

CONNECTED TRANSACTIONS

1. Discontinued Connected Transactions

Prior to the Listing, the Company had a number of transactions with persons who would be regarded as connected persons under the Listing Rules. To minimise such transactions, the Company has discontinued the following transactions prior to the Listing:

➤ Loans to HK Siwei

Mr. Emory Williams, one of our shareholders and our former Director (who resigned on 4 December 2009 in order to devote a substantial amount of time and efforts to other interests outside of the Company), is the registered sole shareholder of Mining Machinery Limited, an investment holding company incorporated in Mauritius. Mining Machinery Limited, through its wholly-owned subsidiary, HK Siwei, controls 100% of the equity interest in Zhengzhou Siwei. HK Siwei is therefore a Connected Person of the Company. According to an 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, 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 the management of Zhengzhou Siwei, and as to 6.00% by three individuals who are independent from the other shareholders of Mining Machinery Limited. Historically, we had advanced loans to HK Siwei for a proposed acquisition of HK Siwei, which did not materialise. Negotiation on the proposed acquisition of HK Siwei is currently suspended. On 9 October 2009, ERA Holdings has, through its wholly-owned subsidiary, entered into an agreement with Mining Machinery Limited (“ERA Agreement”) to acquire the entire issued share capital of HK Siwei, subject to certain conditions, including existing agreements among Mr. Rubo Li, Mr. Emory Williams and our Company 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.

Our loans to HK Siwei bear interest at a rate of 8% per annum. The loans advanced by us to HK Siwei for the three years ended 31 December 2008 were nil, approximately US\$10.2 million (equivalent to approximately HK\$79.1 million) and approximately US\$7.2 million (equivalent to approximately HK\$55.8 million) respectively. Such loans were secured by (i) a share pledge of all the issued shares of HK Siwei in favour of our Company, (ii) a pledge of all Shares owned by Mr. Rubo Li, (iii) a pledge of all Shares owned by Mr. Emory Williams and (iv) a pledge of all Shares owned by Williams Realty. As of 31 December 2009, the aggregate principal amount of our loans to HK Siwei was approximately US\$17.4 million (equivalent to approximately HK\$134.9 million) with a sum of approximately US\$2.5 million (equivalent to approximately HK\$19.4 million) accrued interest on the loans, remaining outstanding. On 31 December 2009, as part of the Reorganisation, such loans together with interest in a total sum of approximately US\$19.9 million (equivalent to approximately HK\$154.2 million) have been transferred and assigned to TJCC Holdings, our immediate holding company, for cancellation of an equal amount of loans due from our Company to TJCC Holdings. Upon completion of the assignment, no further sum is due and owed by HK Siwei to our Company. See step (v) in “Reorganisation — Reorganisation Steps”.

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➤ Loans to Mr. Rubo Li, our Director

Our Company advanced loans to Mr. Rubo Li, one of our Directors, in the sums of nil, approximately US\$2.565 million (equivalent to approximately HK\$19.9 million) and nil respectively for the three years ended 31 December 2008 in connection with a proposed acquisition. 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% per annum. As of 31 December 2009, Mr. Rubo Li owed our Company approximately 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. On 31 December 2009, as part of the Reorganisation, such loans together with accrued interest in an aggregate sum of approximately US\$2.93 million have been transferred and assigned to TJCC Holdings for cancellation of an equal 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 — Reorganisation steps”.

➤ Loan to Mr. Emory Williams, our former Director

Our Company has 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 in the Company. Such loan was secured by a share pledge of the 13.5 ordinary shares to us. The loan bears interest at a rate of 5.0% per annum. As of 31 December 2009, the outstanding interest on such loan was approximately US\$2,278 (equivalent to approximately HK\$17,656.3). On 31 December 2009, as part of the Reorganisation, such loan together with accrued interest in an aggregate sum of approximately US\$0.016 million have been transferred and assigned to TJCC Holdings for cancellation of an equal amount of loans due from our Company to TJCC Holdings. Upon completion of the assignment, no further sum is due and owed by Emory Williams to our Company. See step (v) in “Reorganisation — Reorganisation steps”.

➤ 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 who retired from our Board on 4 December 2009) and his family. Williams Realty is an Associate of Mr. Emory Williams and therefore a Connected Person of our Company. 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 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 held by Williams Realty to us. Such loan bears interest at a rate of 5.0% per annum. As of 31 December 2009, the outstanding interest on such loan was approximately US\$2,278 (equivalent to approximately HK\$17,656.3). On 31 December 2009, as part of the Reorganisation, this loan together with accrued interest income in an aggregate sum of approximately US\$0.016 million have been transferred and assigned to TJCC Holdings, our immediate holding company, for cancellation of an equal amount of loans due from our Company to TJCC Holdings. Upon completion of the assignment, no further sum is due and owed by Williams Realty to our Company. See step (v) in “Reorganisation — Reorganisation Steps”.

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➤ Loans to TJCC Services

TJCC Services is an Associate of our Directors, Mr. Kee-Kwan Allen Chan and Mr. Youming Ye, each of whom respectively has a 40% equity interest in TJCC Services. Our Company advanced loans to TJCC Services in the aggregate principal amount of approximately US\$17.3 million (equivalent to approximately HK\$134.1 million). Such loans bear interest at a rate of 8% per annum. The accrued interest as of 31 December 2009 was approximately US\$2.2 million (equivalent to approximately HK\$17.1 million). TJCC Services provides financial, advisory, consulting and other services to our Company and the loans were used by TJCC Services to fund their business and operations. As part of the Reorganisation, TJCC Services has settled all the loans and accrued interest due and owing to our Company by (i) assigning an aggregate amount of approximately US\$7.9 million (equivalent to approximately HK\$61.2 million) to TJCC Holdings on 23 December 2009; (ii) assigning an aggregate of approximately US\$3.9 million (equivalent to approximately HK\$30.2 million) to TJCC Holdings on 31 December 2009 for cancellation of an equal amount of loans due from our Company to TJCC Holdings; and (iii) forgiving and discharging on 31 December 2009 approximately US\$7.7 million owned by TJCC services to us against TJCC Services forgiving and discharging the same amount owned by us to TJCC services. See “Reorganisation — Reorganisation steps”.

➤ Termination of the Management Consulting Agreement with TJCC Services

Prior to the Listing, TJCC Services provided consulting services to our Company and our subsidiaries under a Management Consulting Agreement dated 16 May 2006 at an annual consulting fee of US\$2.5 million (equivalent to approximately HK\$19.4 million) for a term of 10 years from 16 May 2006, which shall be renewed automatically for successive one-year terms thereafter. TJCC Services shall provide consulting services in connection with the acquisitions, divestitures and investments, the financial and business affairs, and the expansion of the businesses of the Company and its subsidiaries. Further, pursuant to the Management Consulting Agreement, if TJCC Services provides services to our Company outside the ordinary course of business, our Company shall pay an additional amount equal to the value of such extraordinary services rendered by TJCC Services as may be separately agreed to between TJCC Services and our Company and reimburse TJCC Services for out-of-pocket expenses incurred by TJCC Services in the performance of services to our Company and its subsidiaries. TJCC Services is an associate of our Directors, Mr. Kee-Kwan Allen Chan and Mr. Youming Ye, each of them respectively has a 40% equity interest in TJCC Services. The consulting fees accrued by our Company to TJCC Services for the three years ended 31 December 2008 were approximately US\$1.6 million (equivalent to approximately HK\$12.4 million), approximately US\$2.5 million (equivalent to approximately HK\$19.4 million) and approximately US\$2.5 million (equivalent to approximately HK\$19.4 million) respectively. As of 31 December 2009, approximately US\$7.7 million (equivalent to approximately HK\$59.7 million) was owed by our Company to TJCC Services. On 31 December 2009, and as part of the Reorganisation, TJCC Services forgave and discharged the sum of approximately US\$7.7 million (equivalent to approximately HK\$59.7 million) upon our forgiving and discharging the same amount of loan due from TJCC Services to us. Please refer to “Reorganisation — Reorganisation Steps” and “— Loans to TJCC Services” above.

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In connection with the Company's 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 Global Offering and the Reorganisation. For this purpose and as compensation for terminating the management consulting arrangement seven years early, TJCC Services shall receive a US\$10.0 million (equivalent to approximately HK\$77.5 million), being the TJCC Services Transaction and Termination Fee, upon completion of the Global Offering.

- **Expiration of the Consulting Agreement with Mr. Emory Williams**

Prior to the Listing, our Company entered into a consulting agreement with Mr. Emory Williams, our former Director, to engage him to provide advisory services to our Company. The consulting agreement expired on 31 March 2008 and was not renewed. The consulting fees paid by the Company to Mr. Emory Williams for the three years ended 31 December 2008 were approximately US\$0.1 million (equivalent to approximately HK\$0.8 million), US\$0.01 million (equivalent to approximately HK\$0.08 million) and approximately US\$0.02 million (equivalent to approximately HK\$0.2 million), respectively.
- **Shareholder's loans from TJCC Holdings**

On various dates prior to the Listing, TJCC Holdings provided various shareholder's loans to our Company in an aggregate principal sum of approximately US\$23.9 million (equivalent to approximately HK\$185.2 million). Immediately prior to the Reorganisation as of 31 December 2009, loans advanced by TJCC Holdings to our Company for the three years ended 31 December 2008 were nil, approximately US\$10.2 million (equivalent to approximately HK\$79.1 million) and approximately US\$7.2 million (equivalent to approximately HK\$55.8 million) in principal and nil, US\$0.02 million (equivalent to approximately HK\$0.16 million) and approximately US\$1.13 million (equivalent to approximately HK\$8.8 million) in accrued interest respectively. The proceeds of the shareholder's loans were used by our Company to fund (i) proposed acquisition of HK Siwei; (ii) general corporate purposes (including to fund loans to TJCC Services) and (iii) the net working capital needs of our Company. Such loans bear interest at different rates. As of 31 December 2009, the total amount outstanding together with interest was approximately US\$26.7 million (equivalent to approximately HK\$206.9 million). As part of the Reorganisation, the entire shareholder's loan of US\$26.7 million was settled by (i) assignment and transfer to TJCC Holdings of a total amount of loans and interest approximately US\$22.8 million (equivalent to approximately HK\$176.7 million) payable to our Company by Mr. Rubo Li, Mr. Emory Williams, Williams Realty and the loans to HK Siwei on 31 December 2009; and (ii) assignment and transfer to TJCC Holdings of a sum of US\$3.9 million (equivalent to approximately HK\$30.2 million) payable by TJCC Services to us on 31 December 2009, upon TJCC Holdings forgiving and discharging the same amounts of loans due from our Company to TJCC Holdings. See "Reorganisation — Reorganisation steps".

2. Continuing Connected Transactions

EXEMPTED CONTINUING CONNECTED TRANSACTION

The following connected transaction will constitute exempted continuing connected transaction for the Company under Rule 14A.33(3) of the Listing Rules and will be exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the

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Listing Rules. The following transactions are undertaken on normal commercial terms or terms more favourable to our Group. The applicable percentage ratios (other than profit ratio) of the following transaction on an annual basis are less than 0.1%.

Consulting Agreement with Mr. Rubo Li

Prior to the Global Offering, we entered into a consulting agreement with Mr. Rubo Li, our non-executive Director, to engage him to provide advisory services to us, which agreement was renewed by an amended consulting agreement in May 2009 for another term of one year. On 4 December 2009, the amended consulting agreement was replaced with a new consulting agreement, pursuant to which Mr. Rubo Li will render to our Company, in his capacity as independent contractor, such advisory and consulting services to our Company from time to time and on an occasional basis as reasonably requested by our Company. The consulting fees are US\$21,000 per month (equivalent to approximately HK\$162,766.8). The consulting agreement is for a term commencing from 4 December 2009 and ending on 1 May 2011. Either party may terminate the consulting agreement for any reason with sixty (60) days written notice. The amended consulting agreement does not provide for a performance bonus opportunity. In addition, pursuant to a consulting subscription agreement dated 16 May 2006, Mr. Rubo Li has undertaken not to engage, directly or indirectly, in any business transaction with the Group unless such relationship is disclosed to our Company.

Mr. Rubo Li is our non-executive Director and is therefore a Connected Person of our Company under the Listing Rules.

Since each of the applicable percentage ratios (other than the profits ratio) is less than 0.1%, the transaction under the consulting agreement constitutes *de minimus* continuing connected transaction, which are exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

Our Directors, including the independent non-executive Directors, consider that above exempted continuing connected transaction is conducted on normal commercial terms and is fair and reasonable and in the interests of our Company and our shareholders as a whole and is in the ordinary and usual course of our business.