IMM 国际煤机集团

INTERNATIONAL MINING MACHINERY

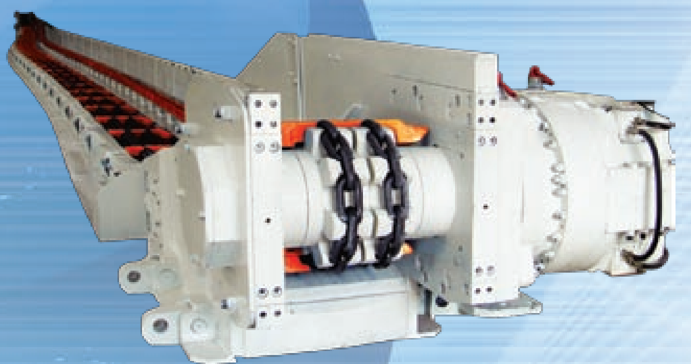
Stock Code 股份代號：1683

INTERNATIONAL MINING MACHINERY HOLDINGS LIMITED

國際煤機集團

(incorporated in the Cayman Islands with limited liability)

（於開曼群島註冊成立的有限公司）



Interim Report 中期報告 2010

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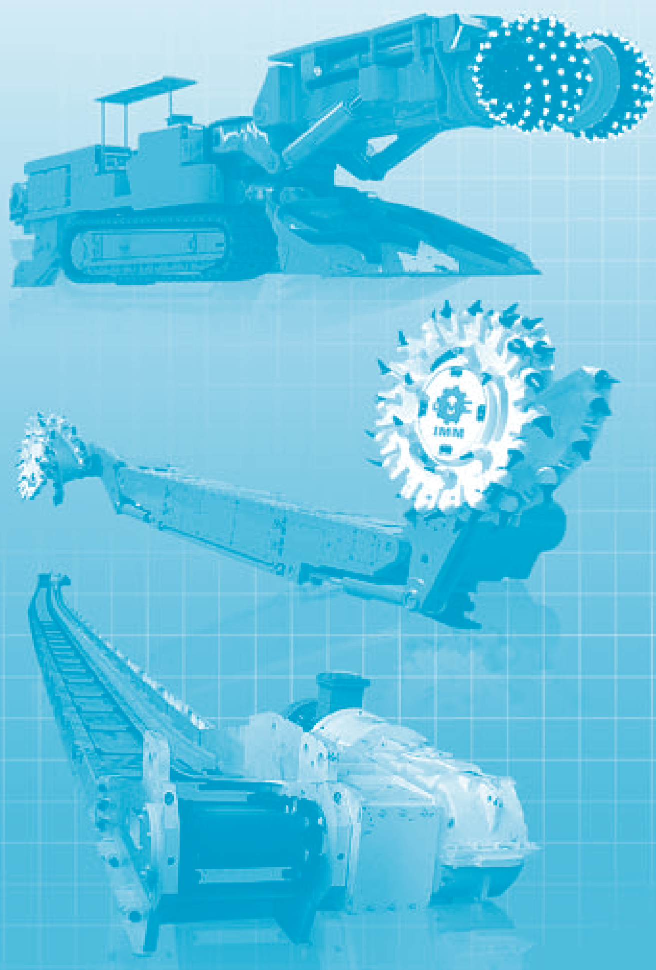


Corporate Information

Board of Directors

Executive Directors
Mr. Thomas H. QUINN
Mr. Kee-Kwan Allen CHAN
Mr. Kwong Ming Pierre TSUI
Mr. Yinghui WANG
Mr. Youming YE

Non-executive Directors
Mr. Rubo LI
Mr. John W. JORDAN II
Ms. Lisa M. ONDRULA

Independent Non-executive Directors
Dr. Yiming HU
Dr. Xuezheng WANG
Mr. Zhenduo YUAN
Dr. Fung Man, Norman WAI

Audit Committee

Dr. Yiming HU (Chairwoman)
Ms. Lisa M. ONDRULA
Dr. Xuezheng WANG

Remuneration Committee

Mr. Thomas H. QUINN (Chairman)
Dr. Fung Man, Norman WAI
Mr. Zhenduo YUAN

Authorised Representatives

Mr. Thomas H. QUINN
Mr. Kee-Kwan Allen CHAN

Registered Office

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

Principal Place of Business in China

3rd floor, Tower A, Aimer Plaza
Wangjing Development Zone
Chaoyang District
Beijing 100102
China

Joint Company Secretaries

Mr. Kwong Ming Pierre TSUI[1]
Mr. Wai Fung NGAI

Legal Advisors

As to Hong Kong and U.S. Law
Skadden, Arps, Slate, Meagher & Flom
42nd Floor, Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

As to China Law
King & Wood
28-30F, Huai Hai Plaza
1045 Huai Hai Road (M)
Shanghai 200031
China

As to Cayman Islands Law
Walkers
15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Auditor

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

Corporate Information

Compliance Advisor

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

Principal Place of Business in Hong Kong

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

Cayman Islands Principal Share Registrar

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

Hong Kong Share Registrar

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

Principal Bankers

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

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

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

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

Investor Relations

Ms. Sze Lai Doris CHAN

Company's Website

www.immchina.com

(1) Mr. Kwong Ming Pierre TSUI was appointed as joint company secretary of the Company with an effective date of 6 August 2010.

Financial Highlights

Comparison of results for the first half of 2010 and 2009

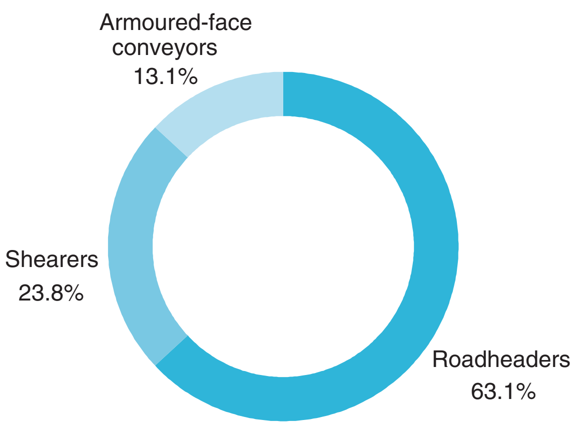
RMB million	For the six months ended 30 June 2010	2009	Change %
Revenue	**926.2**	743.2	24.6%
Cost of sales	**(530.4)**	(463.9)	14.3%
Gross Profit	**395.8**	279.3	41.7%
EBITDA, as adjusted[(1)]	**286.7**	173.6	65.1%
EBITDA, as reported	**211.1**	173.6	21.6%
Profit before tax, as adjusted[(1)]	**255.7**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

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

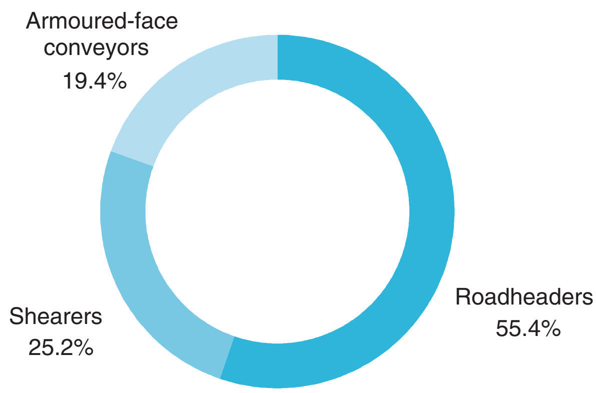
(2) The earnings per share are calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of shares outstanding during the period (2010: 1,184,444,444 and 2009: 780,000,000).

Revenue by segments

For the six months ended 30 June 2010



For the six months ended 30 June 2009



Financial Highlights

Four-year financial summary

RMB million	**For the six months ended 30 June 2010**	For the six months ended 30 June 2009	2009	2008	2007
Revenue	**926.2**	743.2	1,519.5	1,279.7	857.6
Gross profit	**395.8**	279.3	575.1	475.1	353.2
EBITDA, as adjusted[(1)]	**286.7**	173.6	363.0	255.8	184.4
EBITDA, as reported	**211.1**	173.6	346.3	238.8	184.4
Profit before tax, as adjusted[(1)]	**255.7**	148.1	310.8	202.1	138.9
Profit before tax, as reported	**180.1**	148.1	294.2	185.2	138.9
Profit attributable to the equity holders of the Company, as adjusted[(1)]	**220.8**	114.3	245.4	167.3	151.4
Profit attributable to the equity holders of the Company, as reported	**145.2**	114.3	228.7	150.4	151.4
Basic earnings per share, as adjusted[(1)(2)]	**18.64 cents**	14.65 cents	31.46 cents	21.45 cents	19.41 cents
Basic earnings per share, as reported[(2)]	**12.26 cents**	14.65 cents	29.32 cents	19.28 cents	19.41 cents

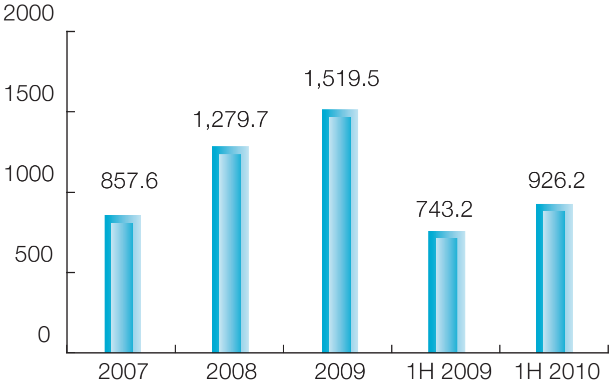
(1) Amounts exclude non-recurring items associated with the Company's recent Global Offering and the granting of a waiver of taxes for periods prior to the formation of the Company.

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

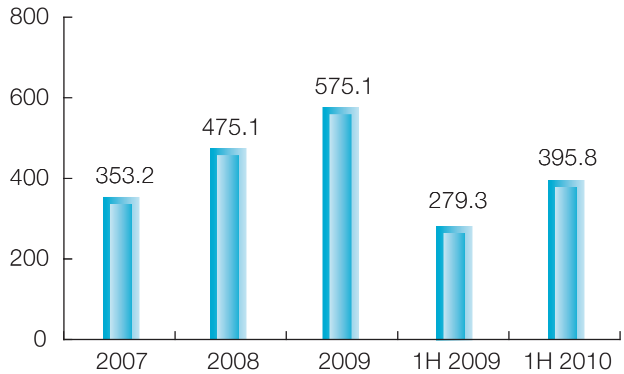
RMB million	**As of 30 June 2010**	As of 31 December 2009	As of 31 December 2008	As of 31 December 2007
Non-current assets	**664.3**	626.9	633.8	572.8
Current assets	**2,973.7**	1,578.5	1,525.4	1,217.7
Current liabilities	**968.6**	1,463.3	1,097.2	926.1
Non-current liabilities	**44.3**	50.1	603.6	583.5
Net assets	**2,625.1**	692.1	458.4	280.9

Financial Highlights

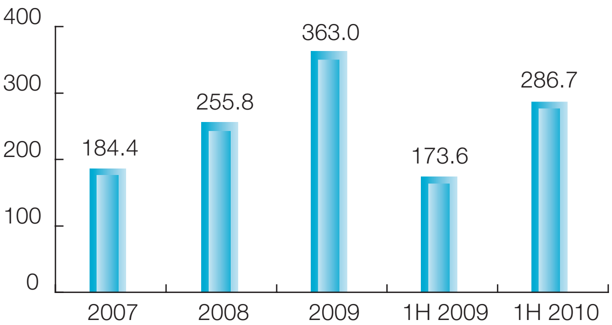
Revenue
RMB million



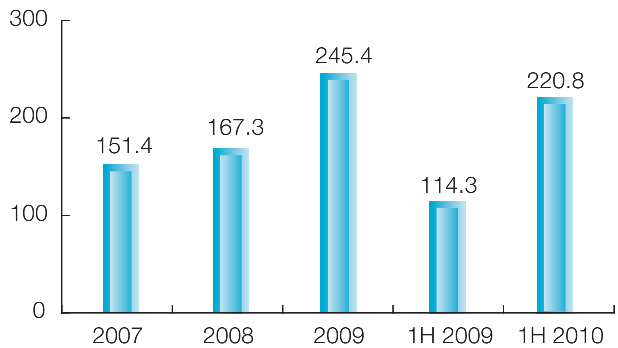
Gross Profit
RMB million



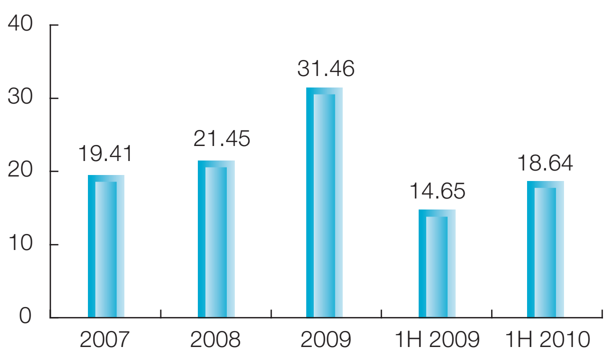
EBITDA , as adjusted
RMB million



Profit attributable to the equity holders of the Company, as adjusted
RMB million



Earnings per share, as adjusted
RMB cent



Note:

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

A Letter from our Chairman and our CEO

We are pleased to report that, through the outstanding efforts of our managers and associates, we continued to deliver impressive results for the first six months of 2010. Compared to the first six months of 2009, our revenue grew 24.6%, including a 41.7% increase in sales of roadheaders, reflecting our strong presence in the continuously expanding coal mining machinery industry. We recently completed a strategic acquisition of a well respected, high quality controls manufacturer which will further strengthen our Company's competitive position, and enhance shareholder value. We believe the outlook for the future is promising. With a great start in 2010, we will take another step closer to reaching our goal of becoming the market leader in providing complete longwall mining solutions. We will continue our efforts to realize the opportunities for continued growth in the coal industry in China and beyond to selected international markets.

Results

For the six months ended 30 June 2010, we achieved remarkable results. Our revenue increased by 24.6% over prior year to RMB926.2 million driven by the strong market demand for our roadheaders, shearers, and armoured-face conveyors. Our gross profit surged by 41.7% over prior year to RMB395.8 million, and perhaps, most impressive, our gross margin improved by 5.1 points over the same period last year, to 42.7%. Compared to the first half of 2009, our adjusted net profit attributable to the equity holders of the Company increased by 93.3% to RMB220.8 million, excluding non-recurring charges related to our recent Global Offering and non-recurring income from the waiver of taxes related to periods prior to the formation of the Company. By excluding these non-recurring items, we are able to give our investors a clearer picture of the impressive earning power of our day to day operations. These adjusted results clearly demonstrate our commitment to growth, cost containment and expanding our customer base.

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 electrical control systems and related components for roadheaders, shearers and armoured-face conveyors. This strategic acquisition enables us to (i) increase shareholder value, (ii) improve gross 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, access new customers, and increase international sales.

Outlook

There are three key growth drivers in the coal and mining machinery industries. Firstly, China's continued steady economic growth will drive higher demand for energy, of which about three-fourths comes from coal, and close to 90% of China's coal is underground, requiring products such as ours to extract it. Secondly, the government's demand for continuous improvement in safety, efficiency, and environmental protection will necessitate more mines to be mechanized. Thirdly, the government's Twelfth Five-Year Plan outlines the development of large-scale coal mines and accelerates industry consolidation by the closure of thousands of small and non-mechanized mines. These, and other, strongly supported government initiatives drive our continued confidence in the long-term fundamentals of the coal and mining machinery industries. We have delivered a solid financial performance for the six months ended 30 June 2010. Going forward, we will continue to focus on expanding our markets, continuously improving our cost structure and maintaining our quest for acquisitions to enhance the value of the Company for our shareholders.

Mr. Thomas H. Quinn
Chairman

Mr. Kee-Kwan Allen Chan
Chief Executive Officer

Hong Kong
30 August 2010

Report of Directors

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

Prospects

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

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

Arrangements to Acquire Shares or Debentures

At no time during the six months ended 30 June 2010 was the Company or any its subsidiaries a party to any arrangements to enable the directors of the Company (the "Directors") to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate entity.

Results and State of Financial Affairs

The Group's profit for the six months ended 30 June 2010 and the state of financial affairs of the Group at that date are set out in the interim condensed consolidated financial statements on pages 26 to 58 of the report.

Interim Dividends

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

Report of Directors

Directors

The Directors of the Company as at the Listing Date and up to the date of this report are as follows:

Executive Directors	
Mr. Thomas H. QUINN *(Chairman)*	(appointed on 12 April 2006 and designated as an executive Director on 24 January 2010, and re-elected as an executive Director on 15 June 2010)
Mr. Kee-Kwan Allen CHAN (陳其坤) *(Chief Executive Officer)*	(appointed on 16 May 2006 and designated as an executive Director on 24 January 2010, and re-elected as an executive Director on 15 June 2010)
Mr. Kwong Ming Pierre TSUI (徐廣明) *(Chief Financial Officer)*	(appointed on 24 January 2010)
Mr. Yinghui WANG (王穎輝)	(appointed on 24 January 2010)
Mr. Youming YE (葉有明)	(appointed on 16 May 2006 and designated as an executive Director on 24 January 2010, and re-elected as an executive Director on 15 June 2010)
Non-executive Directors	
Mr. Rubo LI (李汝波)	(appointed on 16 May 2006 and designated as a non-executive Director on 24 January 2010, and re-elected as a non-executive Director on 15 June 2010)
Mr. John W. JORDAN II	(appointed on 16 May 2006 and designated as a non-executive Director on 24 January 2010, and re-elected as a non-executive Director on 15 June 2010)
Ms. Lisa M. ONDRULA	(appointed on 24 January 2010)
Independent Non-executive Directors	
Dr. Yiming HU (胡奕明)	(appointed on 24 January 2010)
Dr. Xuezheng WANG (王學政)	(appointed on 24 January 2010)
Mr. Zhenduo YUAN (苑振鐸)	(appointed on 24 January 2010)
Dr. Fung Man, Norman WAI (衛鳳文)	(appointed on 24 January 2010)

Mr. David W. Zalaznick resigned as a director of the Company on 14 January 2010.

Report of Directors

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

As at 30 June 2010, the following Directors or chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules:

Name of Director	Number of shares/underlying shares held	Capacity	% of issued shares
Thomas H. Quinn	780,000,000 (long position)[1]	Interest of controlled corporation	60%
John W. Jordan II	780,000,000 (long position)[2]	Interest of controlled corporation	60%
Rubo Li	49,140,000 (long position)	Beneficial owner	3.78%
	49,140,000 (short position)	Beneficial owner	3.78%
Yiming Hu	30,000 (share options and long position)	Beneficial owner	0.002%
Kwong Ming Pierre Tsui	175,000 (share options and long position)	Beneficial owner	0.013%
Fung Man, Norman Wai	30,000 (share options and long position)	Beneficial owner	0.002%
Xuezheng Wang	30,000 (share options and long position)	Beneficial owner	0.002%
Yinghui Wang	150,000 (share options and long position)	Beneficial owner	0.012%
Zhenduo Yuan	30,000 (share options and long position)	Beneficial owner	0.002%

Notes:

1. Mr. Thomas H. Quinn is a Director and at the same time one of the members, among others, of Resolute Fund Partners, LLC. Resolute Fund Partners, LLC is the general partner of The Resolute Fund, L.P., and each of the five parallel funds of The Resolute Fund, L.P., namely, The Resolute Fund SIE L.P., The Resolute Fund Netherlands, PV I, L.P., The Resolute Fund Netherlands, PV II, L.P., The Resolute Fund Singapore PV, L.P. and The Resolute Fund NQP, L.P.. The Resolute Fund, L.P., through the five parallel funds, is interested in the interests of its controlled corporation, TJCC Holdings Ltd., in shares of the Company (the "Shares"). Mr. Thomas H. Quinn was deemed to be interested in the interests of The Resolute Fund, L.P. (through the five parallel funds and TJCC Holdings Ltd.) in the Shares, which represented 780,000,000 Shares or approximately 60% interest in the total issued share capital of the Company. Of the 780,000,000 Shares, 709,800,000 Shares were beneficially owned by TJCC Holdings Ltd. which had a security interest in the remaining 70,200,000 Shares.

2. Mr. John W. Jordan II is a Director and at the same time one of the members, among others, of Resolute Fund Partners, LLC. Resolute Fund Partners, LLC is the general partner of The Resolute Fund, L.P., and each of the 5 parallel funds of The Resolute Fund, L.P., namely, The Resolute Fund SIE L.P., The Resolute Fund Netherlands, PV I, L.P., The Resolute Fund Netherlands, PV II, L.P., The Resolute Fund Singapore PV, L.P. and The Resolute Fund NQP, L.P.. The Resolute Fund, L.P., through the five parallel funds, is interested in the interests of its controlled corporation, TJCC Holdings Ltd., in the Shares. Mr. John W. Jordan II was deemed to be interested in the interests of The Resolute Fund, L.P. (through the five parallel funds and TJCC Holdings Ltd.) in the Shares, which represented 780,000,000 Shares or approximately 60% interest in the total issued share capital of the Company. Of the 780,000,000 Shares, 709,800,000 Shares were beneficially owned by TJCC Holdings Ltd. which had a security interest in the remaining 70,200,000 Shares.

Substantial Shareholders Interests

As at 30 June 2010, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests, representing 5% or more of the Company's issued share capital:

Name of shareholders	Number of shares/underlying shares held	Capacity	% of issued shares
Resolute Fund Partners, LLC	780,000,000 (long position)[1]	Interest of controlled corporation	60%
The Resolute Fund, L.P.	780,000,000 (long position)[2]	Interest of controlled corporation	60%
The Resolute Fund SIE, L.P.	780,000,000 (long position)[3]	Interest of controlled corporation	60%
TJCC Holdings Ltd.	709,800,000 (long position)[4]	Beneficial owner	54.6%
	70,200,000 (long position)	Person having a security interest in shares	5.4%
Government of Singapore Investment Corporation Pte Ltd.	65,302,000 (long position)	Investment Manager	5.02%

Notes:

1. Resolute Fund Partners, LLC is the general partner of The Resolute Fund, L.P., and each of its five parallel funds, namely, The Resolute Fund SIE L.P., The Resolute Fund Netherlands, PV I, L.P., The Resolute Fund Netherlands, PV II, L.P., The Resolute Fund Singapore PV, L.P. and The Resolute Fund NQP, L.P.. Resolute Fund Partners, LLC was deemed to be interested in these Shares through its controlled corporations, The Resolute Fund, L.P. (through its five parallel funds) and TJCC Holdings Ltd.. Mr. Thomas H. Quinn and Mr. John W. Jordan II are members, among others, of Resolute Fund Partners, LLC. Mr. Thomas H. Quinn and Mr. John W. Jordan II are Directors.

2. The Resolute Fund, L.P. (through the interests held by its five parallel funds, namely The Resolute Fund SIE L.P., The Resolute Fund Netherlands, PV I, L.P., The Resolute Fund Netherlands, PV II, L.P., The Resolute Fund Singapore PV, L.P. and The Resolute Fund NQP, L.P.) was deemed to be interested in these Shares through its controlled corporation, TJCC Holdings Ltd., which was interested in 780,000,000 Shares, representing 60% interest in the total issued share capital of the Company. Of the 780,000,000 Shares, 709,800,000 Shares were beneficially owned by TJCC Holdings Ltd. which had a security interest in the remaining 70,200,000 Shares.

3. The Resolute Fund SIE, L.P. was deemed to be interested in these Shares through its directly controlled corporation, TJCC Holdings Ltd., which was interested in 780,000,000 Shares, representing 60% interest in the total issued share capital of our Company. Of the 780,000,000 Shares, 709,800,000 Shares were beneficially owned by TJCC Holdings Ltd. which had a security interest in the remaining 70,200,000 Shares.

4. These Shares were directly held by TJCC Holdings Ltd.

Report of Directors

Share Option Scheme

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

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

(ii) The total number of Shares in respect of which options may be granted under the Share Option Scheme is 130,000,000 Shares, being 10% of the total number of Shares in issue as at 10 February 2010 (the "Listing Date").

(iii) Unless approved by shareholders in a general meeting, no Participant shall be granted an option within the 12-month period up to and including the proposed date on which the grant of an option is made (the "**Grant Date**") if such grant would result in the total number of Shares already issued and which may fall to be issued upon exercise of such option proposed to be granted and all other options already granted and to be granted to him/her under the Share Option Scheme and any other share option scheme(s) of the Group representing in aggregate over 1% of the number of Shares in issue as at the proposed Grant Date.

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

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

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

On 28 April 2010 (the "**Date of Grant**"), the Company granted to certain eligible participants, subject to acceptance by the grantees, a total of 3,120,000 share options to subscribe for ordinary shares of nominal value of HK$0.10 each in the share capital of the Company under the Share Option Scheme. A total of 3,120,000 share options were granted to directors and other employees of the Company pursuant to the Share Option Scheme.

Report of Directors

Movement of the options granted under the Share Option Scheme during the six months ended 30 June 2010 is as follows:

Name of grantee	Date of grant	Date of expiry	Exercise Price (HK$)	Number of underlying shares comprised in the outstanding options as at 1 January 2010	Number of underlying shares comprised in the outstanding options as at the date of grant	Number of underlying shares com prised in the options lapsed or cancelled during the 6 months ended 30 June 2010	Number of underlying shares comprised in the options exercised during the 6 months ended 30 June 2010	Number of underlying shares comprised in the outstanding options as at 30 June 2010
Mr. Kwong Ming Pierre Tsui	28 April 2010	23 January 2020	4.07	–	175,000	–	–	175,000
Mr. Yinghui Wang	28 April 2010	23 January 2020	4.07	–	150,000	–	–	150,000
Dr. Yiming Hu	28 April 2010	23 January 2020	4.07	–	30,000	–	–	30,000
Dr. Xuezheng Wang	28 April 2010	23 January 2020	4.07	–	30,000	–	–	30,000
Mr. Zhenduo Yuan	28 April 2010	23 January 2020	4.07	–	30,000	–	–	30,000
Dr. Fung Man, Norman Wai	28 April 2010	23 January 2020	4.07	–	30,000	–	–	30,000
Other employees	28 April 2010	23 January 2020	4.07	–	2,675,000	–	–	2,675,000

The exercise price of HK$4.07 per share is the highest of (i) the closing price of HK$3.97 per Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the Date of Grant; (ii) the average closing price of HK$4.07 per Share as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of the Shares. The closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets on the date prior to the Date of Grant was HK$4.04 per Share.

Staff Retirement/Pension Scheme Benefits

As stipulated by the laws, orders and regulations of China, the Group participated in various defined contribution retirement plans organized by municipal governments for its staff. Currently, the Group is required to make contributions to the retirement plans at a rate of 20% (2009: 20%) of the salaries, bonuses and certain allowances of its staff. A member of the plan is entitled to a pension, to be paid by the municipal governments, equal to a fixed proportion of the salary prevailing at his retirement date. The Company has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. When the staff leaves the position, the Company is not entitled to recover the contributions paid in respect of their pension scheme benefits.

Report of Directors

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

The Company's shares have been listed on the Main Board of 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 2010.

Other Related-party Transactions

Details of other related-party transactions entered into by the Group during the first half year of 2010, which did not constitute connected transactions under Chapter 14A of the Listing Rules are set out in note 16 to the interim condensed consolidated financial statements.

These related party transactions either did not constitute connected transactions under the Listing Rules or were discontinued prior to the listing of the Company's shares on the Hong Kong Stock Exchange.

Code on Corporate Governance Practices

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

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. The Company has made specific enquiry to all of the Directors, and all of the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the period from the date of listing of the Company's shares and up to 30 June 2010.

Material Legal Proceedings

As at 30 June 2010, the Company was not involved in any material litigation or arbitration and no material litigation or claims were pending or threatened or made against the Company so far as the Company is aware.

Review of Accounts by Audit Committee

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

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

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

Hong Kong
30 August 2010

Management Discussion and Analysis

Market Overview

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

Business Overview

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

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

Management Discussion and Analysis

Acquisition

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

Financial Review

Revenue

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

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

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

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

Management Discussion and Analysis

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

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

Cost of Sales

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

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

Gross Profit and Gross Margin

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

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

Segment Gross Margin	For the six months ended 30 June 2010	2009	Change
Roadheaders	**48.7%**	44.5%	4.2pts
Shearers	**34.1%**	31.0%	3.1pts
Armoured-face conveyors and related products	**29.9%**	26.2%	3.7pts
Consolidated	**42.7%**	37.6%	5.1pts

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

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

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

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

Other Income and Gains

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

Management Discussion and Analysis

Selling and Distribution Costs

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

Administrative Expenses

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

Other Expenses

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

Income Tax

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

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

Net Profit Attributable to the Equity Holders of the Company

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

Management Discussion and Analysis

EBITDA

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

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

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

Liquidity and Capital Resources

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

Management Discussion and Analysis

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

Cash Flow

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

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

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

Asset Structure

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

Liabilities

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

Management Discussion and Analysis

Turnover Days

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

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

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

Contingent Liabilities

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

Off-balance Sheet Transactions

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

Capital Expenditure and Commitment

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

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

Foreign Exchange Rate Risk

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

Employee Remuneration and Benefit

As of 30 June 2010, the Group had 3,486 employees as compared to 3,397 as at 31 December 2009. All members of our work force are employed under employment contracts which specify the employee's position, responsibilities, remuneration and grounds for termination pursuant to China Labor Law and relevant regulations. Our employees are selected through a competitive process.

Management Discussion and Analysis

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

	As of 30 June 2010	
	Number	% of total
Manufacturing personnel	2,275	65.3
Technical personnel (including R&D)	352	10.1
Sales and marketing personnel	308	8.8
Administrative personnel	249	7.1
Procurement personnel	131	3.8
Financial personnel	63	1.8
Others	108	3.1
Total employees	3,486	100.0

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

The remuneration package for our employees generally includes salaries and bonuses. We conduct periodic performance reviews for all of our employees and their salaries and provide our employees with performance-based bonuses. Employees also receive welfare benefits, including medical care, housing subsidies, retirement, occupational injury insurance and other miscellaneous benefits as required by the laws of China. In addition, we contribute to various pension funds organized by municipal and provincial governments for our employees in compliance with applicable laws and regulations. In addition, the Company has adopted the Share Option Scheme as an incentive for directors and eligible employees. Details of the scheme are set out in Director's Report and note 17 to the financial statements.

Charges on Assets

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

Social Responsibilities

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

Report on Review of Interim Condensed Consolidated Financial Statements

ERNST & YOUNG
安 永

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

Introduction

We have reviewed the accompanying interim condensed financial consolidated statements of International Mining Machinery Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 27 to 58, which comprise the interim consolidated statement of financial position as at 30 June 2010 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of interim financial statements to be in compliance with the relevant provisions thereof and International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") issued by International Accounting Standards Board. The Directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

30 August 2010

Interim Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 Unaudited RMB'000	2009 Unaudited RMB'000
Revenue	5	926,203	743,244
Cost of sales		(530,381)	(463,953)
Gross profit		395,822	279,291
Other income and gains	5	39,813	772
Selling and distribution costs		(67,230)	(50,233)
Administrative expenses		(146,480)	(76,526)
Other expenses		(35,749)	(4,921)
Finance revenue	6	93	8,738
Finance costs	6	(5,769)	(9,027)
Share of (loss)/profit of associates		(373)	34
Profit before tax	7	180,127	148,128
Income tax expense	8	(34,972)	(31,349)
Profit for the period		145,155	116,779
Attributable to:			
Equity holders of the Company		145,229	114,269
Non-controlling interests		(74)	2,510
		145,155	116,779
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	10	12.26 cents	14.65 cents

Details of the dividends proposed for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

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

Interim Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	335,582	292,657
Land use rights		137,297	141,194
Goodwill		101,203	101,203
Other intangible assets		26,003	33,640
Investment in associates		20,696	21,069
Available-for-sale investments		15,000	7,500
Deferred tax assets		9,546	7,654
Prepayments, deposits and other receivables		18,982	21,996
		664,309	626,913
CURRENT ASSETS			
Inventories		398,649	310,213
Trade and bills receivables	12	1,255,171	1,046,156
Prepayment, deposits and other receivables		122,539	112,914
Cash and cash equivalents		1,197,318	73,520
Amounts due from related parties		–	35,723
		2,973,677	1,578,526
CURRENT LIABILITIES			
Interest-bearing loans	13	231,670	304,994
Trade payables	14	437,596	352,977
Other payables and accruals		242,011	319,692
Tax payable		57,297	57,120
Amounts due to shareholders		–	143
Amounts due to related parties		–	25,000
Preference shares		–	403,397
		968,574	1,463,323
NET CURRENT ASSETS		2,005,103	115,203

Interim Consolidated Statement of Financial Position

30 June 2010

	Notes	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,669,412**	742,116
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**44,270**	50,064
NET ASSETS		**2,625,142**	692,052
EQUITY			
Equity attributable to equity holders of the Company:			
Ordinary share capital	15	**114,270**	80
Reserves		**2,510,872**	668,663
		2,625,142	668,743
Non-controlling interests		**–**	23,309
TOTAL EQUITY		**2,625,142**	692,052

Mr. Kee-Kwan Allen Chan
Director

Mr. Kwong Ming Pierre Tsui
Director

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributed to equity holders of the Company									
	Ordinary share capital RMB'000	Share premium account RMB'000	Statutory reserve fund RMB'000	Share option reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Retained earnings RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2008 and 1 January 2009	78	7,723	25,982	–	–	336,004	69,444	439,231	19,191	458,422
Total comprehensive income for the period	–	–	–	–	–	114,269	183	114,452	2,510	116,962
As at 30 June 2009	78	7,723	25,982	–	–	450,273	69,627	553,683	21,701	575,384
As at 31 December 2009 and 1 January 2010	80	7,937	25,982	–	–	564,730	70,014	668,743	23,309	692,052
Repurchase of old shares	(80)	80	–	–	–	–	–	–	–	–
Issue of shares	45,708	2,184,835	–	–	–	–	–	2,230,543	–	2,230,543
Share issue expenses	–	(101,161)	–	–	–	–	–	(101,161)	–	(101,161)
Capitalisation of share premium account	68,562	(68,562)	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	145,229	(10,160)	135,069	(74)	134,995
Equity-settled share option arrangements	–	–	–	376	–	–	–	376	–	376
Dividends	–	–	–	–	–	(280,263)	–	(280,263)	–	(280,263)
Acquisition of non-controlling interests	–	–	–	–	(28,165)	–	–	(28,165)	(23,235)	(51,400)
As at 30 June 2010	114,270	2,023,129	25,982	376	(28,165)	429,696	59,854	2,625,142	–	2,625,142

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June 2010 Unaudited RMB'000	2009 Unaudited RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		180,127	148,128
Adjustments for:			
Depreciation of items of property, plant and equipment	7	15,936	15,909
Amortisation of land use rights	7	1,736	1,681
Amortisation of other intangible assets	7	7,637	7,637
(Gain)/loss on disposal of items of property, plant and equipment	7	(500)	1,030
Gain on disposal of land use rights	7	(5,010)	–
Reversal of inventories to net realisable value	7	(1,921)	(13,699)
Provision for impairment of trade receivables	7	2,220	–
Equity-settled share option expense	7	376	–
Finance costs	6	5,769	9,027
Finance revenue	6	(93)	(8,738)
Share of loss/(profit) of associates		373	(34)
		206,650	160,941
Increase in trade and bills receivables		(200,343)	(313,589)
(Increase)/decrease in prepayments, deposits and other receivables		(9,625)	15,474
(Increase)/decrease in inventories		(86,515)	48,095
Increase in trade payables		84,619	57,234
Decrease in other payables and accruals		(109,087)	(39,156)
Increase in amount due to the holding company		–	27,282
(Decrease)/increase in amounts due to related parties and shareholders		(11,643)	10,073
		(125,944)	(33,646)
Income tax paid		(42,481)	(43,732)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(168,425)	(77,378)

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 Unaudited RMB'000	2009 Unaudited RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	(56,144)	(6,560)
Purchase of land use rights	–	(2,553)
Proceeds from disposal of items of property, plant and equipment	798	1,854
Proceeds from disposal of land use rights	7,171	–
Acquisition of non-controlling interests	(25,000)	–
Capital contribution of available-for-sale investments	(7,500)	–
Decrease/(increase) in amounts due from related parties	11,331	(33,606)
Interest received	93	68
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(69,251)	(40,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	2,129,382	–
Proceeds from paid-up preference shares	–	26,291
Repurchase of preference shares	(403,397)	–
New bank loans	78,799	159,539
Repayment of bank loans	(152,123)	(84,927)
Dividend paid	(280,263)	–
Interest paid	(5,769)	(3,822)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,366,629	97,081
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,128,953	(21,094)
Cash and cash equivalents at beginning of period	73,520	80,933
Effect of foreign exchange rate changes, net	(5,155)	(1)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,197,318	59,838

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

1. Corporate Information

The Company was incorporated in the Cayman Islands on 12 April 2006 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group is principally engaged in the manufacture and sale of mining machinery in Mainland China. The registered office of the Company is located at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands.

In the opinion of the Directors, the Company's holding company is TJCC Holdings Ltd., which was incorporated in the Cayman Islands. TJCC Holdings Ltd.'s controlling shareholder is The Resolute Fund L.P., which was a limited partnership, established under the laws of the British Virgin Islands. The Jordan Company, which was incorporated in United States, manages The Resolute Fund, L.P.

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

2. Basis of Preparation

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

3. Significant Accounting Policies

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

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Operating Segment Information

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

(a) Roadheader products and aftermarket parts and services

Engaged in the design, manufacture and sale of roadheader products and 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 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 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.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Operating Segment Information (Continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and 2009:

Six months ended 30 June 2010 (unaudited)	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	Total RMB'000
Segment revenue:				
Sales to external customers	584,025	220,122	122,056	926,203
Intersegment sales	–	94	–	94
	584,025	220,216	122,056	926,297
Reconciliation:				
Elimination of intersegment sales				(94)
Total Revenue				926,203
Segment results	224,055	58,133	12,052	294,240
Reconciliation:				
Finance revenue				1
Corporate and other unallocated expenses*				(114,114)
Profit before tax				180,127

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2010 (unaudited)	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	Total RMB'000
Other segment information:				
Share of loss of associates	(250)	(123)	–	(373)
Research and development costs	7,371	4,813	984	13,168
Depreciation of items of property, plant and equipment	6,734	7,841	1,321	15,896
Reconciliation:				
Corporate and other unallocated depreciation				40
Total depreciation				15,936
Amortisation of land use rights	775	777	184	1,736
Amortisation of other intangible assets	4,952	991	1,694	7,637
Impairment of trade receivables	–	2,220	–	2,220
Reversal of write down of inventories to net realisable value	–	(1,921)	–	(1,921)
Product warranty provision	4,462	3,523	1,757	9,742
Gain on disposal of items of property, plant and equipment	–	(500)	–	(500)
Gain on disposal of land use rights	–	(5,010)	–	(5,010)
Capital expenditure**	2,049	3,532	52,908	58,489
Reconciliation:				
Corporate and other unallocated expenditure				670
Total capital expenditure				59,159

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Operating Segment Information (Continued)

Six months ended 30 June 2009 (unaudited)	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	Total RMB'000
Segment revenue:				
Sales to external customers	412,072	187,032	144,140	743,244
Intersegment sales	76	–	–	76
	412,148	187,032	144,140	743,320
Reconciliation:				
Elimination of intersegment sales				(76)
Total revenue				743,244
Segment results	129,173	9,142	17,484	155,799
Reconciliation:				
Finance revenue				8,678
Corporate and other unallocated expenses*				(11,144)
Finance costs				(5,205)
Profit before tax				148,128
Other segment information:				
Share of profit/(loss) of associates	180	(146)	–	34
Research and development costs	7,071	7,458	796	15,325
Depreciation of items of property, plant and equipment	6,014	8,395	1,500	15,909
Amortisation of land use rights	775	787	119	1,681
Amortisation of other intangible assets	4,952	991	1,694	7,637
Write-down/(reversal of write down) of inventories to net realisable value	2,561	(16,260)	–	(13,699)
Product warranty provision	2,182	3,126	2,211	7,519
(Gain)/loss on disposal of items of property, plant and equipment	(88)	1,118	–	1,030
Capital expenditure**	1,602	2,623	956	5,181

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Operating Segment Information (Continued)

The following table compares the total segment assets and liabilities as at 30 June 2010 and as at the date of the last annual financial statements (31 December 2009).

30 June 2010 (unaudited)	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	Total RMB'000
Segment assets	1,517,770	790,127	378,790	2,686,687
Reconciliation:				
Elimination of intersegment receivables				(94,487)
Corporate and other unallocated assets				1,045,786
Total assets				3,637,986
Segment liabilities	409,820	500,367	159,688	1,069,875
Reconciliation:				
Elimination of intersegment payables				(94,487)
Corporate and other unallocated liabilities				37,456
Total liabilities				1,012,844

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Operating Segment Information (Continued)

31 December 2009 (audited)	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	Total RMB'000
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

* 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 during the period.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

4. Operating Segment Information (Continued)

Information about major customers

During the six months ended 30 June 2010, the Group had 3 customers with revenues of RMB167,976,000, RMB135,588,000 and RMB95,535,000 respectively, which individually accounted for more than 10% of the Group's total revenue during the period.

During the six months ended 30 June 2009, the Group had 2 customers with revenues of RMB119,732,000 and RMB99,728,000 respectively, which individually accounted for more than 10% of the Group's total revenue during the period.

5. Revenue, Other Income and Gains

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

6. Finance Revenue and Finance Costs

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

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

7. Profit Before Tax

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

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Cost of inventories sold	**529,018**	457,636
Cost of services provided	**1,363**	6,317
Employee benefits expense including Directors' remuneration:		
– Wages and salaries	**71,583**	63,241
– Pension scheme contributions	**9,464**	8,931
– Founder participation rights payment	**33,198**	–
– Equity-settled share option expense	**376**	–
	114,621	72,172

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

7. Profit Before Tax (Continued)

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Research and development costs	**13,168**	15,325
Auditors' remuneration	**1,940**	1,215
Depreciation of items of property, plant and equipment	**15,936**	15,909
Amortisation of land use rights	**1,736**	1,681
Amortisation of other intangible assets	**7,637**	7,637
Impairment of trade receivables	**2,220**	–
Minimum lease payments under operating lease	**2,432**	1,953
Reversal of write down of inventories to net realisable value	**(1,921)**	(13,699)
Product warranty provision	**9,742**	7,519
(Gain)/loss on disposal of items of property, plant and equipment	**(500)**	1,030
Gain on disposal of land use rights	**(5,010)**	–
Fee for early termination of TJCC Services Ltd. ("TJCC Services") management consulting agreement	**68,344**	–

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

8. Income Tax Expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the relevant periods.

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

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

Major components of income tax are as follows:

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

9. Dividends

(a) Dividends attributable to the interim period

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

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

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

10. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

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

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2010 includes the 520,000,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange on 10 February 2010.

The Company did not have any potential diluted shares throughout the six months ended 30 June 2010 and 2009. Accordingly, diluted earnings per share amounts are the same as basic earnings per share amounts.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

11. Property, Plant and Equipment

During the six months ended 30 June 2010, the Group acquired property, plant and equipment with a cost of RMB59,159,000 (six months ended 30 June 2009: RMB5,181,000).

During the six months ended 30 June 2010, depreciation for property, plant and equipment was RMB15,936,000 (six months ended 30 June 2009: RMB15,909,000).

During the six-month period ended 30 June 2010, property, plant and equipment with a net book value of RMB298,000 (six months ended 30 June 2009: RMB2,884,000) were disposed of by the Group resulting in a net gain on disposal of RMB500,000 (six months ended 30 June 2009: net loss of RMB1,030,000).

The Group's buildings, plant and machinery with a net book value of RMB50,735,000 at 30 June 2010 (31 December 2009: RMB99,939,000) were pledged to banks as security for the bank loans.

As at 30 June 2010, the Group has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with carrying amount of RMB1,454,000 (31 December 2009:RMB1,541,000). Until the receipt of the certificates, the Group has no right to assign or pledge these buildings.

12. Trade and Bills Receivables

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

12. Trade and Bills Receivables (Continued)

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

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

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

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

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
At beginning of period/year	14,895	12,447
Impairment of trade receivables (Note 7)	2,220	2,448
Amounts written off as uncollectible	(241)	–
At end of period/year	16,874	14,895

The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables that are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The bills receivable all mature within 180 days from the end of the reporting date.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

12. Trade and Bills Receivables (Continued)

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

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

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

13. Interest-Bearing Loans

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Bank loans:		
Secured	231,670	304,994
The bank loans bearing interest at rates per annum in the range of	2.60% to 5.31%	1.53% to 5.84%

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

14. Trade Payables

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

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

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

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

15. Ordinary Share Capital

	Notes	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Authorised	(i)	5,000,000,000 shares of HKD0.1 each	2,500 shares of USD10 each
Issued and fully paid		114,270	80

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

	Notes	Number of ordinary shares	Nominal value RMB'000
Issued and fully paid:			
As at 1 January 2010		1,000	80
Repurchase of old shares	(i)	(1,000)	(80)
Issue 10,000 shares at HKD0.1 to old shareholders	(i)	10,000	–
Capitalisation of share premium account	(ii)	779,990,000	68,562
Issue of new shares	(iii)	520,000,000	45,708
As at 30 June 2010		1,300,000,000	114,270

Notes:

(i) Pursuant to the written resolutions of the shareholders passed on 24 January 2010, the Company increased its authorised share capital to HKD500,000,000 divided into 5,000,000,000 ordinary shares of HKD0.10 each and 10,000 shares were allotted and issued to the existing shareholders whose names appear on the register of members of the Company at the close of business on 24 January 2010 (the "Existing Shareholders") in proportion to their existing shareholdings in exchange for the 1,000 issued ordinary shares with a nominal value of USD10 each held by them and the authorised but unissued 1,500 ordinary shares with a nominal value of USD10 each were cancelled.

(ii) Pursuant to the written resolution of shareholders of the Company passed on 24 January 2010, conditional on the share premium account of the Company being credited pursuant to the listing of the Company's shares, the Company capitalised HKD77,999,000 standing to the credit of the share premium account of the Company to pay up in full 779,990,000 new ordinary shares of HKD0.1 each for allotment and issue to the Existing Shareholders of the Company.

(iii) In connection with the Company's initial public offering, 520,000,000 new shares of HKD0.1 each were issued at a price of HKD4.88 per share for a total cash consideration, before expenses, of approximately HKD2,537,600,000 (equivalent to approximately RMB2,230,543,000) on 10 February 2010.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

16. Related Party Transactions

(a) The Group had the following material transactions with related parties:

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Nature of transactions		
Consulting fee		
Rubo Li a/k/a John Lee (Note i)	**859**	1,538
Emory Williams (Note i)	**–**	6
	859	1,544
Sales of goods		
Huainan Benniu Machinery Co. Ltd. ("Benniu") (Note ii)	**–**	14,266
Sales commission		
Benniu (Note ii)	**–**	3,125
Purchases of raw materials		
Benniu (Note ii)	**–**	101
Operating lease of office buildings		
Benniu (Note ii)	**153**	1,500

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

16. Related Party Transactions (Continued)

(a) (Continued)

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Nature of transactions (Continued)		
Interest Income		
TJCC Services (Note iii & v)	**–**	3,489
International Mining Machinery Siwei Holdings Ltd. ("HK Siwei") (Note iv & v)	**–**	4,754
Rubo Li a/k/a John Lee (Note vi)	**–**	435
	–	8,678
Loan provided to related parties		
TJCC Services (Note iii & v)	**–**	23,887
Loan received from a holding company		
TJCC Holdings Ltd. (Note vii)	**–**	27,289
Interest expense		
TJCC Holdings Ltd. (Note vii)	**–**	5,205
Management fee		
TJCC Services (Note iii, viii)	**68,344**	8,542
Founder participation rights payment		
Rubo Li a/k/a John Lee (Note x)	**23,239**	–
Emory Williams (Note x)	**9,959**	–
	33,198	–
Guarantee of loan provided by shareholders		
Williams Realty Co., LLC, Rubo Li a/k/a John Lee and Emory Williams (Note ix)	**–**	118,834

16. Related Party Transactions (Continued)

(a) (Continued)

Notes:

(i) According to the consulting agreement entered between Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams, respectively and the Company, the Company agreed to pay a consulting service fee to Mr. Rubo Li a/k/a John Lee and Mr. Emory Williams who are acting as the shareholders and Directors of the Company, for rendering consulting services to the Company. Mr. Emory Williams has resigned as a Director of the Company on 4 December 2009.

(ii) The price and terms of the referenced transactions were mutually agreed by both parties. On 19 January 2010, the Group acquired the remaining 25% equity interest in Huainan Longwall Coal Mining Machinery Co., Ltd ("Huainan Longwall") from Benniu for a purchase consideration of RMB51,400,000. Since then, Huainan Longwall became a wholly-owned subsidiary of the Group and Benniu ceased to be a related party of the Group.

(iii) TJCC Services share common directors with the Company, being Mr. Youming Ye and Mr. Kee-Kwan Allen Chan.

(iv) HK Siwei is wholly-owned by Mining Machinery Limited. Mining Machinery Limited is beneficially owned as to 78.63% by Mr. Rubo Li a/k/a John Lee and his relatives and 21.37% by Mr. Emory Williams, his spouse and relatives. Mr. Rubo Li is a shareholder and director of the Company and Mr. Emory Williams is a shareholder and former director of the Company.

(v) The loans provided to the related parties are unsecured, bear interest at a rate of 8% per annum and are repayable on demand. On 31 December 2009, these loans were assigned to TJCC Holdings Ltd. according to an agreement signed between TJCC Holdings Ltd. and the Company.

(vi) The loan provided in year 2007 is secured by the pledge of the shares of the Company held by Mr. Rubo Li a/k/a John Lee. The loan bears interest at a rate of 5% per annum and is repayable on demand. On 31 December 2009, the loan and pledge were assigned to TJCC Holdings Ltd. according to an agreement signed between TJCC Holdings Ltd. and the Company.

(vii) The loans provided by the holding company, TJCC Holdings Ltd., are unsecured, bear interest at a rate of 8% per annum and are repayable on demand. On 31 December 2009, the loans provided by the holding company were offset by the assignments of loans and related interest due from Rubo Li a/k/a John Lee, HK Siwei, Mr. Emory Williams, Williams Realty Co., LLC and TJCC Services.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

16. Related Party Transactions (Continued)

(a) (Continued)

Notes: (Continued)

(viii) According to the management consulting agreement entered between TJCC Services and the Group, the Group agreed to pay a consulting service fee to TJCC Services for rendering consulting services on corporate affairs. On 31 December 2009, the management fee payable was used to offset a portion of the loan due from TJCC Services. The management consulting agreement was terminated on 31 December 2009.

In connection with the application for listing, TJCC Services has provided services outside its ordinary course of business to the Company, such as advising on the structure of the Hong Kong public offering and the international offering (the "Global Offering") and the reorganization. As a one-off compensation for a) these extraordinary services and b) for terminating the management consulting arrangement seven years early, the Group paid TJCC Services a Transaction and Termination Fee of USD10 million (equivalent to approximately RMB68.3 million) upon completion of the Global Offering.

(ix) Loans provided to HK Siwei are guaranteed by the pledge of the shares of the Company held by Mr. Rubo Li a/k/a John Lee, Mr. Emory Williams and Williams Realty Co., LLC, who hold 63 shares, 13.5 shares and 13.5 shares respectively in the Company. On 31 December 2009, the loan and pledge were assigned to TJCC Holdings Ltd. according to an agreement signed between TJCC Holdings Ltd. and the Company.

(x) According to a founder participation agreement entered between the Company, Mr Rubo Li and Mr Emory Williams (who Mr. Rubo Li is a shareholder and director of the Company and Mr. Emory Williams is a shareholder and former director of the Company) on 16 May 2006, both Mr. Rubo Li and Mr. Emory Williams are entitled to participate in certain agreed respects in the proceeds available for distribution by the Company to the holders of preference shares based on a prescribed formula as stipulated in the founders participation agreement. The prescribed formula required a payment of USD4.86 million (equivalent to RMB33.2 million) which is a payment directly associated with the full repurchase of preference shares by the Company upon the completion of the Global Offering.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

16. Related Party Transactions (Continued)

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

	For the six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	RMB'000	RMB'000
Basic salaries and other benefits	**8,919**	10,854
Retirement benefit scheme contributions	**41**	46
Founder participation rights payment	**23,239**	–
Equity-settled share option expense	**139**	–
	32,338	10,900

17. Share Option Scheme

On 28 April 2010, 3,120,000 share options were granted to directors and other employees under the Share Option Scheme adopted by the Company on 24 January 2010. The exercise price of the options of HKD4.07 per share was the highest of: (i) the closing price of HKD3.97 per share as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of HKD4.07 per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares. Each share option has a total life of option of 10 years with 20% vesting on 28 April 2011, 20% vesting on 28 April 2012, 20% vesting on 28 April 2013, 20% vesting on 28 April 2014 and the remaining 20% vesting on 28 April 2015. The fair value of the options granted is estimated at the date of grant using a binomial option pricing model, taking into accounts the terms and conditions upon which the options were granted. There is no cash settlement of the options. The fair value of options granted during the six months ended 30 June 2010 was estimated on the date of grant using the following assumptions:

Dividend yield (%)	1.5
Expected volatility (%)	53
Risk-free interest rate (%)	2.89
Expected life (year)	9.75

A share-based payment transactions expense of HKD429,000 (equivalent to approximately RMB376,000) as a result of the current period transactions has been recognised in the income statement for the six months ended 30 June 2010.

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

18. Operating Lease Arrangements

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to four years.

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

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Within a year	147	2,072
In the second to fifth years, inclusive	–	–
	147	2,072

19. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2010 Unaudited RMB'000	31 December 2009 Audited RMB'000
Contracted, but not provided for:		
– Plant and machinery	46,192	74,847

20. Events after the Reporting Period

On 15 July 2010, the Company entered into a share purchase agreement with Mr. Deng Kefei, Mr. Deng Kelong, Mr. Ma Fuqian and Mr. Wang Dongxing in relation to an acquisition of an aggregate of 100% equity interest in Qingdao Tianxun Electric Co., Ltd. ("Qingdao Tianxun") for a total consideration of RMB500,000,000 plus RMB38,929,239, which represents an amount equal to the unaudited net profit of Qingdao Tianxun for the six months ended 30 June 2010, subject to adjustment (if any).

21. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2010.

国际煤机集团
INTERNATIONAL MINING MACHINERY