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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business — Business Strategy” for a detailed description of our future plans.

### USE OF PROCEEDS

We currently estimate that our Offer Price will not be more than HK\$6.38 per Offer Share and not less than HK\$4.88 per Offer Share. Assuming an Offer Price of HK\$5.63 per Offer Share, which represents the mid-point of the indicative Offer Price range, we estimate that the proceeds from the Global Offering after deducting underwriting commissions (including any discretionary incentive fee) and other estimated offering expenses payable by us, assuming that the Over-allotment Option is not exercised, will total approximately US\$352.2 million (equivalent to approximately HK\$2,729.8 million). A substantial portion of these proceeds will be further deducted to make certain payments as part of the Reorganisation, as set forth in items (i) and (ii) below. Accordingly, the proceeds amount set forth above will be allocated as follows:

- (i) approximately US\$73.9 million (equivalent to approximately HK\$572.8 million), or 21.0%, for the payment of:
  - obligations relating to the repurchase of preferred shares (approximately US\$59.1 million equivalent to approximately HK\$458.1 million);
  - the TJCC Services Transaction and Termination Fee (US\$10.0 million or equivalent to approximately HK\$77.5 million); and
  - “founder participation” paid to Messrs. Rubo Li, Emory Williams and Williams Realty (approximately US\$4.9 million or equivalent to approximately HK\$38.0 million), see “Reorganisation”;
- (ii) approximately US\$58.2 million (equivalent to approximately HK\$451.1 million), or 16.5%, to pay the Contingent Dividend to Pre-IPO Ordinary Shareholders; the amount of the Contingent Dividend will represent the difference of (a) 37.5% of the net proceeds from the Global Offering and (b) the sum of US\$73.9 million as set forth in item (i) above, subject to the amount of distributable profits available for declaration; see below and “Summary — Contingent Dividend Based on Distributable Profits as of 31 December 2009”;
- (iii) US\$76.6 million (equivalent to approximately HK\$593.7 million) or 21.8%, for projects to improve and expand our current production facilities and aftermarket service network, including:
  - completing plant construction and equipment procurement for our new armored-face conveyor production facility in Huainan City in Anhui Province, PRC; the facility will have an aggregate gross site area of approximately 168,528.7 sq.m., and is expected to commence production in June 2010 and achieve annual production capacity of approximately 250 units by the end of 2010 and 340 units by the end of 2011;
  - constructing and fitting out new surface treatment and assembly workshop for high-power roadheaders, thereby bringing these operations in house; purchase and installation of advanced digital controlled lathes, grinding and milling lines and increase roadheader

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annual production capacity to approximately 444 units by the end of 2010 and 528 units by the end of 2011; purchase and installation of advanced testing and precision measurement equipment to increase roadheader product quality; and IT system upgrade;

- constructing and fitting out new machining workshop for high-power shearers; purchase and installation of grinding lines to increase shearer annual production capacity to approximately 246 units by the end of 2010 and 296 units by the end of 2011, with a principal focus on high-power models and new products; purchase and installation of advanced testing and precision measurement equipment to increase shearer product quality; and IT system upgrade; and
  - establishing new after-market service locations in major coal mining regions.
- (iv) US\$108.3 million (equivalent to approximately HK\$839.4 million), or 30.8% of the net proceeds will be used as to approximately RMB51.4 million (equivalent to approximately HK\$58.4 million) to pay for the consideration on the acquisition of the remaining 25% equity interest in Huainan Longwall and as to the remaining balance to pay for other potential acquisitions and investments to enhance our capability to provide complete longwall mining systems; and
- (v) any remaining net proceeds of up to US\$35.2 million (equivalent to approximately HK\$272.8 million), or 10.0%, for working capital and general corporate purposes.

The amount in item (ii) above is subject to determination of the Offer Price. The amount of the Contingent Dividend will represent the difference of (a) 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 item (i) above, subject to the amount of distributable profits available for declaration. We currently estimate that the Offer Price will be not less than HK\$4.88 and not more than HK\$6.38 per Offer Share. Based on this Offer Price range, our Board of Directors declared and approved a Contingent Dividend range of between US\$40.1 million (equivalent to approximately HK\$310.8 million) and US\$63.2 million (equivalent to approximately HK\$489.9 million). Using an assumed Offer Price of HK\$5.63 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that the amount of Contingent Dividend will be US\$58.2 million (equivalent to approximately HK\$451.1 million). Payment of the Contingent Dividend will not affect the other uses of proceeds set out above. The final amount of the Contingent Dividend will not be determined until determination of the Offer Price, which will be disclosed in our allotment results announcement together with the use of proceeds. Investors in the Global Offering should note that they will not be entitled to participate in the Contingent Dividend. We have provided an irrevocable instruction to the Sole Global Coordinator to apply the net proceeds from the Global Offering for the purposes of items (i) and (ii) above.

In the event that the Offer Price is set at the high end of the indicative Offer Price range, we expect to pay a Contingent Dividend (or item (ii) above) of US\$63.2 million (equivalent to approximately HK\$489.9 million). After deducting payment for items (i) and (ii) above, which we will not receive, we expect to receive net proceeds of approximately US\$263.1 million (equivalent to approximately HK\$2,039.2 million), assuming the Over-allotment Option is not exercised. In such an event, we expect to allocate the additional net proceeds for the purposes described in items (iii) and (iv) above on a pro rata basis.

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In the event that the Offer Price is set at the low end of the indicative Offer Price range, we expect to pay a Contingent Dividend (or item (ii) above) of US\$40.1 million (equivalent to approximately HK\$310.8 million). After deducting payment for items (i) and (ii) above, which we will not receive, we expect to receive net proceeds of approximately US\$190.1 million (equivalent to approximately HK\$1,473.4 million), assuming the Over-allotment Option is not exercised. In such an event, we expect to allocate:

- US\$76.6 million (equivalent to approximately HK\$593.7 million) for item (iii) above;
- up to US\$30.4 million (equivalent to approximately HK\$235.6 million) for item (v) above; and
- the remaining for item (iv) above.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term money markets funds, with licensed commercial banks and/or authorised financial institutions.