
REORGANISATION

OVERVIEW

We are undertaking a number of steps as part of our Reorganisation to settle all historical related party transactions and to repurchase the outstanding preferred shares. These steps include:

- (i) repurchase of all outstanding preferred shares held by our controlling shareholder, TJCC Holdings;
- (ii) settlement of all related party transactions and amounts payable and receivable in respect of such related party transactions, except the consulting arrangement with Mr. Rubo Li;
- (iii) payment of US\$10.0 million (equivalent to approximately HK\$77.5 million), being the TJCC Services Transaction and Termination Fee (as defined below) to TJCC Services for (a) its extra services provided in advising us on the Reorganisation in connection with the Global Offering, and (b) as compensation for terminating the Management Consulting Agreement seven years early; and
- (iv) payment of the Contingent Dividend to the Pre-IPO Ordinary Shareholders, such payment to be paid after completion of the audit of the financial results of the Company for the year ended 31 December 2009.

PREFERRED SHARES

In 2006, to finance our acquisition of Jiamusi Machinery and Jixi Machinery, we issued preferred shares to TJCC Holdings for a total purchase price of US\$64.0 million (equivalent to approximately HK\$496.1 million). In 2007, we issued additional preferred shares to TJCC Holdings with a total purchase price of US\$38.5 million (equivalent to approximately HK\$298.4 million), of which US\$14.6 million (equivalent to approximately HK\$113.2 million) were committed but unpaid as of 31 July 2009 and which were subsequently fully paid up on 18 December 2009. Holders of our preferred shares are entitled to cumulative dividends compounded semi-annually at an annual rate of 10.0% per year upon declaration of such dividends by our Board. No dividends have been declared on such preferred shares, and our Board will not declare any dividends on the preferred shares prior to or in connection with the Global Offering. As part of the Reorganisation, we and TJCC Holdings have agreed that all the preferred shares would be repurchased by us at their initial purchase price in an aggregate sum of US\$102.5 million (equivalent to approximately HK\$794.5 million).

REORGANISATION

TJCC Holdings is the only holder of our preferred shares. Messrs. Rubo Li and Emory Williams do not hold any of our preferred shares. However, in the event of a redemption, repurchase of or distribution on such preferred shares, Messrs. Rubo Li and Emory Williams, pursuant to a Founder Participation Agreement dated 16 May 2006, are entitled to participate on an as-if basis in receiving a “founder participation” on a portion of the purchase price of the preferred shares plus any dividends declared on such portion of the purchase price.⁽¹⁾ Messrs. Li and Williams were involved in our original formation, our acquisitions of Jiamusi Machinery and Jixi Machinery as well as our business development, working closely with The Jordan Company, L.P. and The Resolute Fund, L.P. The Founder Participation Agreement was part of the negotiated deal with Messrs. Li and Williams at the time and the amount of their “founder participation” was meant to reflect their 9.0% interest in the ordinary shares, which is within the typical range of 5.0 to 15.0% equity participation provided by The Jordan Company, L.P. to start-up entrepreneurs and management business partners so as to align the equity incentives and orientation of all parties.

Prior to the Global Offering and as part of the Reorganisation, we repurchased an aggregate of approximately US\$43.4 million (equivalent to approximately HK\$336.4 million) of the preferred shares and will repurchase the balance of the preferred shares of approximately US\$59.1 million (equivalent to approximately HK\$458.1 million) upon completion of the Global Offering.

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- (1) Pursuant to a Founder Participation Agreement entered into between the Company, Mr. Rubo Li and Mr. Emory Williams on 16 May 2006, Mr. Rubo Li, Mr. Emory Williams and Williams Realty could participate in certain agreed respects in the proceeds available for distribution by the Company to the holders of preferred shares of par value of US\$10.00 per share (equivalent to approximately HK\$77.5) of the Company, upon the redemption of the preferred shares of the Company and other specified events based on prescribed formula. Details of the formula in determining the amounts payable (i.e. US\$4.86 million or approximately HK\$37.7 million) to Messrs. Rubo Li and Emory Williams under the Founder Participation Agreement are set out as follows:
- (i) if the preferred shares are redeemed or repurchased, following (1) payment in full of all indebtedness, obligations and liabilities of the Company (i.e. for the purpose of the repurchase as part of the Reorganisation, these include the intercompany loans and accrued interest payable to TJCC Holdings, outstanding management fees payable to TJCC Services and TJCC Services Transaction and Termination Fee payable by the Company as of 31 December 2009. See “Reorganisation Steps” below in the “Reorganisation” section.), including any transaction fees and expenses in connection therewith and (2) payment in full of the initial US\$54.0 million (equivalent to approximately HK\$418.5 million) of the initial subscription price or face value of the preferred shares (the “Preferred Shares Participation Face Amount”) but not including any preferred dividends in respect of such preferred shares (the “Preferred Dividend Participation Amount”), Mr. Rubo Li and Mr. Emory Williams shall be entitled to receive an aggregate amount equal to 9.0% of the Preferred Shares Participation Face Amount (i.e. US\$4.86 million or approximately HK\$37.7 million), to be paid concurrently as and when the Preferred Shares Participation Face Amount is being paid (the “Founder Initial Participation Amount”); and
 - (ii) if dividends have been declared by our board in respect of the preferred shares, following payment of the Founder Initial Participation Amount and payment of the Preferred Dividend Participation Amount, Messrs. Rubo Li and Emory Williams would be entitled to receive an aggregate amount equal to 9.0% of the Preferred Dividend Participation Amount, to be paid concurrently as and when the Preferred Dividend Participation Amount is paid. Our Board will not declare any dividends on the preferred shares; therefore, Messrs. Li and Williams will not receive any Preferred Dividend Participation Amount. The preferred shares shall be purchased upon a negotiated purchase basis, and not a redemption. Messrs. Li and Williams have agreed to the foregoing.

HISTORICAL RELATED PARTY TRANSACTIONS

Loans to Messrs. Rubo Li and Emory Williams and Their Respective Related Parties

(a) Loans to HK Siwei

In 2006 and 2007, we and The Jordan Company, L.P. entered into extensive negotiations in connection with a potential acquisition of HK Siwei, which wholly owns Zhengzhou Siwei, a hydraulic roof support products manufacturer. HK Siwei is wholly owned by Mining Machinery Limited, an investment holding company incorporated in Mauritius, of which the sole registered shareholder is Mr. Emory Williams. In contemplation of the proposed acquisition of HK Siwei, we extended loans in the principal amount of approximately US\$17.4 million (equivalent to approximately HK\$134.9 million) to HK Siwei. Such loans bear interest at a rate of 8.0% per annum. As of 31 December 2009, HK Siwei owed us approximately US\$19.9 million (equivalent to approximately HK\$154.2 million) including US\$17.4 million (equivalent to approximately HK\$134.9 million) in principal and US\$2.5 million (equivalent to approximately HK\$19.4 million) in accrued and unpaid interest. Negotiation on the proposed acquisition of HK Siwei is currently suspended due to different views on valuation and other terms of any proposed acquisition by us of HK Siwei. As of the Latest Practicable Date, we have no plans to acquire HK Siwei. As part of the Reorganisation, the entire loans to HK Siwei together with interest accrued have been transferred to TJCC Holdings to cancel the same amount of loans due from us to TJCC Holdings. See step (v) in “— Reorganisation Steps” below.

According to the announcement dated 20 November 2009 made by ERA Holdings Global Limited (“ERA Holdings”) (Stock Code: 8043), a company whose shares are listed on the GEM Board of Hong Kong Stock Exchange, relating to the proposed acquisition by ERA Holdings of the entire equity interest in HK Siwei from Mining Machinery Limited, Mining Machinery Limited is beneficially owned as to 21.38% by Mr. Emory Williams, his spouse and relatives, as to 52.95% by Mr. Rubo Li, his spouse and relatives, as to 19.67% by management of Zhengzhou Siwei, and as to 6.00% by three individuals who are independent from the other shareholders of Mining Machinery Limited.

(b) Loans to Mr. Rubo Li

On 16 May 2006, Mr. Rubo Li subscribed for 63 ordinary shares in our Company nil paid. In connection with the potential acquisition of HK Siwei, we extended loans of US\$2.565 million (equivalent to approximately HK\$19.9 million) to Mr. Rubo Li on 12 February 2007, part of which was used to pay off the outstanding purchase price of the 63 ordinary shares. Such loans were secured by a share pledge of the 63 ordinary shares held by Mr. Rubo Li in our Company. Such loans bear interest at a rate of 5.0% per annum. Upon the happening of an event of default, interest on the loans shall accrue at a rate of 7.0% per annum. As of 31 December 2009, Mr. Rubo Li was estimated to owe us approximately US\$2.9 million (equivalent to approximately HK\$22.5 million) including US\$2.565 million (equivalent to approximately HK\$19.9 million) in principal and US\$0.370 million (equivalent to approximately HK\$2.9 million) in accrued and unpaid interest. As part of the Reorganisation, such loans together with the outstanding interest have been transferred and assigned to TJCC Holdings to cancel an equivalent amount of loans due from our Company to TJCC Holdings. Upon completion of the assignment, no further sum is due and owed by Mr. Rubo Li to the Company. See step (v) in “— Reorganisation Steps” below.

REORGANISATION

(c) Loan to Mr. Emory Williams

We have advanced a loan to Mr. Emory Williams (a former Director who resigned on 4 December 2009) in the principal sum of US\$13,500 (equivalent to approximately HK\$104,635.8) pursuant to a promissory note dated 16 May 2006 in connection with the purchase by Mr. Emory Williams of 13.5 ordinary shares of our Company. Such loan was secured by a share pledge of the 13.5 ordinary shares held by Mr. Emory Williams in our Company. Such loan bears interest at a rate of 5.0% per annum. As of 31 December 2009, Mr. Emory Williams was estimated to owe us approximately US\$15,778 (equivalent to approximately HK\$122,292.1) including US\$13,500 (equivalent to approximately HK\$104,635.8) in principal and an outstanding interest on such loan of approximately US\$2,278 (equivalent to approximately HK\$17,656.3). Mr. Emory Williams resigned as a Director on 4 December 2009 to devote more of his time and efforts to other interests outside our Company. During his appointment as a director of the Company, Mr. Emory Williams participated in the overall management and development of the Company through monthly board meetings. He was not involved in the day-to-day executive management responsibility of the Company. His responsibilities focused primarily on providing advice and guidance as and when they were required from his perspective as an individual with widespread industry knowledge and contacts. There was no disagreement between Mr. Emory Williams and the Company or its senior management in relation to his resignation. As part of the Reorganisation, the loan to Mr. Emory Williams together with the outstanding interest income have been transferred and assigned by our Company to TJCC Holdings, for cancellation of an equal amount of loans due from us to TJCC Holdings. Upon completion of the assignment, no further sum is due and owed by Emory Williams to us. See step (v) in “— Reorganisation steps — Reorganisation steps prior to the Global Offering” below.

(d) Loan to Williams Realty

Williams Realty is a Florida limited liability company established in 1978, the entire equity interest of which is owned by Mr. Emory Williams (a former Director and our Connected Person who resigned on 4 December 2009) and his family. Williams Realty is an associate of Mr. Emory Williams and therefore a connected person of us. Pursuant to a promissory note dated 16 May 2006 in connection with the purchase of 13.5 ordinary shares in our Company by Williams Realty, we have advanced a loan to Williams Realty in the principal sum of US\$13,500 (equivalent to approximately HK\$104,635.8). Such loan was secured by a share pledge of the 13.5 ordinary shares purchased by Williams Realty. Such loan bears interest at a rate of 5.0% per annum. As of 31 December 2009, Williams Realty owed us approximately US\$15,778 (equivalent to approximately HK\$122,292.1), including US\$13,500 (equivalent to approximately HK\$104,635.8) in principal and an outstanding interest on such loan of approximately US\$2,278 (equivalent to approximately HK\$17,656.3). As part of the Reorganisation, such loan with interest accrued was assigned to TJCC Holdings to cancel an equivalent amount of loans due from our Company to TJCC Holdings. See step (v) in “— Reorganisation steps — Reorganisation steps prior to the Global Offering” below.

With respect to the provision of loans by us to Mr. Rubo Li, Mr. Emory Williams and Williams Realty for their subscription for our shares, our Cayman Islands counsel has advised that there are no statutory provisions prohibiting such financial assistance under Cayman Islands law. However, the Directors must exercise their fiduciary duties in a proper way when determining whether to provide assistance or not. Subject to the foregoing, the provision of loans by us to our shareholders for the subscription of our Shares does not contravene the Articles of Association of our Company.

Loans to TJCC Services

TJCC Services is retained by us as a consultant to render consulting services to us pursuant to a management consulting agreement dated 16 May 2006. For more information on the services provided by TJCC Services to us, please refer to “— Historical Related Party Transactions — Payment for Management Consulting Services” below. To fund their businesses and operations, we made various advances in an aggregate principal amount of approximately US\$17.3 million (equivalent to approximately HK\$134.1 million) to TJCC Services. As of 31 December 2009, the outstanding interest on such loans was approximately US\$2.2 million (equivalent to approximately HK\$17.1 million) and the aggregate outstanding amount principal and interest was approximately US\$19.5 million (equivalent to approximately HK\$151.1 million).

Intercompany Loans from TJCC Holdings

On various dates prior to the Reorganisation, TJCC Holdings provided intercompany loans to us of approximately US\$23.9 million (equivalent to approximately HK\$185.2 million) as of 31 December 2009. We used the proceeds of such loans to fund (i) the proposed acquisition of HK Siwei; (ii) general corporate purposes (including to fund advances to TJCC Services); and (iii) our working capital needs. Interest rates on such loans vary. As of 31 December 2009, the outstanding interest on such loans was approximately US\$2.8 million (equivalent to approximately HK\$21.7 million) and the outstanding amount principal and interest was approximately US\$26.7 million (equivalent to approximately HK\$206.9 million).

Payment for Management Consulting Services

Pursuant to the management consulting agreement (the “Management Consulting Agreement”) dated 16 May 2006 entered into between us and TJCC Services, we retained TJCC Services as a consultant to render consulting services with respect to our acquisitions, divestitures and investments, our financial and business affairs, our relationship with lenders, stockholders and other third-party associates or affiliates, and the expansion of our businesses. We agreed to pay TJCC Services (i) a management fee of US\$2.5 million (equivalent to approximately HK\$19.4 million) per year for the management services it provided; and (ii) in the event TJCC Services provides services outside the ordinary course of business, an additional agreed-to fee for extraordinary services rendered plus reimbursement of expenses. The US\$2.5 million (equivalent to approximately HK\$19.4 million) management fee is consistent with the management fee charged by The Jordan Company, L.P., the manager of The Resolute Fund, L.P., and its affiliates, to other portfolio companies of The Resolute Fund, L.P. In addition, TJCC Services has paid all compensation and expenses of Messrs. Kee-Kwan Allen Chan and Youming Ye, our Directors, and provided consulting services in connection with the expansion of our business during the Track Record Period.

Services provided by TJCC Services include those provided by Messrs. Kee-Kwan Allen Chan and Youming Ye as our Directors as well as Mr. Kee-Kwan Allen Chan as our Chief Executive Officer. Prior to the Reorganisation, Mr. Kee-Kwan Allen Chan receives compensation from TJCC Services for his day-to-day management of our Company. Mr. Chan has provided services only to us, and not to other investment portfolio companies of The Resolute Fund, L.P. Prior to the Reorganisation, Mr. Youming Ye receives compensation from TJCC Services for the management services he provides to us. In addition, Mr. Ye has been responsible for negotiating various business transactions for us and communicating with government officials on regulatory matters. Mr. Ye has also provided services to other investment portfolio companies of The Resolute Fund, L.P. managed by The Jordan Company, L.P. TJCC Services has paid for the travel expenses and certain other

REORGANISATION

expenses of Mr. Thomas H. Quinn, Ms. Lisa M. Ondrula, and Mr. John W. Jordan II for their visits to China to inspect our operations on-site, as well as for the expenses of the personnel engaged in the negotiations for the acquisition of HK Siwei. In addition, prior to the Reorganisation, TJCC Services has provided management consulting services to The Jordan Company, L.P. and its investment portfolio companies for its investments or potential investments in China. Each of Mr. Kee-Kwan Allen Chan and Mr. Youming Ye holds 40.0% of the outstanding ordinary shares of TJCC Services, as well as 3.5% and 4.25% of the outstanding ordinary shares of TJCC Holdings respectively. The remaining 20.0% of the ordinary shares of TJCC Services are owned by Mr. Andrew Rice, a member of the Operations Management Group of The Jordan Company, L.P. Mr. Andrew Rice has not been and will not be our Director. Mr. Rice also holds 2.0% of the outstanding ordinary shares of TJCC Holdings.

As part of our Reorganisation, all management fees due and owing under the Management Consulting Agreement as at 31 December 2009 were offset against amounts due to us from TJCC Services. The estimated amount due to TJCC Services under the Management Consulting Agreement at 31 December 2009 was US\$7.7 million (equivalent to approximately HK\$59.7 million).

TJCC Services Transaction and Termination Fee

In connection with our application for Listing, TJCC Services has provided services outside its ordinary course of business to us, such as advising on the structure of the Global Offering and the Reorganisation. As compensation for (i) these extraordinary services and (ii) for terminating the management consulting arrangement seven years early, TJCC Services will receive TJCC Services Transaction and Termination Fee (US\$10 million or equivalent to approximately HK\$77.5 million) upon completion of the Global Offering. This fee amount is consistent with the level of extraordinary transaction fees on similar transactions charged by The Jordan Company, L.P., the manager of The Resolute Fund, L.P., and its affiliates, to other portfolio companies of its investment funds. In addition, the payment of TJCC Services Transaction and Termination Fee results in the termination of the balance of the term of the management consulting arrangement, including the annual management fee of US\$2.5 million (equivalent to approximately HK\$19.4 million). Compensation for early termination of this arrangement is also consistent with early termination and similar management fee agreements by The Jordan Company, L.P. and its affiliates. As part of a separate agreement, TJCC Services has agreed to pay approximately 9% of the TJCC Services Transaction and Termination Fee to Mr. Rubo Li, Mr. Emory Williams and Williams Realty as follows: US\$630,000 (equivalent to approximately HK\$4.9 million) to Mr. Rubo Li, US\$135,000 (equivalent to approximately HK\$1.0 million) to Mr. Emory Williams and US\$135,000 (equivalent to approximately HK\$1.0 million) to Williams Realty.

REORGANISATION

The following table sets forth a summary of the balances of the related party transactions as of 31 December 2009.

Preferred Shares	Outstanding amount (as of 31 December 2009)
	(US\$)
Outstanding preferred shares to be repurchased from TJCC Holdings	\$ 59.1 million
	Outstanding amount immediately prior to the Reorganisation
Receivables pursuant to the Related Party Transactions (including accrued interest)	(as of 31 December 2009)
	(US\$)
Loans to Messrs. Rubo Li and Emory Williams and Their Respective Related Parties	\$ 22.8 million
Loans to HK Siwei	\$ 19.9 million
Loans to Rubo Li	\$ 2.9 million
Loans to Emory Williams	\$0.016 million
Loans to Williams Realty	\$0.016 million
Loans to TJCC Services	<u>\$ 19.5 million</u>
Sub-total	<u>\$ 42.3 million</u>
	Outstanding amount immediately prior to the Reorganisation
Payables pursuant to Related Party Transactions	(as of 31 December 2009)
	(US\$)
Intercompany loans payable to TJCC Holdings, including accrued interest	\$ 26.7 million
Outstanding management fees payable to TJCC Services	\$ 7.7 million
TJCC Services Transaction and Termination Fee	<u>\$ 10.0 million</u>
Sub-total	<u>\$ 44.4 million</u>

For further information of related party transactions, see “Connected Transactions” and “Relationship with Our Controlling Shareholders”.

REORGANISATION STEPS

As part of our Reorganisation, in preparation for the Global Offering, we expect to undertake a number of steps to terminate substantially all of the related party transactions and settle any outstanding amounts related to these transactions immediately upon completion of the Global Offering.

Reorganisation Steps Prior to the Global Offering

Prior to the Global Offering, we had repurchased a portion of the preferred shares and will settle the related party transactions (other than the TJCC Services Transaction and Termination Fee) as follows:

- (i) On 17 December 2009, IMM Mauritius initiated a liquidation and the remaining assets (approximately US\$5.0 million (equivalent to approximately HK\$38.8 million) in cash) was distributed to the Company on 17 December 2009 (the “Mauritius Distribution”). The

REORGANISATION

Directors confirmed that there are no material gains or losses arising from the liquidation of IMM Mauritius.

- (ii) On 17 December 2009, we repurchased US\$10.0 million of the preferred shares from TJCC Holdings with available cash.
- (iii) On 23 December 2009 and on 31 December 2009, TJCC IMM Jiamusi declared dividends of approximately US\$15.8 million and US\$41.8 million (equivalent to approximately HK\$122.5 million and HK\$324.0 million) respectively, to our Company (collectively “Jiamusi Dividend”). The Directors confirmed that the Company is under net asset position and does have distributable reserves upon receipt of the dividends from TJCC IMM Jiamusi.
- (iv) On 23 December 2009, we repurchased approximately US\$33.4 million (equivalent to approximately HK\$258.9 million) of preferred shares. The consideration for the repurchase consisted of the following: (a) the assignment by us to TJCC Holdings of loan and interest receivables, payable to us by TJCC Services, in the aggregate amount of approximately US\$7.9 million (equivalent to approximately HK\$61.2 million), and (b) US\$25.5 million (equivalent to approximately HK\$197.6 million) in cash (funded with (1) the proceeds of the Jiamusi Dividend, (2) the Mauritius Distribution and (3) available cash). After giving effect to the foregoing, approximately US\$59.1 million (equivalent to approximately HK\$458.1 million) of preferred shares remains issued and outstanding.
- (v) Pursuant to an Omnibus Assignment and Assumption Agreement (the “Assignment and Assumption Agreement”), on 31 December 2009, we assigned loan and interest receivables, payable by HK Siwei, Mr. Rubo Li, Mr. Emory Williams and Williams Realty, an aggregate amount of approximately US\$22.8 million (equivalent to approximately HK\$176.7 million) as of 31 December 2009 to TJCC Holdings. As consideration for such assignment, TJCC Holdings forgave and discharged approximately US\$22.8 million (equivalent to approximately HK\$176.7 million) of the total intercompany loans and interests of US\$26.7 million (equivalent to approximately HK\$206.9 million) owed by us to TJCC Holdings. After giving effect to the foregoing, we owed TJCC Holdings intercompany loans and interest in the aggregate amount of US\$3.9 million (equivalent to approximately HK\$30.2 million).
- (vi) On 31 December 2009, we assigned to TJCC Holdings a sum of US\$3.9 million (equivalent to approximately HK\$30.2 million) out of the aggregate amount of US\$19.5 million (equivalent to approximately HK\$151.1 million) loan and interest receivables payable by TJCC Services. As consideration for the assignment, TJCC Holdings forgave and discharged US\$3.9 million (equivalent to approximately HK\$30.2 million) of intercompany loans and interest owed by us to TJCC Holdings. After giving effect to the foregoing, we do not owe any intercompany loans to TJCC Holdings.
- (vii) On 31 December 2009, we forgave and discharged intercompany loans and interests in the amount of approximately US\$7.7 million (equivalent to approximately HK\$59.7 million) owed by TJCC Services to us and TJCC Services forgave and discharged approximately US\$7.7 million (equivalent to approximately HK\$59.7 million) in accrued management fees owed by us. After giving effect to the foregoing, (i) we do not owe any management fees to TJCC Services and (ii) TJCC Services does not owe us any intercompany loans.

REORGANISATION

- (viii) Pursuant to the resolution of the board of directors of TJCC IMM Jiamusi passed on 24 January 2010, TJCC IMM Jiamusi declared a dividend of US\$29.3 million (equivalent to approximately RMB200.0 million or HK\$227.1 million) to our Company.
- (ix) On 24 January 2010, we declared and approved the Contingent Dividend of not less than approximately US\$40.1 million and not more than US\$63.2 million (equivalent to approximately HK\$310.8 million and HK\$489.9 million respectively) to the Pre-IPO Ordinary Shareholders. The dividend will be paid contingent upon the completion of the Global Offering and after completion of the annual audit for the financial year ended 31 December 2009.
- (x) TJCC Services will assign its employment arrangements or agency relationships, as applicable, with the following individuals to the Company:
- (a) Mr. Kee-Kwan Allen Chan (our Chief Executive Officer and executive Director, who allocates and will continue to allocate 100% of his business time to our Company and receive 100% of his annual compensation from us);
 - (b) Mr. Youming Ye (our executive Director, who will allocate 65% of his business time to the Company and receive 65% of his annual compensation from us); and
 - (c) Ms. Lisa M. Ondrula (our non-executive Director, who will allocate 60% of her business time to the Company and receive 60% of her annual compensation from us).

Following such assignment, we expect to be obligated to pay compensation to the aforementioned individuals in an aggregate amount not to exceed US\$2.0 million (equivalent to approximately HK\$15.5 million) per annum (including travel and entertainment expenses).

After giving effect to the transactions set forth above, (a) US\$59.1 million (equivalent to approximately HK\$458.1 million) of preferred shares will remain issued and outstanding, (b) HK Siwei, Messrs. Rubo Li, Emory Williams and Williams Realty do not owe any loans to us, (c) we do not owe any intercompany loans to TJCC Holdings, (d) we do not owe any management fees to TJCC Services, (e) TJCC Services does not owe any intercompany loans to us, (f) we will owe the TJCC Services Transaction and Termination Fee of US\$10 million (equivalent to approximately HK\$77.5 million), (g) we will be obligated to pay compensation in an aggregate amount to the individuals set out in (x) above in an aggregate amount of not exceeding US\$2.0 million (equivalent to approximately HK\$15.5 million) per annum (including travel and entertainment expenses), and (h) we shall have declared the Contingent Dividend described in (ix) above. For the avoidance of doubt, after giving effect to the transactions set forth above, all balances due to/from the connected persons have been fully settled prior to the Global Offering, except for (a) US\$59.1 million (equivalent to approximately HK\$458.1 million) of preferred shares issued to TJCC Holdings, (b) the TJCC Services Termination and Transaction Fee of US\$10 million (equivalent to approximately HK\$77.5 million) and (c) the Contingent Dividend described in (ix) above.

Reorganisation Steps Upon Completion of the Global Offering

Assuming an initial Offer Price of HK\$5.63 per Share, which represents the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus, we estimate that we will receive approximately US\$352.2 million (equivalent to approximately HK\$2,729.8 million) in net

REORGANISATION

proceeds from the Global Offering after deducting underwriting commissions and other estimated offering expenses payable by us, assuming that the Over-allotment Option is not exercised. We intend to use such net proceeds from the Global Offering for the following purposes:

- (i) We will pay the TJCC Services Transaction and Termination Fee of US\$10.0 million (equivalent to approximately HK\$77.5 million) to TJCC Services. As part of a separate agreement, TJCC Services has agreed to pay 9.0% of the TJCC Services Transaction and Termination Fee in the sum of US\$0.9 million (equivalent to approximately HK\$7.0 million) to Mr. Rubo Li, Mr. Emory Williams and Williams Realty. In addition, Mr. Rubo Li, Mr. Emory Williams and Williams Realty have directed us to pay this amount to TJCC Holdings as partial payment of the loans owed to TJCC Holdings by HK Siwei, Rubo Li, Emory Williams and Williams Realty. After giving effect to the foregoing, all related party transactions between the Company and TJCC Services will be settled in full and the management consulting arrangement between TJCC Services and the Company will terminate.
- (ii) We will apply approximately US\$59.1 million (equivalent to approximately HK\$458.1 million) to the repurchase of the outstanding preferred shares.
- (iii) Pursuant to the “founder participation”, approximately US\$4.9 million (equivalent to approximately HK\$38.0 million) is payable by us to Messrs. Rubo Li and Messrs. Emory Williams upon the repurchase of the outstanding preferred shares. Messrs. Rubo Li and Emory Williams have directed us to pay this amount to TJCC Holdings as a partial payment of the loans owed to TJCC Holdings by HK Siwei, Rubo Li, Emory Williams and Williams Realty.
- (iv) After making the foregoing payments described in items (i) through (iii) above, we will settle the Contingent Dividend in full by distributing an amount, equal to the difference of (a) approximately 37.5% of the net proceeds from the Global Offering and (b) the sum of US\$73.9 million (equivalent to approximately HK\$572.8 million) in payments as set forth in items (i) through (iii) above, subject to the amount of distributable profits available for declaration, to the Pre-IPO Ordinary Shareholders. Based on the current indicative Offer Price range, we expect our Board of Directors to declare and approve a Contingent Dividend between US\$40.1 million (equivalent to approximately HK\$310.8 million) and US\$63.2 million (equivalent to approximately HK\$489.9 million). The final amount of the Contingent Dividend will be determined based on the Offer Price and will be paid after completion of the annual audit of the Company for the year ended 31 December 2009. Payment of the Contingent Dividend will not affect the other uses of proceeds set out in the “Future Plans and Use of Proceeds — Use of Proceeds” section of this Prospectus.

After making the foregoing payments described in (i) through (iv), the remaining net proceeds from the Global Offering will be applied as set forth in the section entitled “Future Plans and Use of Proceeds”.

Other Arrangements with Mr. Rubo Li

In addition to his appointment as a Director since 16 May 2006, Mr. Rubo Li has been also retained as a consultant pursuant to a consulting agreement dated 16 May 2006, which was renewed by an amended consulting agreement dated 1 May 2009. On 4 December 2009, the amended consulting agreement was replaced with a new consulting agreement. As a consultant, he is retained to serve in an advisory capacity to our business, including (i) advising us on our growth strategy and allowing

REORGANISATION

us to leverage his extensive knowledge of, and contacts in the Chinese coal mining industry; (ii) sourcing investment opportunities in China for our expansion and growth; and (iii) introducing customers to Jiamusi Machinery and Jixi Machinery. A summary of the major terms of his appointment is as follows:

- *Term.* From 4 December 2009 to 1 May 2011; and
- *Payments.* We have agreed to pay Mr. Rubo Li compensation of US\$21,000 per month (equivalent to approximately HK\$162,766.8). The new consulting agreement does not provide for a performance bonus opportunity.

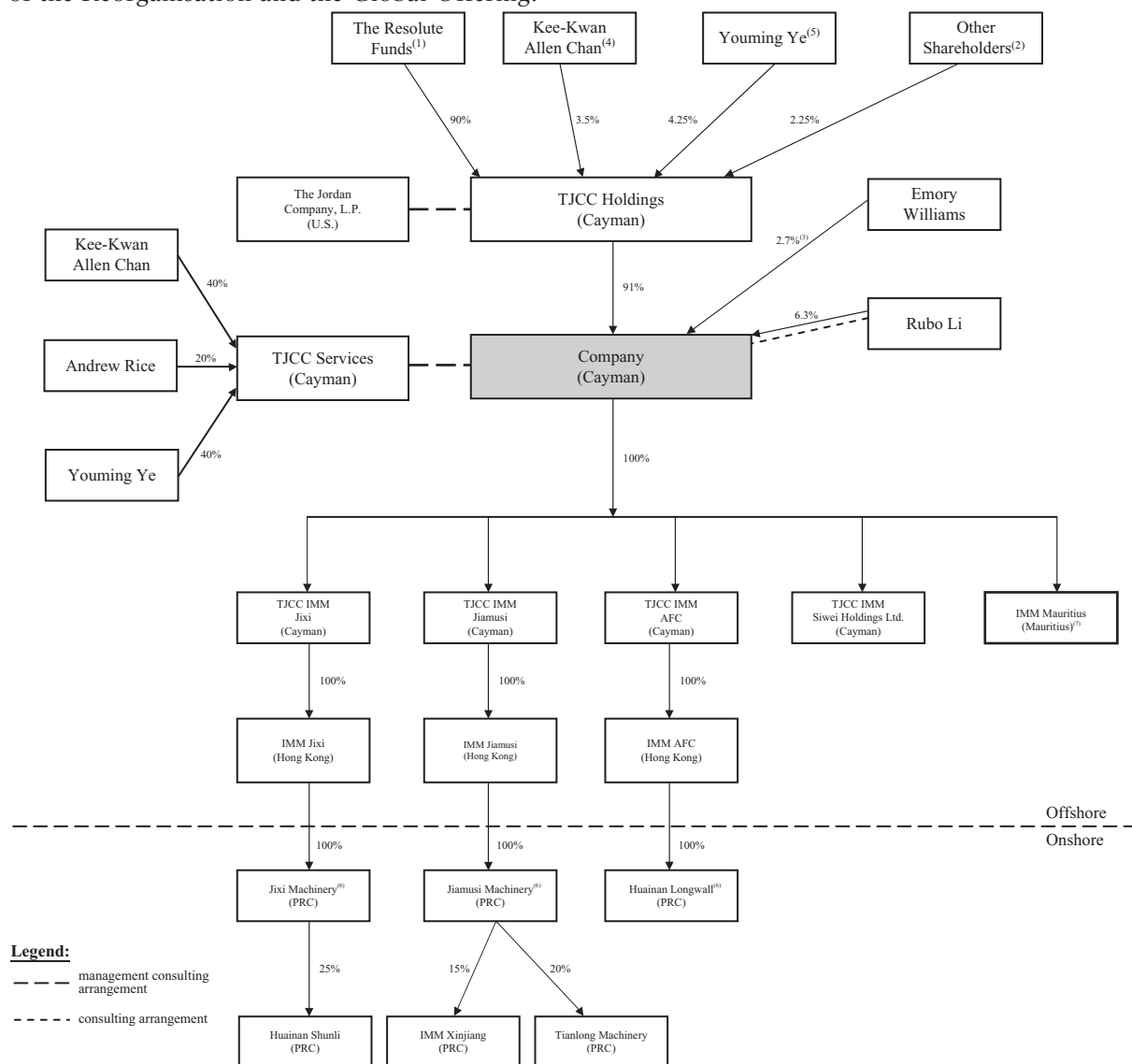
Pursuant to a consultant subscription agreement dated 16 May 2006, Mr. Rubo Li has (i) undertaken not to compete, directly or indirectly, with our business during the period from 16 May 2006 and ending 16 May 2011 and (ii) granted us, for a period commencing on 16 May 2006 and ending on 16 May 2011, an exclusive right of first offer and an exclusive right of first refusal to purchase, acquire or participate in the business of Zhengzhou Siwei (the operating subsidiary of HK Siwei). Mr. Rubo Li was required to give the above undertaking and rights due to his control in HK Siwei in his capacity as a director of HK Siwei. Similar rights were granted by Mr. Emory Williams to us. Our negotiation on the proposed acquisition of HK Siwei is currently suspended.

On 9 October 2009, ERA Holdings Global Limited (Stock Code: 8043), a company whose shares are listed on the GEM Board of Hong Kong Stock Exchange, has, through its wholly-owned subsidiary, entered into an agreement with Mining Machinery Limited (an investment holding company incorporated in Mauritius, which controls 100% equity interest in Zhengzhou Siwei through its wholly-owned subsidiary, HK Siwei) (the “ERA Agreement”) to acquire the entire issued share capital of HK Siwei. The completion of this acquisition is subject to certain conditions, including existing agreements among Mr. Rubo Li, Mr. Emory Williams and us in relation to the grant of right of first offer and right of first refusal to purchase, acquire or participate in the business of Zhengzhou Siwei. While we continue to evaluate the ERA Agreement as mentioned above, as of the Latest Practicable Date, we did not expect nor have any current plan to acquire HK Siwei nor exercise any right of first offer nor right of first refusal properly provided to us in connection with the ERA Agreement.

REORGANISATION

CORPORATE STRUCTURE

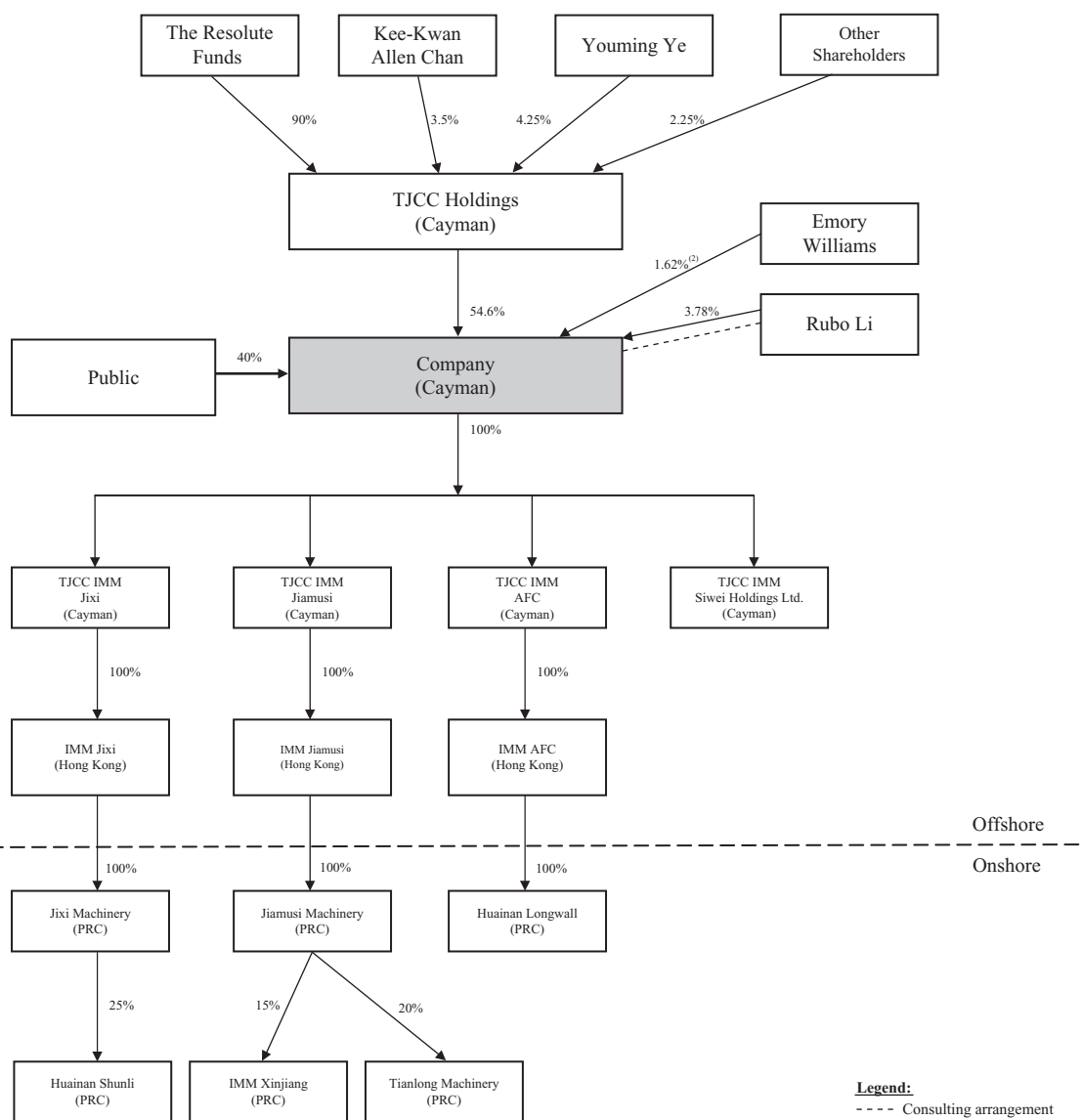
The following chart sets forth our Group's corporate structure immediately prior to the completion of the Reorganisation and the Global Offering.



- (1) Consisting of (i) 79.83% directly held by The Resolute Fund SIE (BVI); (ii) 3.78% directly held by The Resolute Fund Netherlands, PV I, L.P. (U.S.); (iii) 3.15% directly held by The Resolute Fund Netherlands, PV II, L.P. (U.S.); (iv) 3.15% directly held by The Resolute Fund Singapore PV, L.P. (U.S.); and (v) 0.09% directly held by The Resolute Fund NQP, L.P. (U.S.).
- (2) Consisting of one employee of TJCC Services and an individual employed by both The Jordan Company (China) and us. They subscribed for the newly issued ordinary shares at a nominal value of US\$1,000 per share (equivalent to approximately HK\$7,750.8) and became members of TJCC Holdings on 16 May 2006 and 27 August 2009 respectively.
- (3) Consisting of (i) 1.35% directly held Mr. Emory Williams; and (ii) 1.35% directly held by Williams Realty, an entity controlled by the family of Mr. Emory Williams.
- (4) Mr. Kee-Kwan Allen Chan subscribed for the newly issued ordinary shares at a nominal value of US\$1,000 per share (equivalent to approximately HK\$7,750.8) and became members of TJCC Holdings on 16 May 2006.
- (5) Mr. Youming Ye subscribed for the newly issued ordinary shares at a nominal value of US\$1,000 per share (equivalent to approximately HK\$7,750.8) and became members of TJCC Holdings on 16 May 2006.
- (6) The principal operating subsidiaries of the Group.
- (7) On 17 December 2009, IMM Mauritius initiated a liquidation and will be liquidated upon completion of the liquidation procedures.

REORGANISATION

The following chart sets forth our Group's corporate structure immediately upon completion of the Reorganisation and the Global Offering (assuming the Over-allotment Option is not exercised).⁽¹⁾



(1) See also notes to the Group's corporate chart on the previous page.

(2) Consisting of (i) 0.81% directly held Mr. Emory Williams; and (ii) 0.81% directly held by Williams Realty.

REORGANISATION

The table below sets out the principal business activity for each of the Group's companies.

Name of company	Principal business activity
TJCC IMM Jixi	Investment holding
TJCC IMM Jiamusi	Investment holding
TJCC IMM AFC	Investment holding
TJCC IMM Siwei Holdings Ltd.	Investment holding
IMM Mauritius	Investment holding
IMM Jixi	Investment holding
IMM Jiamusi	Investment holding
IMM AFC	Investment holding
Jixi Machinery	Design, manufacture and provision of maintenance and after-sale services of shearer products and related parts
Jiamusi Machinery	Design, manufacture and provision of maintenance services of roadheader products and related parts
Huainan Longwall	Design, manufacture, sale and provision of repairs, maintenance and after-sale services for armoured-face conveyors and related products