analysis by product segment is as follows:

	For the six months ended 30 June					
Product Segments	**2011**		2010		Change	Change
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*
Roadheader products	**689.2**	**61.9**	584.0	63.1	105.2	18.0
Shearer products	**258.9**	**23.3**	220.1	23.8	38.8	17.6
Armoured-face conveyors and related products	**118.6**	**10.7**	122.1	13.1	(3.5)	(2.9)
Electric control systems	**46.1**	**4.1**	–	–	46.1	N/A
Total	**1,112.8**	**100.0**	926.2	100.0	186.6	20.1

Roadheader products: The revenue from roadheader products increased by RMB105.2 million, or 18.0%, from RMB584.0 million for the corresponding period last year to RMB689.2 million. This increase is attributable to an increase in market demand for medium and heavy-duty machines.

Shearer products: The revenue from shearer products increased by RMB38.8 million, or 17.6%, from RMB220.1 million for the corresponding period last year to RMB258.9 million, primarily due to a favourable sales mix and a sales increase in thick seam shears and spare parts, offset by a sales decrease in medium seam and thin seam shearers. Our strong development capability to meet customer demands is the primary driver for our growing presence in this category.

Armoured-face conveyors and related products: The revenue from armoured-face conveyors and related products recorded a decrease of RMB3.5 million, or 2.9%, from RMB122.1 million for the corresponding period last year to RMB118.6 million in the current period. We saw great success with delivering our first Chinese made armoured-face conveyor to an Australian customer, however, lower pricing, intense domestic competition and raw material price increases impacted sales and margins negatively during the current period.

Electric control systems: The revenue from this newly acquired business amounted to approximately RMB46.1 million for the current period. Qingdao Tianxun Electric Co. ("Qingdao Tianxun") was acquired on 27 August 2010 and produces electric control system for our other subsidiaries and third party customers.

Cost of Sales

The Group's cost of sales amounted to RMB616.0 million for the six months ended 30 June 2011, representing an increase of approximately RMB85.6 million, or 16.1%, as compared to the same period in 2010. The increase was mainly attributable to the corresponding increase in the Group's sales.

The Group's sales increased by 20.1% compared to the corresponding period last year, however, the cost of raw materials only increased by RMB51.5 million, or 12.1%, from RMB423.9 million for the six months ended 30 June 2010 to RMB475.4 million for the same period in 2011. The increase in the cost of materials was primarily due to cost increases in major components of our raw materials, such as steel, outsourced parts and electrical components. Direct labour costs increased by RMB7.1 million, or 21.0%, from RMB33.8 million for the six months ended 30 June 2010 to RMB40.9 million for the same period in 2011 which was primarily due to our increased sales. Manufacturing costs increased by RMB27.0 million, or 37.1%, from RMB72.7 million for the six months ended 30 June 2010 to RMB99.7 million for the same period in 2011, primarily due to the increased depreciation expenses from the asset revaluation at Qingdao Tianxun.

Gross Profit and Gross Margin

Gross profit increased by RMB101.0 million, or 25.5%, from RMB395.8 million for the first half of 2010 to RMB496.8 million in 2011. The gross margin was 44.6%, representing a 1.9 percentage point increase as compared to 42.7% for the same period in 2010. This is mainly due to the increase in the percentage of revenue derived from higher margin product sales from roadheader products, shearer products and electric control systems.

Other Income and Gains

For the six months ended 30 June 2011, the Group's other income and gains amounted to approximately RMB16.5 million which represented a decrease of approximately RMB23.3 million as compared to the same period in 2010. The decrease was primarily attributable to the waiver of tax liabilities recorded in the first half of 2010 that did not occur for the same period in 2011.

Selling and Distribution Costs

Selling and distribution costs increased by RMB30.9 million, or 46.0%, from RMB67.2 million in the first half of 2010 to RMB98.1 million in 2011. The increases were primarily attributable to higher sales resulting in increased (i) commission expenses, and (ii) warranty expenses.

Administrative Expenses

The Group's administrative expenses amounted to RMB124.8 million for the six months ended 30 June 2011, which decreased by RMB21.7 million as compared to RMB146.5 million for the same period in 2010. The decrease was primarily due to IPO related expenses recorded in the first six months of 2010.

Other Expenses

The Group's other expenses decreased by RMB10.0 million to RMB25.7 million in the first six months of 2011 as compared to RMB35.7 million during the same period in 2010. In 2010, the Group recorded a non-recurring charge of RMB33.2 million related to the Global Offering.

Income Tax

Income tax expense for the Group for the first half of 2011 was RMB54.1 million as compared to RMB35.0 million for the same period in 2010. The increase in income tax expense is directly attributable to the increase in our profits driven by higher revenue and the expiration of certain favourable tax rates enjoyed by the Company since its inception in 2006. Upon formation as a wholly owned foreign enterprise, from 1 January 2008 to 31 December 2010, the applicable enterprise income tax rate for two of our subsidiaries, Jiamusi Machinery and Jixi Machinery, was 12.5%, which is a 50% reduction from the statutory rates. This favourable tax rate is no longer available to us in 2011.

Jiamusi Machinery and Jixi Machinery obtained the Certificate of National High-Tech Enterprise in November 2008. Huainan Longwall Coal Mining Machinery Co. Ltd. ("Huainan Longwall") and Qingdao Tianxun obtained the Certificate of National High-Tech Enterprise in May 2010 and November 2009, respectively, and accordingly, they were entitled to a lower PRC corporate income tax rate of 15% for the six months ended 30 June 2011.

Net Profit Attributable to the Equity Holders of the Company

The Group's net profit attributable to the equity holders of the Company for the first half of 2011 was RMB203.5 million, which was an increase of RMB58.3 million or 40.2% over the net profit attributable to the equity holders of the Company for the same period in 2010. This increase was primarily the result of increased sales and various cost containment initiatives.

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 2011, EBITDA was RMB321.6 million for the first six months of 2011, an increase of RMB110.5 million, or 52.3%, over the same period in the prior year. The increase was due to a higher increase in gross profit than in selling, distribution and administrative expenses.

	For the six months ended 30 June	
	2011	2010
Profit before tax	**257.6**	180.1
Depreciation	**23.0**	15.9
Amortization	**34.5**	9.4
Finance revenue	**(0.9)**	(0.1)
Finance cost	**7.4**	5.8
EBITDA	**321.6**	211.1

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 2011, the total current assets amounted to approximately RMB2,881.9 million, and the total current liabilities of the Group amounted to approximately RMB1,009.8 million. As of 30 June 2011, we had an aggregate of RMB140.0 million in outstanding bank loans, bearing interest at an annual rate ranging from 5.31% to 6.62% and repayable within one year, as compared to an outstanding balance of RMB123.4 million as of 31 December 2010. We also obtained advance payments on equipment orders to support the purchase of inventory.

As of 30 June 2011 and 31 December 2010, the company was in a net cash position and hence, the gearing ratio was not applicable.

Cash Flow

We had a net cash inflow from operating activities of RMB48.7 million for the six months ended 30 June 2011, representing a cash increase of RMB217.1 million as compared to the net cash outflow of RMB168.4 million for the same period in 2010. The increase in our cash from operating activities was primarily attributable to the increase in profit.

Net cash inflow from investing activities for the six months ended 30 June 2011 was RMB15.4 million, representing a cash increase of RMB84.7 million as compared to the net cash outflow of RMB69.3 million for the same period in 2010. The increase in cash from investing activities is mainly due to (i) the maturing of time deposits with maturity of more than three months that were not fully reinvested, and (ii) the payment of 25% equity interest in Huainan Longwall recorded in the first half of 2010 that did not occur for the same period in 2011.

Cash used in financing activities for the six months ended 30 June 2011 was RMB55.5 million, representing a cash decrease of RMB1,422.1 million as compared to the net cash inflow of RMB1,366.6 million for the same period in 2010. The decrease is mainly due to the proceeds from the Global Offering that were recorded in the first six months of 2010.

Asset Structure

As of 30 June 2011, the Group's total assets amounted to approximately RMB4,075.9 million, representing an increase of approximately RMB301.1 million or approximately 8.0% as compared to the total assets as of 31 December 2010. The increase was mainly attributable to the increase in trade receivables over those of the prior period due to increased sales levels. As of 30 June 2011, current assets amounted to approximately RMB2,881.9 million, and mainly consisted of cash, trade receivables and inventories, accounting for approximately 70.7% of total assets; non-current assets amounted to approximately RMB1,194.0 million, representing a decrease of approximately RMB16.1 million as compared to the non-current assets as at 31 December 2010.

Liabilities

As of 30 June 2011, the Group's total liabilities amounted to approximately RMB1,118.5 million, representing an increase of approximately RMB168.6 million as compared to the total liabilities as at 31 December 2010. Current liabilities amounted to approximately RMB1,009.8 million, accounting for approximately 90.3% of total liabilities and non-current liabilities amounted to approximately RMB108.7 million, accounting for approximately 9.7% of total liabilities. The increase in liabilities was mainly attributable to the increase in trade payables due to the corresponding increase of purchases for production of inventory for increased sales volumes.

Turnover Days

During the six months ended 30 June 2011, the average inventory turnover days increased from 121 days to 132 days as compared to the corresponding period in 2010. This was due to increased finished goods which will be delivered upon receiving notice from our customers that the coal mines are ready for production.

During the six months ended 30 June 2011, the average turnover days of trade receivables increased from 173 days to 190 days as compared to the corresponding period in 2010 due to the longer credit periods that were granted to our strategic customers.

During the six month ended 30 June 2011, the average turnover days of trade payables had a slight increase from 135 days to 140 days as compared to the corresponding period in 2010. This is mainly due to our continuing effort to maximize cash flow while continuing to stabilize our relationship with our suppliers.

Contingent Liabilities

As of 30 June 2011, we had no material contingent liabilities.

Events after the Reporting Period

In a joint announcement dated 14 July 2011 (the "Announcement") made by Joy Global lnc. ("Joy Global") and the Company, it was announced that Joy Global agreed to acquire a 41.14% stake (or 534,800,000 shares) of the Company from TJCC Holdings Ltd. at a price of HK$8.50 per share (the "Proposed Acquisition"), and Joy Global will also make a conditional mandatory cash offer for the remaining shares of the Company at a cash offer price of HK$8.50 per share after completion of the Proposed Acquisition. As completion of the Proposed Acquisition is subject to (amongst other things) Joy Global having obtained anti-trust clearance in the PRC, it is uncertain whether the Proposed Acquisition will be completed and (if it does complete) when completion of the Proposed Acquisition will take place.

Other than those mentioned above, there were no significant events that took place after the balance sheet date.

Capital Expenditure and Commitment

Our capital expenditures were RMB37.5 million for the six months ended 30 June 2011 as compared to RMB59.2 million for the same period in 2010. Our capital expenditures during the first half of 2011 related primarily to the purchases and overhaul of machinery, establishing new buildings, upgrading information technology systems and investing in joint ventures.

As of 30 June 2011, the Group had capital commitments of approximately RMB75.9 million, which primarily related to commitments to purchase machinery and investments in joint ventures.

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 2011, the net loss from foreign exchange rate changes amounted to approximately RMB9.4 million.

Employee Remuneration and Benefit

As of 30 June 2011, the Group had 3,713 employees as compared to 3,675 as at 31 December 2010. 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 2011	
	Number	**% of total**
Manufacturing personnel	**2,377**	**64.0**
Technical personnel (including R&D)	**392**	**10.6**
Sales and marketing personnel	**319**	**8.6**
Administrative personnel	**280**	**7.5**
Procurement personnel	**137**	**3.7**
Financial personnel	**76**	**2.0**
Others	**132**	**3.6**
Total employees	**3,713**	**100.0**

Staff costs including Directors' remuneration were approximately RMB122.0 million for the six months ended 30 June 2011 as compared to approximately RMB114.6 million for the same period in 2010.

The remuneration package for our employees generally includes salaries and bonuses. We conduct periodic performance reviews for all of our employees 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. Details of the scheme are set out in the Director's Report.

Charges on Assets

As of 30 June 2011, we pledged assets with a value of RMB54.6 million for secured bank loans, comprised primarily of buildings, plant and machinery, and bill receivables.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries

Save for those disclosed in this announcement, there were no significant investments held as at 30 June 2011, nor other material acquisitions and disposal of subsidiaries during the period.

PROSPECTS

China is the world's largest producer and consumer of coal and the China National Coal Machinery Industry Association ("CMIA") expects it to remain so for the foreseeable future. Chinese coal spot prices have been rising steadily this year, and the benchmark Bohai Rim steam coal index hit RMB808 per tonne on 27 April 2011, up from RMB774 per tonne on 26 January 2011. We can see significant growth in demand and the need for increased supply. CMIA also estimates that companies will invest RMB77 billion in coal mining machinery to meet the demand of increasing coal production. We expect this to directly benefit the coal mining machinery industry and our customers turn to new and additional automation to help them extract coal in a more cost efficient and timely manner.

Guided by the Twelfth Five-Year Plan, actions have been taken by the provincial governments, and they will continue the restructuring in the next five years by focusing on consolidating and merging coal mine resources in various regions. To meet the objective of the Twelfth Five-Year Plan, large mining companies are likely to increase the capacity of existing large mines or restructure small mines and introduce mining machines to the consolidated coal mines. The market leaders such as the Company should benefit from the increasing demand for equipment from large mining companies and outperform the industry's growth.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

OTHER INFORMATION

Code on Corporate Governance Practices (the "Code")

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. For the six months ended 30 June 2011, the Company has complied with all the applicable code provisions set out in the Code.

Model Code for Securities Transactions (the "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 for the six months ended 30 June 2011.

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 (the "Hong Kong 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 30 June 2011.

Staff Retirement/Pension Scheme Benefits

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

Review of Accounts by Audit Committee

The Audit Committee has reviewed the accounting principles and practices of the Company and the interim results and has also reviewed the internal control and financial reporting matters of the Group, including the review of unaudited financial reports.

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 2011. 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".

Dispatch of 2011 Interim Report

The interim results announcement is published on the Company's website at www.immchina.com and the Stock Exchange's website at www.hkexnews.hk. The interim report of the Group for the six months ended 30 June 2011 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 above websites in due course.

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

Hong Kong, 29 August 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.