
RISK FACTORS

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should note that we are a PRC company governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please see the sections headed “Regulatory Overview”, “Appendix III – Summary of the Articles of Association of our Company” and “Appendix V – Summary of Principal Legal and Regulatory Provisions.”

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRIES IN WHICH WE OPERATE

Decrease of investment in the industries and countries in which we operate or serve and deterioration in global economic conditions may adversely affect our business.

Demand for our business which is principally international in nature depends on the general level of activity and growth in the industries in which we operate and serve, especially the power, transportation and telecommunications sectors for the international engineering contracting industry. Factors which may influence the performance and growth of these industries include, but not limited to, general economic conditions, government investment plans, interest rates, exchange rates, inflation, government policies for the industries, demographic trends, political stability and consumer confidence. From 2009 to 2010, revenue from our International Engineering Contracting Business decreased by approximately 11.9% because of the decrease in the newly effective contract value in 2009 as a result of the global financial crisis and the subsequent reduction in actual performance of our engineering contracting projects that were undertaken in 2010. Revenue from our International Engineering Contracting Business remained relatively stable from 2010 to 2011 and revenues from our Trading Business and Other Businesses increased by approximately 22.1% and 1.6%, respectively, from 2010 to 2011, primarily due to the recovery and stabilization of the macro-economic conditions. There is no guarantee that economic conditions will not deteriorate again nor would it be undermined by the economic crisis in the US and the sovereign debt crisis in Europe, and that there will not be any adverse impact on the global economy in general and the countries in which we operate. A global economic downturn or slowdown, or a downturn or slowdown in any of the industries we serve in (in particular the engineering contracting industry and trading industry) and their downstream industries, will generally lead to a decrease of investment in and number of new projects available to us, delays in or cancellations of our ongoing projects in our International Engineering Contracting Business as well as a decrease in the business activities for our Trading Business and Other Businesses, in which case our business, financial condition and results of operations may be materially adversely affected.

We may experience delays or defaults in realizing accounts receivable and progress payments, or delays in the releases of bid bonds, advance payment bonds, performance bonds or retention bonds from our customers.

For our International Engineering Contracting Business, we generally obtain our engineering contracting projects through bidding where we are required to provide a bid bond (in the form of bank guarantee). Such bid bond will be released upon winning the bid and signing the contract. After winning a bid, we typically require project owners to make an advance payment equal to not less than 10% of the total contract amount; in return, we procure a bank to issue an advance payment bond in the project owner's favor to guarantee our refund of the advance payment if we do

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not complete the project pursuant to the contract terms. As the project progresses, project owners typically make progress payments to us with reference to the amount of work completed at specific milestone dates. In accordance with the engineering contracting contracts we enter into, our customers generally pay us an advance equal to 10% to 15% of the overall contract value, and once the engineering contracting project reaches a certain stage as specified in the relevant engineering contracting contract, we will be paid a portion of the contract value on a progressive milestone basis. From time to time, we may be required to commit cash and other resources to the projects prior to receiving full payments from project owners to cover certain expenditures on the projects as they incur. To safeguard our performance of the obligations under the contract, we are generally required by the project owner to provide a performance bond in an amount equal to 5% to 10% of the total contract value. Such performance bonds will typically expire around the date of signing of the provisional acceptance certificate (PAC) for the relevant project and delivery of the project to the project owner. After the signing of the PAC, a retention bond in an amount generally equal to 5% of the contract value is usually retained by the project owner and will generally expire at the end of the maintenance period, typically 12 to 24 months after a final acceptance certificate (FAC) is issued. Where a project is financed by export seller's credit, we, as contractor, typically provide funding to a project principally with loans and credit facilities provided by financial institutions and to a lesser extent with our Company's own financial resources, such that the project owner would make payment to us on a deferred basis. The payment that the project owner should make to us under this arrangement is regarded as our accounts receivable. For all our projects which were financed by export seller's credits, to safeguard against default on the part of the project owners in making deferred repayments to us as stipulated under the contract, we purchased export credit insurance from Sinasure. See "Business – International Engineering Contracting Business – Payment and settlement terms – Bid deposit or bid bond", "– Advance payment and advance payment bond", "– Performance guarantee or performance bond", "– Retention fund or retention bond", "– Financing for projects – Export seller's credit" and "– Export credit insurance" for more details. For our Trading Business, we may allow sales on credit, contractually or upon approval of an application for credit on a case-by-case basis, to some of our trading customers.

Due to the foregoing and other factors, we may have a significant amount of accounts receivable at any particular date. As at June 30, 2012, we had total trade and bills receivables of RMB2,988.4 million. We have a concentration of credit risk which stems from considerable trade and other receivables due from certain individual customers. As at December 31, 2009, 2010 and 2011 and June 30, 2012, approximately 6.2%, 8.6%, 7.8% and 9.0% of the total trade and other receivables was due from our largest customer, respectively, and approximately 21.3%, 26.3%, 21.5% and 24.6% of the total trade and other receivables was due from the five largest customers, respectively. We cannot assure you that our customers will perform their contractual obligations pursuant to the terms and conditions of the contracts and make full and timely payments for our services rendered or goods sold to them.

Delays in accounts receivable, progress payments or enforcement of bid bonds, advance payment bonds, performance bonds or retention bonds by our customers may significantly increase our working capital needs. If a customer defaults or delays in making its payments, enforces a bid bond, advance payment bond, performance bond or retention bond, becomes insolvent or is otherwise unable or unwilling to settle its outstanding payment in a timely manner or at all, it could also affect our liquidity and reduce the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incur pursuant to our contracts but settlement of disputes generally takes significant time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for doubtful debts, including those associated with accounts receivable, bills receivable, progress payments or non-releases of bid bonds, advance payment bonds, performance bonds or retention bonds, based on factors and circumstances relating to specific customers. There can be no assurance that the

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accounts receivable, bills receivable or progress payments will be remitted, or that the bid bonds, advance payment bonds, performance bonds or retention bonds will be released by our customers to us on a timely basis, or at all, or that we will be able to efficiently manage the level of doubtful debts arising from such payment practice or enforcement of bonds. In view of this, our liquidity may be constrained, our level of bad debts may soar and our capital needs may be heightened, thereby adversely affecting our financial condition and results of operations.

Disputes with consortium members or business partners may adversely affect our business.

In operating our business, we have in the past formed, and may in the future continue to form, strategic consortiums or other cooperative relationships with other parties, to jointly bid for and engage in a project. For instance, for our hydropower station project in Pakistan that was ongoing as at June 30, 2012, we formed a consortium with a PRC state-owned enterprise specialized in hydropower infrastructure construction. Whilst we endeavor to initiate cooperation with consortium members or business partners which we find to be reliable and capable, in the course of cooperation, the relationship with such consortium members or business partners may not be entirely fruitful possibly due to the fact that the consortium members or business partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or make requests contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant consortium or cooperative arrangements; and/or
- have financial difficulties.

For certain projects, we may bear joint and several liabilities to the clients or other parties with other consortium member or business partner under the relevant consortium agreements or cooperative agreement, and as a result, we may incur damages and other liabilities for any defective work or breaches by the other consortium member or business partner.

In view of the above-mentioned reasons, we may have dispute with the consortium member or business partner. A serious dispute with the consortium member or business partner may cause a loss of business opportunities or disruption to or termination of the relevant project or consortium. Such dispute may also give rise to litigation or other legal proceedings, which will divert our management attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages or penalties, assume other liabilities, or suspend or terminate the relevant project or operations. In the event that we encounter any of the foregoing problems, our business, financial condition and results of operations may be materially adversely affected.

Any failure to maintain an effective quality control system could have a material adverse effect on our business and operations.

The quality of the services that we provide and the products that we trade is one of the factors critical to our success. In order to sustain such success, we need to continue to maintain an effective quality control system for our business, particularly for our International Engineering Contracting Business and our Trading Business. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, training program as well as our ability to ensure that our

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quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our services or products that we trade, which in turn may jeopardize our reputation, reduce demands for our services and products that we trade or even subject us to contractual or product liabilities and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

Our predecessor and one of our subsidiaries were listed by the US Department of State as having engaged in conduct sanctionable under US law which may affect our reputation, share price performance, trading business, results of operations and financial condition.

On July 25, 2002, our predecessor, China National Machinery & Equipment Import & Export Corporation (中國機械設備進出口總公司), and one of our subsidiaries, CMEC Machinery & Electric, were listed in a notice appearing in the Federal Register of the United States as parties determined by the US Department of State (the “**Department of State**”) to have engaged in conduct sanctionable under the Iran-Iraq Arms Non-Proliferation Act of 1992 (the “**1992 Act**”) and the Arms Export Control Act and the Export Administration Act of 1979, as amended by the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (the “**1991 Act**”). On January 24, 2002, and May 16, 2002, variations of the name of CMEC Machinery & Electric were listed in Federal Register notices as parties determined by the Department of State to have engaged in conduct sanctionable under the Iran Nonproliferation Act of 2000 (the “**2000 Act**”). Pursuant to the sanctions imposed under the 1991 Act, the US government will not procure or enter into any contract for the procurement of any goods or services from China National Machinery & Equipment Import & Export Corporation, CMEC Machinery & Electric or their respective successors (including our Company), and importation into the United States of any products produced by China National Machinery & Equipment Import & Export Corporation, CMEC Machinery & Electric, or their respective successors (including our Company) is prohibited. According to the Federal Register Notice, these sanctions against us under the 1991 Act remain in force until further notice. For more details, see “Business – Restructuring of Business in the Sanctioned Countries – Impact of US Sanctions Law – Iran-Iraq Arms Non-Proliferation Act of 1992, the Arms Export Control Act and the Export Administration Act of 1979, as amended by the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991, and the Iran Nonproliferation Act of 2000.” The sanctions imposed under the 1992 Act also prohibited US government procurement from China National Machinery & Equipment Import & Export Corporation, CMEC Machinery & Electric, or their respective successors (including our Company), and their parents and subsidiaries, and such sanctions further prohibited the issuance of any US export license for exports or re-exports to or from those entities. Under the 2000 Act, the Department of State imposed the following measures upon the listed entities and any successor, sub-unit, or subsidiary thereof, for a period of two years, (i) the US government would not procure, or enter into any contract for the procurement of, any goods or services from the listed entities; (ii) the listed entities were barred from receiving any assistance from the US government; (iii) the US government would not sell any item on the United State Munitions List to the listed entities, and all sales of defense articles or defense services under the Arms Export Control Act were terminated; and (iv) no licenses to export goods controlled under the Export Administration Regulations to the listed entities were available. By the terms of the relevant Federal Register notices, these additional sanctions under the 1992 Act and the 2000 Act expired in 2004.

Our Company does not trade with the US government, which has never been one of our target customers. In addition, our Company is not involved in manufacturing and does not manufacture

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any product on its own. During the Track Record Period, we still conducted our Trading Business with other entities in the United States but not with the US government. See “Business – Trading Business – Export, Import and Domestic Trading Services – International Coverage” for further details. Therefore, our Directors believe that the presence of the above-mentioned sanctions does not affect our business and operations directly or substantially. However, some investors and/or potential business partners may not understand the scope of the above-mentioned sanctions or may have reputational concerns over these sanctions that go beyond the scope of the applicable legal restrictions. Therefore, the above-mentioned sanctions may have an adverse impact on our reputation, share price performance, Trading Business, financial condition and results of operations.

We could be adversely affected as a result of our historical operations in certain countries that are subject to economic sanctions or if the US government were to determine that our prior Iran-related business activities are sanctionable under US Iranian sanction laws and regulations.

In 2010, the United States adopted the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (“**CISADA**”), which expanded the scope for imposing US economic sanctions under the Iran Sanctions Act of 1996 (“**ISA**”) against non-US companies engaged in, among other things, certain “investment” activities relating to Iranian oil or gas production. CISADA also increased the severity of potential sanctions available under the ISA (as amended by CISADA) and imposed mandatory investigation and reporting requirements designed to increase the likelihood of enforcement. Although the definition of “investment” in CISADA by its terms does not cover the supply of goods and services, the legislative report accompanying the statute indicates that certain changes to the definition as it existed under the ISA were intended to encompass such supply, and the impact of those changes is therefore ambiguous. In addition, on November 21, 2011, the United States further expanded the scope of potential economic sanctions against companies doing business with Iran through the issuance of Executive Order 13590 (the “**Executive Order**”). The Executive Order, among other things, broadens the scope of sanctions to include the petrochemical sector and to directly address the supply of goods and services; however, guidance from the US State Department indicates that the Executive Order will not be applied to contracts entered into prior to November 21, 2011.

A range of sanctions may be imposed under the ISA on companies that engage in sanctionable activities, including, among other things, the prohibition of financial transactions between the sanctioned company and persons subject to US jurisdiction and the blocking of any property subject to US jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company (including securities of our Company such as the H Shares).

Our Company does not participate directly in the Iranian petroleum or petrochemical sector. However, on November 2, 2010 (after the adoption of CISADA on July 1, 2010 and prior to the effective date of the Executive Order on November 21, 2011), we entered into a contract (as subsequently supplemented and varied) valued at approximately EUR31.7 million to supply steel to Iran for use in drilling platforms. During the Track Record Period and up to June 30, 2012, revenue recognized from the aforementioned contracts amounted to approximately EUR29.3 million. As at the Latest Practicable Date, the outstanding order of steel under the contract was delivered and the remaining contract value of approximately EUR2.4 million was recognized. We have not “invested” in any Iranian oil or gas project as that term is commonly understood. Although the Executive Order clearly states that the supply of goods and services to the Iranian oil and gas sector is sanctionable, the US State Department has indicated that the Executive Order does not apply retroactively. As such, the language of CISADA, which does not on its face appear to be sufficient to cover the

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supply of goods and services, would govern the interpretation and assessment of the contract and the risk of sanctions on our Company would therefore seem to be low. However, the wide enforcement discretion of the US State Department and OFAC in this area, combined with the legislative history indicating an intent to include the supply of goods and services, makes it impossible to eliminate the possibility that the activity could lead to the imposition of sanctions against our Company. We believe that the fact we have terminated existing business in Iran and committed not to do business in Iran in the future substantially removes any risk that we would be sanctioned under the ISA. However, we cannot guarantee that our prior activity in Iran would not be sanctioned. If we were sanctioned under the ISA, sanctions including those mentioned in the preceding paragraph could adversely impact our business and reputation as well as investors in our securities.

Furthermore, we are a company incorporated in the PRC and we comply with all applicable PRC laws and regulations. However, as a result of our international activities, we are also subject to the laws and regulations of the various countries and regions in which we do business. In particular, if any of our transactions is conducted in or through the United States, or otherwise involves US persons, US dollar clearing in the United States or US-origin goods, US sanctions regulations may be applicable to some or all of such transactions. For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue generated from our business in the Sanctioned Countries in aggregate amounted to approximately RMB744.0 million, RMB1,382.0 million, RMB1,665.2 million and RMB315.6 million, respectively, accounting for approximately 3.9%, 7.2%, 8.1% and 3.0%, respectively, of our total revenue during the same periods. We have restructured our business to terminate future activities in the Sanctioned Countries. See “Business – Restructuring of Business in the Sanctioned Countries” for more details. In particular, a power supply contract in Sudan (the “**Power Plant Contract**”) was terminated by us because certain contractual obligation was not performed by the project owner, and a water supply contract in Sudan (the “**Water Supply Contract**”) was assigned by us to CMIC pursuant to an assignment agreement. Our Controlling Shareholder, SINOMACH, has agreed to indemnify us for all liabilities, losses, damages, costs and expenses (if any) that may be incurred by us arising out of, or in connection with, any claims that may be brought forward by the project owners in relation to the termination of the Power Plant Contract and the assignment of the Water Supply Contract. See “Business – Restructuring of Business in the Sanctioned Countries – Restructuring of our International Engineering Contracting Business” for more details regarding the Power Plant Contract and the Water Supply Contract. In addition, such Restructuring caused an identifiable loss of income of approximately US\$17.2 million (based on the backlog as at June 30, 2012 of the Water Supply Contract which was subsequently assigned prior to Listing) and other loss of potential income from future potential business opportunities in the Sanctioned Countries, which could adversely affect our business, financial condition and results of operations.

We believe that our limited activities in the US and our decision to terminate existing business with the Sanctioned Countries substantially mitigate any risk to our Company under US sanctions regulations targeting the Sanctioned Countries. We have various internal control measures on sanctions and export control with a view to ensuring our compliance with the applicable sanctions laws and regulations. See “Business – Internal Control on Sanctions and Export Control” for more details. Nevertheless, the restrictions under US sanctions regulations are far-reaching and complex, and despite our limited activities in the United States, we cannot provide absolute assurance that our compliance efforts will be completely effective. If we were to violate those restrictions, any such violation could lead to the imposition of civil or criminal sanctions.

We are also aware of initiatives by certain US states and US institutional investors, such as funds, to adopt or consider adopting laws, regulations or policies requiring divestment from, or reporting of interests in, companies that do business with countries designated as state sponsors

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of terrorism, including Cuba, Iran, Sudan and Syria, where we have done business. Such US states or institutional investors may also have concerns that sanctions administered by OFAC may be implicated by our historical business in those countries. US federal legislation authorizes divestment initiatives regarding Iran. These policies could adversely affect investment by certain investors in our H Shares.

Under Chapter VII of the United Nations Charter, the United Nations Security Council (“UNSC”) may impose sanctions measures in order to maintain or restore international peace and security, and does so in UNSC Resolutions (“UNSCRs”). UNSCRs may call upon UN Member States to apply such measures and the United Nations Charter requires each UN Member State to give effect to UNSCRs in its territory or jurisdiction. The manner in which UNSCRs are given effect in a particular jurisdiction depends on the constitutional position in that jurisdiction. In some instances, national legislation is required before the requirements of a UNSCR will become binding on private parties in the relevant jurisdiction. The implementation, application and enforcement of UN sanctions is a question of local law in each country and breaches of UN sanctions can attract criminal law and/or civil law penalties in some countries. We need to comply with UN sanctions that are given effect by the laws of the countries in which we are located or operate, in particular the PRC.

There are currently UN sanctions in relation to various countries, including Iran and Sudan, but not in relation to Burma, Cuba or Syria. UN sanctions in relation to Iran are directed principally at curtailing Iran’s proliferation sensitive nuclear activities and the development of nuclear weapon delivery systems and involve specific prohibitions related to those industries, including a requirement to freeze the assets of designated persons who are involved in such activities. UN sanctions in relation to Sudan are directed at those impeding the peace process, constituting a threat to stability in Darfur and the region and committing human rights violations and include an arms embargo and an asset freeze in relation to designated persons. Our Directors believe, after consulting with our external legal advisors, that none of our Company’s business involving the Sanctioned Countries falls within the scope of activity subject to current UN sanctions and that our decision to terminate existing business with the Sanctioned Countries substantially mitigates any risk to our Company in relation to the possibility of breaching laws that apply to us, insofar as they give effect to UN sanctions.

The EU applies sanctions (restrictive measures) in relation to third countries, individuals, groups or entities as part of its Common Foreign and Security Policy, either in order to implement UNSCRs or to implement a Common Position adopted collectively by EU Member States. EU Regulations imposing sanctions (“EU Sanctions”) generally target persons, entities and bodies that have been designated pursuant to particular sanctions programmes, as well as prohibiting certain activities in relation to certain countries, individuals, groups or entities. Our Company is not a designated target of EU Sanctions. The EU currently imposes sanctions in relation to certain countries, including Iran, Sudan and Syria (but not Cuba). Current EU sanctions in relation to Burma/Myanmar have been suspended (with the exception of an arms embargo) until April 30, 2013.

EU Sanctions are directly applicable in all EU Member States and enforcement is the responsibility of the competent authorities in each EU Member State. Breaches of EU sanctions can attract criminal and/or civil penalties. EU sanctions apply to, among others, all persons within the territory of the EU and any legal person, entity or body which is incorporated or constituted under the laws of an EU Member State. EU Sanctions do not apply, however, to entities which are located and incorporated outside the EU, except in respect of any business done by them in whole or in part within the territory of the EU. As a result, our Directors believe, after consulting with our external legal advisors, that as we are a PRC-incorporated entity located outside of the EU, with

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respect to our business outside of the EU, current EU sanctions laws do not apply to us. We do not conduct any business in the EU involving the Sanctioned Countries and we believe that our decision to terminate existing business with the Sanctioned Countries substantially mitigates any risk to our Company in relation to the possibility of breaching EU Sanctions.

Australia applies economic sanctions under the Charter of the United Nations Act 1945 (Cth), the Autonomous Sanctions Act 2011 (Cth) and associated regulations (collectively, the “**Australian Sanctions Laws**”). The offences created by the Australian Sanctions Laws are mainly in relation to the making of assets or financial services available, directly or indirectly, to a person or entity that is either itself subject to Australian sanctions or is controlled by a person subject to Australian sanctions. Our Directors believe, after consulting with our external legal advisors, that the Australian Sanctions Laws relevant to the Sanctioned Countries do not apply to our prior business in the Sanctioned Countries. The primary reason for this is that the necessary jurisdictional link with Australia cannot be established. If our Company were to breach Australian Sanctions Laws, it would commit a criminal offence.

We currently do not operate any business in a way that would expose us to the relevant sanctions laws of the EU, UN and Australia. However, we cannot assure you that our future business will be free of sanctions risk or that we will be able to conform our business to the requirements of the relevant authorities that enforce sanctions laws in the relevant jurisdictions (whether they have jurisdiction over our business or not, or if they assert, or the sanctions laws are amended that give the authorities, extraterritorial power to impose sanctions on us). If any of the above-mentioned risk relating to sanctions materializes, there will be material adverse impact on our results of operations, financial condition, ability to carry on business in the jurisdictions concerned, share price performance and reputation.

We face potential competition with SINOMACH Group.

Our International Engineering Contracting Business has a primary focus on international engineering contracting projects in which we act as a general contractor. We consider the power, transportation and telecommunications sectors to be our Core Sectors. SINOMACH Group (including CAMC Engineering which is a company listed on the SZSE) retains certain Excluded Business. In order to safeguard the interests of our Company and Shareholders against the Excluded International Engineering Contracting Business, we have entered into the Non-competition Agreement with SINOMACH, pursuant to which SINOMACH has undertaken that, so long as it remains as our Controlling Shareholder, it shall not, and shall procure its subsidiaries which are engaged in the Excluded International Engineering Contracting Business (excluding CAMC Engineering) not to, compete with our Group in respect of the Core Sectors conducted by our Group. The Non-competition Agreement does not include CAMC Engineering. See “Relationship with Controlling Shareholder – Listed SINOMACH Subsidiary – CAMC Engineering – Reasons for Non-inclusion of CAMC Engineering in Our Group” and “Relationship with Controlling Shareholder – Non-competition Agreement” for more details. SINOMACH is not able to control all business decisions of CAMC Engineering simply by virtue of it being a shareholder of such subsidiary, including decisions on whether or not to compete with us. If the competition between CAMC Engineering and our Company intensifies, our business, results of operations and financial condition may be materially adversely affected.

Our Trading Business mainly consists of import, export and domestic trading services of complete sets of plants and equipment and various machinery, electrical and instrumental products. On the other hand, the Excluded Trading Business includes the manufacture, import and export of machinery and electrical products, including electric power tools and gardening tools, power generating machinery and various industrial products and consumer goods (such as

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antennas, cookers, motorcycles, etc). The Excluded Trading Business is mainly carried out through SUMEC, which was incorporated in the PRC and is 80% owned by SINOMACH. Although the business nature, mode of trading and focuses of product types of our Trading Business and the Excluded Trading Business of SINOMACH Group are different, there may be overlap to a certain extent between our Trading Business and the Excluded Trading Business given the trading market is sizeable with a large number of participants. Additionally, although our Group and SUMEC have different target markets and target customers because of the diversified range of products, different geographical locations of the customers and different sectors in which they respectively operate, SUMEC may, from time to time, operate in more or less the same regions as our Group does. The Non-competition Agreement includes a non-competition undertaking in relation to our Trading Business and the Excluded Trading Business operated by SUMEC. See “Relationship with Controlling Shareholder – Excluded Trading Business in Potential Competition with Business Carried out by our Group”, “– SUMEC” and “– Non-competition Agreement – Undertakings in relation to the Trading Business” for more details. It is possible that potential competition may arise in the future should SINOMACH Group decide to expand its business scope to include products similar to those traded by us, or operate in regions where we conduct our Trading Business, which could affect our profitability, financial condition and results of operations.

Historical trend of gross profit margin is not, and should not be deemed to be, indicative of our future business performance.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our gross profit margin was 9.1%, 15.4%, 17.8% and 18.4%, respectively. Our gross profit margin increased significantly from 9.1% in 2009 to 15.4% in 2010; in particular, the gross profit margin of our International Engineering Contracting Business increased from 8.3% in 2009 to 17.5% in 2010 and further increased to 24.2% in 2011. This increase generally reflected the high-margin engineering contracting projects which we secured in recent years, and these high-margin projects are predominantly in the power sector. Given the case-by-case nature of our engineering contracting projects, the gross profit margin of our International Engineering Contracting Business may fluctuate significantly from period to period. We intend to continue our efforts to strengthen cost control, enhance overall productivity and efficiency and undertake more projects and businesses with high profit margins. However, we cannot assure you that these efforts will be successful or at all, or that we can maintain or improve our gross profit margins by continuously securing engineering contracting projects with high profit margin. Our profit margin could be materially adversely affected, if, amongst others, our cost increases as a result of increases in areas such as costs of equipment and raw materials, subcontracting costs and labor cost, which exceed the increase in our revenue during the same period. As such, the historical fluctuation of our gross profit margin may not reflect the future movement and/or trend of our gross profit margin. Our profit margin may also be materially adversely affected if we need to provide our services with more favorable terms to our customers under fierce market competition.

As engineering contracting projects are characterized by capital intensive investments, long completion times and lengthy repayment periods, if we are unable to accurately estimate and control our costs or the scope of work we are required to perform, our profitability could be adversely affected.

During the Track Record Period, our engineering contracting contracts typically require us to complete a project at a pre-agreed fixed price. We are typically responsible for all costs incurred under an engineering contracting project, and our ability to make a profit is largely dependent on our ability to effectively estimate and control these costs. Cost overruns may result in a lower profit or even a loss on a project. The amount of total costs we expect to incur on a project is influenced by a variety of assumptions, including those about future economic conditions, cost and availability

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of subcontractors, labor, equipment and raw materials, subcontractors' performance and specifications, construction and technical standards to be applied, as well as factors such as climate conditions and changes in project scope and conditions, many of which are beyond our control. We cannot guarantee that we will not encounter cost overruns or delays in our current and future engineering contracting projects. If such cost overruns or delays occur, our costs could exceed our budget, especially to the extent the increases in costs were not anticipated or not factored into the pre-agreed fixed price under a contract, or we could be required to pay liquidated damages in accordance with the contractual terms with a consequential reduction in, or elimination of, any profits from our engineering contracting contracts or even leading to losses, which could materially adversely affect our business, financial condition and results of operations.

In addition, the scope of work we are required to perform in relation to an engineering contracting contract is also subject to change as envisaged in the contractual provision for change order. Project owners may require us to perform extra work which may even go beyond the scope and price of the work to be performed which have already been pre-agreed pursuant to the change orders. While such change orders can be profitable, they may also result in disputes over whether the work performed is beyond the scope of work pre-agreed upon, or over the price to be paid for such extra work. Even when a project owner agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the project owner. We cannot assure that we will be able to recover our costs for additional work we undertake on our contracts in full or at all, which may lead to business disputes or may otherwise adversely affect our business, financial condition and results of operations.

Our International Engineering Contracting Business is largely dependent on the level of public spending on infrastructure in the countries in which we currently or potentially undertake engineering contracting contracts.

Our International Engineering Contracting Business is largely dependent on the level of public infrastructure spending by the relevant government or governmental agencies (including entities administered and financed by such agencies) of the countries in which we currently or potentially operate. Our International Engineering Contracting Business largely depends on continued spending by the relevant government or governmental agencies to, among others, improve the living standards of their people and sustain local economic development. Various factors can affect the nature, scale, location and timing of a government's public investment plans in these infrastructure sectors. These factors may include different governments' policies and priorities regarding their economies, regulations, and general condition and prospects of their overall economies. Any significant reduction in the relevant government's public budgets and change in fiscal policies relating to infrastructure could have a material adverse effect on our business, financial condition and results of operations.

Our backlog is subject to unexpected adjustments and cancellations and may, therefore, not be indicative of our future results of operations.

We have provided in this Prospectus contract backlog figures that represent our estimate of the total contract value of work which remained to be completed pursuant to the terms of the engineering contracting contracts which have become effective and are outstanding (but excluding signed contracts pending to be effective). See "Business – International Engineering Contracting Business – Backlog and Signed Contracts Pending to be Effective" for more details. Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. Our methodology for determining backlog may not be comparable to the methodologies used by other companies in determining their backlog. The contract value of a project or other transaction represents the amount as of the relevant date we expect to receive

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assuming our performance is in accordance with the terms of the contract. As at June 30, 2012, the aggregate value of engineering contracting contracts in our backlog was approximately US\$6,051.4 million⁽¹⁾. However, this figure is based on the assumption that the relevant contracts will be performed in full in accordance with their terms. Our engineering contracting contracts may be subject to project cancellations or change order by project owners or other force majeure which may affect the project progress. Such cancellations or change order of any one or more sizeable contracts or force majeure may have a substantial and immediate effect on our backlog, and could reduce the amount of our backlog and the revenues and profits that we can actually generate and pose pressure on our working capital. In addition, projects may also remain in our backlog for an extended period of time. We cannot guarantee that the amount estimated in our backlog will be realized in a timely fashion, or at all, or that, even if they are realized, will result in profits. As a result, investors should not unduly rely on our backlog information presented in this Prospectus as an indicator of our future earnings, performance or business prospects.

Our engineering contracting contracts that are signed and pending to be effective may encounter delays in becoming effective or may not become effective.

Engineering contracting contracts that we enter into are usually subject to some conditions precedent which are required to be fulfilled before these contracts can become effective, such as advance payment of contract value and obtaining of financing or governmental approvals, and some of these conditions precedent are beyond our control. We consider contracts that are signed during the Track Record Period and up to the Latest Practicable Date and pending to be effective as at the Latest Practicable Date to be “signed contracts pending to be effective”, which have an aggregate contract value of approximately US\$12,404.2 million. See “Business – International Engineering Contracting Business – Backlog and Signed Contracts Pending to be Effective” for more details. Any postponement or delay of the effective dates of these contracts could potentially expose us to significant risks associated with foreign currency fluctuations and uncertainty in equipment and raw material costs once they become effective, which may materially adversely impact our budget and profitability. Signed and pending to be effective contract value is not a measure defined by generally accepted accounting principles, and is not counted towards our revenue, completed projects, ongoing projects, backlog or newly effective contract value. As such, the signed and pending to be effective contract value is not and should not be deemed to be indicative of our future business performance. We cannot provide assurance that these contracts will not encounter delay in becoming effective or will become effective at all, and in the event that they do, these contracts may not be as profitable as we originally expected and hence may have a material adverse effect on our business prospects, future earnings and eventually our results of operations.

We are subject to risks associated with volatility in the prices of products, equipment and raw materials, as well as fluctuations in subcontracting costs.

For our International Engineering Contracting Business, we typically procure equipment and raw materials from third-party suppliers and subcontract work, including design, exploration, logistics, installation, construction and supervision, to third-party subcontractors. We generally do not maintain long-term contracts with our suppliers and subcontractors. We typically enter into contracts with our suppliers and subcontractors on a project-by-project basis in view of the requirements and specifications of individual projects. Supply contracts are generally entered into

Note:

(1) The aggregate value of the engineering contracting projects in our backlog would have been US\$6,034.2 million if the Restructuring had happened on or prior to June 30, 2012.

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per each specific transaction. Subcontracting contracts usually last, at most, only as long as the life of the individual project. Increases in the prices of equipment and raw materials as well as fluctuations in the subcontracting costs may increase the cost of procuring equipment and raw materials and engaging subcontractors and hence materially and adversely affect our profitability and results of operations. At certain price levels of equipment and raw materials as well as subcontracting costs, the continued undertaking of certain projects may become less profitable or even unprofitable. Some of our engineering contracting contracts contain price adjustment clauses, which allow us to reclaim additional costs incurred as a result of unexpected increases in equipment and raw material costs. However, we are typically required to bear a portion of the increased cost. Even with the price adjustment clauses, the significance and relative impact of factors affecting the prices of equipment and raw materials as well as subcontracting costs are difficult to predict or quantify, which may cause difficulty in our project budgeting and eventually may have a material adverse impact on our business, financial condition and results of operations. However, we do not engage in any speculation or hedging activities against the volatility in the prices of equipment and raw materials or the fluctuations in subcontracting costs.

Since our Trading Business is modeled on our sourcing ability in addressing the needs of the suppliers or customers which by nature fluctuate, some of the contracts are not long-term contracts, which exposes us to potential volatility in the revenue generated from our Trading Business. In addition, terms of the current or long-term arrangements with some of our customers and suppliers are susceptible to changes. There is no assurance that any of our existing customers or patrons will in the future continue to seek our trading services or place purchase orders with us or at the same level as in the current or prior periods, or at all and such reduction or termination of service required or purchase orders may be effected with short prior notice or no prior notice at all and we may not be able to locate alternative customers to replace the decreased services required or purchase orders. Similarly, there is no assurance that any of our suppliers will continue to supply products to us at our desired quality or price, or in a timely manner or commercially acceptable terms. In particular, at certain price levels of raw materials and parts and components for machinery, the continued production of certain products or provision of certain raw materials may become unprofitable for the suppliers (especially the suppliers who do not manage the risk of price fluctuations in raw materials, or parts or components for equipment through hedging transactions). If there is any adverse change in the business relationship with our customers or suppliers, and we are unable to expand our business with existing customers or patrons, attract new customers, or source for alternative suppliers when required, our business, financial condition and results of operations would be materially adversely affected.

We rely on subcontractors to a certain extent to complete our engineering contracting projects and some of our subcontractors may potentially compete with us on other engineering contracting projects.

In line with our asset-light business model, in all of our engineering contracting projects, we subcontract work to one or more subcontractors. Once we have been awarded an engineering contracting contract, we usually engage subcontractors to carry out different parts of the engineering contracting contract. Subcontracting allows us to play to our strengths in specialization and our turnkey capability, reduces the need to employ a large workforce, including skilled labor in different specialized areas and semi-skilled labor, and increases flexibility and cost effectiveness in executing contracts. We maintain a regularly updated list of qualified and reliable subcontractors and enter into subcontracting agreements with them which generally reflect the terms and conditions of our main engineering contracting contracts with the project owners. Nevertheless, we may not be able to monitor the performance or control the quality of these subcontractors as directly and efficiently as with our own staff. In addition, qualified subcontractors may not always be readily available when our subcontracting needs arise. If we were unable to engage and retain qualified

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subcontractors, our ability to complete the engineering contracting projects could be impaired. If a subcontractor fails to provide services as required under a subcontracting contract for any reason, we may be required to source these services on a delayed basis or elsewhere, or at a price higher than anticipated, which could adversely impact the profitability of our International Engineering Contracting Business. If a subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and business prospect, and potentially expose us to litigation and damages claims.

In circumstances where the subcontractors have their own project execution team which operate their own engineering contracting business, they may bid for engineering contracting projects which could be in competition with our Company. There can be no assurance that the competition between us and the subcontractors will not intensify in the future, which may have adverse impact on our business, financial condition, results of operations and prospects.

We may cause substantial damage to persons, properties or the environment in the course of our business operation, which could harm our reputation and cause us to incur substantial costs.

Due to the nature of construction work involved in our International Engineering Contracting Business, our projects may involve certain inherently dangerous activities, including operations on aerial platform, underground construction, use of heavy machinery, and working with flammable and explosive materials. We ensure compliance with the requisite safety requirements and standards. Despite that, we are subject to the inherent risks of these activities, such as geological catastrophes, toxic gas, risk of equipment failure, industrial accidents, fire and explosion. These dangerous activities may result in personal injury and loss of life, damage to or destruction of properties and equipment, and environmental damage and pollution, any of which could result in the delay in our engineering contracting projects, suspension of our operations and imposition of civil or criminal liabilities. We may also be subject to claims, resulting from the subsequent use of facilities, infrastructure and other engineering works in which we have been involved, from project owners or other third parties.

We normally seek to lower our exposure to potential claims associated with our International Engineering Contracting Business through contractual limitations of liabilities, indemnities from project owners, subcontractors and suppliers, and purchase of construction, installation and engineering all-risks insurance and third-party liability insurance. These measures, however, may not always be effective due to various factors, many of which may be out of our control. These factors include, among others:

- in some of the jurisdictions in which we operate, including the PRC, we assume environmental and workers' compensation liabilities as a matter of law and may not be limited through contracts and insurance policies;
- project owners and subcontractors may not have adequate financial resources to satisfy their indemnity obligations to us;
- losses may derive from risks not covered in our indemnity agreements or insurance policy; and
- our insurance coverage may not be sufficient in scope because it may not be possible to obtain insurance against some risks on commercially reasonable terms, or at all.

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Insurance policies, in particular, have become increasingly expensive and are sometimes difficult to obtain from the market. Moreover, there may be circumstances where we are not fully covered or compensated, or at all, under insurance policies for environmental liability, business interruption, loss of profit, or other liabilities or losses arising from disruptions of operations, industrial accidents, demonstrations or other activities by our employees or third parties.

If we fail to adequately protect ourselves or third parties against these potential liabilities, we could be forced to incur substantial costs for these potential liabilities which could have a material adverse effect on our financial condition and results of operations. Furthermore, any harm caused by our operations could damage our reputation and relationship with the governmental authorities, regulators and our clients, which may materially hinder our chance to win new business and clients.

We face significant competition in certain markets in which we operate, which could adversely affect our business.

We face significant competition in certain markets in which we operate and, in particular, in the Core Sectors. Our competition comes from various sources, including large state-owned enterprises and leading international companies, as well as potential new competitors.

For our International Engineering Contracting Business, our main source of competition is PRC enterprises, who may have advantages over us in terms of design and construction capability and management experience while their services are still competitively priced. Our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by the competitors, changes in customer preferences and access to capital and financing resources. Our foreign competitors may have greater financial, technical, management or other resources and may provide a wider range of services than we do, and could possibly form mergers or joint ventures with some of our domestic competitors or other foreign competitors to our detriment. Suppliers or subcontractors may merge with our competitors which may limit our choices of suppliers and subcontractors and hence the flexibility of our overall project execution capabilities. See “Business – International Engineering Contracting Business – Competition” for more details.

For our Trading Business, competition with Chinese companies engaged in the international trading business stems from competition in terms of price, range of products, suppliers and customers, whereas competition with foreign companies stems from the competitiveness of the products in terms of price and quality generally manufactured by the PRC suppliers and the foreign suppliers. See “Business – Trading Business – Competition” for more details.

There can be no assurance that our current or potential competitors will not offer services or products comparable or superior to those that we offer at the same or lower prices or adapt more quickly than we do to evolving customer preferences, industry trends or changing market conditions. Increased competition may result in price reductions, reduced profit margins and loss of market share.

Sino-foreign cooperation between the PRC Government and foreign governments affects the financing provided by financial institutions in the PRC to certain project owners of our projects for our International Engineering Contracting Business.

Certain project owners of our projects rely on financing provided by financial institutions in the PRC in keeping with the support of the PRC Government for the development of certain countries, especially the developing countries. We have in the past been involved in sino-foreign cooperative projects whereby the PRC financial institutions provided financing to the government of a country

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which in turn supported the infrastructure projects undertaken by the project owners which were affiliated to or owned by that government. For example, the power infrastructure project in the Republic of Angola which we completed in October 2010 in Luanda, capital city of the Republic of Angola, was owned by an Angolan state-owned enterprise and financed by export buyer's credit provided by the Export-Import Bank to the Angolan government. See "Business – International Engineering Contracting Business – Our Major Engineering Contracting Projects – Power Projects – Completed Projects" for further details of that project. We cannot assure you this kind of sino-foreign cooperation between the PRC Government and foreign governments will continue or at all, or we will continue to be involved in the projects supported by this kind of sino-foreign cooperation, which will affect the financing available for our engineering contracting projects and thereby materially affect our business performance, financial condition and results of operations.

Any acquisitions or strategic investments we undertake may not be successful or may not achieve our anticipated economic results or commercial viability and may negatively impact our results of operations and financial condition.

We may in the future acquire other business or companies whose assets, capabilities and strategies we believe are complementary to and are likely to enhance or expand our business operations. Acquisitions involve numerous risks, including potential financing pressures, difficulties in retaining and assimilating personnel and integrating the operations and corporate culture of the acquired business, diversion of management's attention and other resources, and insufficient or lack of experience and knowledge in the industry and market in which the acquired business operate.

In addition, as part of our business strategies, we have in the past undertaken and may in the future undertake strategic investments in new business or companies or new contracting models (such as BOT, BT and PPP), which involve large amounts of capital expenditure and take years to complete. Our equity investment in COMIBEL was an example of strategic equity investment made by us. See "Business – Other Businesses – Certain Strategic Equity Investment" for more details. Strategic investments may be adversely affected by a number of risks or uncertainties, including those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment suppliers and other contractors, natural disasters, availability of technology or human resources, and war or other significant adverse developments in international relationships.

We may not be able to identify suitable targets for acquisition or strategic investment. Extensive pre-feasibility studies on potential acquisition or strategic investment may require significant capital outlays and may not ultimately be implemented or generate any profits. Even if we do identify suitable targets for acquisition or strategic investment, we may not complete those transactions on terms commercially acceptable to us or at all, or we may fail to obtain the required governmental and other approvals for such acquisitions or strategic investments. The inability to identify suitable targets for acquisition or strategic investment or the inability to complete such transactions may adversely affect our competitiveness and/or our growth prospects. Moreover, actual costs for our acquisition or strategic investment may exceed our original budgets due to reasons such as delays in schedule, increases in funding costs and changes in original acquisition or investment plan. Acquisitions or strategic investments may result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the acquired business or investments, and incurrence of impairment charges relating to goodwill and other intangible assets, any of which could harm our financial condition and results of operations. As a result, there can be no assurance that we will be able to achieve the objective of any acquisition or strategic investment, the desired level of operational integration or our investment return target.

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We may encounter unforeseen or unforeseeable difficulties and uncertainties in our expansion into potential new markets and sectors.

International engineering contracting contracts we enter into are usually considered key projects of the relevant government in a country or region where these projects are located. These governments have different ways of managing their economic and governmental policies. Hence we may encounter unforeseen or unforeseeable difficulties and uncertainties in our expansion into potential new markets. Furthermore, to further grow our business and increase our competitiveness and profitability, we plan to increase our presence in various sectors in our International Engineering Contracting Business, such as the renewable energy sector in regions such as Eastern Europe. See “Business – Our Business Strategies – Strengthen our leading position in the power sector and enlarge our market share in the transportation and telecommunications sectors as well as other sectors and countries” for more details. Expansion into new sectors and markets has inherent risks, including risks relating to insufficient operating experience in such sectors and markets and changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. Expansion may also significantly stretch our capital, personnel and management resources and, as a result, we may fail to manage our growth effectively, which in turn could have a material adverse impact on our business, financial condition, results of operations and prospects. In addition, there may be many established incumbent players in these sectors and markets which already enjoy significant market share, and it may be difficult for us to win market share from them. Furthermore, some of the overseas markets that we are targeting may have a high barrier of entry for foreign players. There can be no assurance that our expansion plans will materialize or be successful and failure of which may adversely affect our business performance, financial condition and prospect.

We conduct a large part of our business in foreign countries and regions that are subject to foreign economic, regulatory, social and political uncertainties.

We conduct a large part of our business in foreign countries and regions, including developing countries. Our business, especially the International Engineering Contracting Business, is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in the jurisdictions in which we conduct business, including some countries in Southeast Asia, South Asia and Africa, where economic, regulatory, social and political conditions are subject to instability and uncertainties.

Conducting business in the international marketplaces also exposes us to a number of risks, including:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations related to the PRC or other relevant countries;
- economic, financial and market instability and credit risks, including those relating to potential deterioration of the credit markets and other economic conditions in the western and other countries;
- changes in foreign government regulations or policies;
- dependence on foreign governments or entities controlled by such foreign governments for electricity, water, telecommunications, transportation and other utilities or infrastructural needs;
- unfamiliarity with local operating and market conditions, which could result in such unfavorable consequences as inaccurate bidding prices for projects;

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- lack of understanding of local construction, taxation, labor, customs and other laws, regulations, standards and other requirements;
- risks and uncertainties associated with using foreign workers and subcontractors in connection with our overseas operations;
- preferential treatments or corrupt business practices;
- tax increases or adverse tax policies;
- trade protectionism, trade restrictions or embargoes;
- sanctions (economic or otherwise) imposed by certain countries or self-regulated organizations against our transactions with other countries, individuals or entities which may limit our ability to conduct business with such countries, individuals or entities, or to obtain funding for certain overseas projects;
- discrimination against ethnic Chinese or local protectionism against PRC companies;
- adverse labor conditions or strikes;
- stringent environmental protection laws;
- potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities;
- cyclical nature and demand of international engineering and trading markets;
- expropriation and nationalization of our assets in foreign countries;
- lack of a well-developed or independent legal system in the foreign countries in which we operate or conduct business, which may create difficulties in the enforcement of contractual or legal rights; and
- foreign currency controls and fluctuations.

In some of the high-risk locations where we have employees, business or operations, we may incur additional costs in safeguarding our personnel and assets, and our measures aimed at protecting our personnel and assets overseas may not always be sufficient and effective. To the extent that our overseas business or operations is affected by unexpected and adverse foreign economic, regulatory, social and political conditions, we may experience project disruptions, losses of assets and personnel, and other indirect losses that could adversely affect our business, financial condition and results of operations.

We are exposed to risks in connection with contracting with governments and other public organizations.

As overseas governments, governmental agencies and public organizations at national, provincial and local levels are the largest group of investors in infrastructure projects, especially those in the power, transportation and telecommunications sectors, they also form our core client base. We are therefore exposed to risks in connection with contracting with governments,

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governmental agencies or public organizations. Due to the fact that most infrastructure projects are funded by governments, governmental agencies and public organizations, these projects are sometimes subject to changes or postponement arising from factors such as changes in governmental budget or public spending on infrastructure projects in the relevant sectors, changes in policy considerations or changes of members of government or decision-making bodies and other political changes in certain overseas jurisdictions.

In addition, disputes with governments, governmental agencies and public organizations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments from these entities and organizations may be delayed as a result. Such public entities and organizations usually have more bargaining powers in negotiating contract terms and may claim sovereign immunity as a defence to any claims we may have against them. Changes in governmental budgets and policies relating to our projects could also result in delays in project completion, adverse changes to such projects or a withholding of, or delay in, payments to us. Governments, governmental agencies and public organizations generally exercise significant discretion in the performance of their contracts with us. If a government, governmental agency or other public organization terminates, breaches or fails to renew a contract with us, our newly effective contract value and backlog could be reduced, our project planning may be hampered and our business, financial condition and results of operations may be materially adversely affected as a result.

Our operations require certain permits, licenses, qualifications and certificates inside and outside the PRC, the loss of which can significantly hinder our business and operations, and we are subject to periodic inspections, examinations, inquiries and audits by regulatory authorities.

We are required to obtain and maintain valid permits, licenses and certificates from various governmental authorities to conduct our business, including, among others, business license for an enterprise as a legal person, tax registration certificates, organization code certificates, engineering contracting certificates, import and export licenses and tender agency qualification certificates inside and outside the PRC. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses, qualifications and certificates. See “Regulatory Overview” and “Business – Qualifications” for more details. If we fail to comply with any of the regulations or satisfy any of the conditions required for the maintenance of our permits, licenses, qualifications and certificates, our permits, licenses, qualifications and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially adversely impact our business, financial condition and results of operations.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses, qualifications and certificates for our business and operations, the governmental authorities at various levels conduct routine or special inspections, examinations, inquiries and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses or certificates, fines or other penalties due to any non-compliance uncovered as a result of such inspections, examinations, inquiries and audits. We cannot assure you that we will be able to maintain or renew our existing permits, licenses, qualifications and certificates or obtain future permits, licenses, qualifications and certificates required for our continued operations on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, qualifications or certificates, our business and operations may be adversely affected.

Availability of bank guarantees could limit our capabilities in providing various kinds of bonds which may have adverse impact on our operation.

We are often required to guarantee our performance as an engineering contractor by providing bank guarantees and bonds such as bid bonds, advance payment bonds, performance

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bonds and retention bonds in favor of our clients. Availability of bank guarantees and bonds such as bid bonds, advance payment bonds, performance bonds and retention bonds depends on various factors, including our capitalization, working capital, existing level of borrowings, past performance, management expertise and external factors such as the financial institutions' evaluation of our credit, the overall market condition and the overall financial capacity of the financial institutions, some of which we cannot control. Furthermore, financial crisis may result in a lower level of liquidity in the financial market and tightened capital adequacy requirements of the PRC financial institutions, which in turn may adversely affect our ability to secure credit facilities and obtain bank guarantees and bonds. We may not be able to continue obtaining sufficient new bank guarantees and bonds to meet our business requirements and sustain our future growth. If our financial condition deteriorates, we may also be required to provide cash collateral or other security to maintain existing bank guarantees, bid bonds, advance payment bonds, performance bonds or retention bonds. If this occurs, our financing costs will be increased, our financial resources may be restrained and our ability to perform our contracts may be adversely affected.

Our project operations, the majority of which take place overseas, may expose us to inclement weather and climate conditions, acts of God and adverse work environments.

A significant amount of our business activities, particularly those in our International Engineering Contracting Business, are conducted in overseas countries and outdoors, and could be materially adversely affected by weather and climate conditions. Unfavorable weather and climatic conditions and natural disasters may prevent us and/or our subcontractors from conducting work at our work sites or delivering equipment and machinery to project owners in accordance with contract schedules, or generally reduce productivity. During periods of curtailed activity, we may continue to incur operating expenses, but the revenue from our operations may be delayed or reduced. We may not be able to receive full compensation from parties with which we enter into contracts and may have to bear some portion of the losses. Moreover, natural disasters and other acts of God which are beyond our control may adversely affect the economy, infrastructure and communities in the countries and regions in which we have business or operation. We may also operate in areas that are under the threat of ice storms, floods, earthquakes, landslides, mudslides, sandstorms, drought or other natural disasters. If inclement weather or climatic conditions or natural disasters occur in areas where our projects and project teams are located, our operations may be hampered and the progress of our projects may be significantly delayed.

In addition, we conduct some of our projects or operation under a variety of undesirable geographical conditions, including on difficult terrain, under harsh site conditions, in busy urban centers where delivery of materials and availability of labor may be affected, and on sites which may previously have been exposed to environmental hazards. Such conditions may result in personal injuries or fatalities or have an adverse effect on our work performance, progress and efficiency.

We are subject to litigation risks.

In the ordinary course of our business, claims involving project owners, clients, suppliers and subcontractors may be brought against us or by us. Claims may be brought against us for alleged defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, late completion of projects, termination of contracts or delayed payments to our suppliers or subcontractors. We may also bring claims against counterparties to preserve or enforce our contractual rights. For example, in January 2008, we brought claims against a project owner for a declaration of inappropriate encashment of our bid bond. See "Business – Legal Proceedings and Regulatory Compliance" for more details. The

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claims and charges may involve actual damages and contractually-agreed-upon liquidated sums. If we were found to be liable on any of the claims, we would have to incur a loss against earnings to the extent a reserve had not been established for the matter in our financial statements, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against project owners may include claims for additional costs incurred in excess of current contractual provisions arising out of project delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from project or other claims by us could differ materially from the balances included in our financial statements, resulting in a loss against earnings to the extent profit has already been accrued on a project or other contract. Charges and writedowns associated with claims brought against us have a material adverse impact on our financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects for future contract awards and business.

As at the Latest Practicable Date, our Group was involved in seven legal proceedings, each of which the disputed amount was more than RMB1.0 million. Out of the seven legal proceedings, there were three proceedings, each of which the disputed amount was more than RMB50.0 million and we acted as claimant in all of them. As for the remaining four proceedings that had a disputed amount less than RMB50 million each, we acted as respondent in all of them, and the aggregate disputed amount of these four proceedings was less than 2% of profit attributable to the equity owners of our Company for the year ended December 31, 2011. See “Business – Legal Proceedings and Regulatory Compliance” for a summary of each of these proceedings with a disputed amount of more than RMB50.0 million. As a result of such claims and disputes, our management’s attention to our business and our reputation may be adversely affected and we may incur substantial liabilities and costs, which may adversely affect our business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness.

We rely on a combination of copyrights and trademarks to protect our intellectual properties. As at the Latest Practicable Date, we had 100 trademark registrations and applications and 13 copyrights in the PRC and overseas. We market our International Engineering Contracting Business and to a certain extent our Trading Business under the brand name “CMEC”, which we believe have been critical to our competitiveness and success. We cannot guarantee that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual properties.

Intellectual property laws in the PRC are still evolving and the level of protection and means of enforcement of intellectual property rights in the PRC differ from those in other jurisdictions. Enforcement of our intellectual property rights could be costly, and we may not be able to immediately detect unauthorized use of our intellectual properties and take the necessary steps to enforce our rights over such properties. In the event that the measures taken by us or the protection afforded by law do not adequately safeguard our intellectual property rights, we could suffer losses in revenues and profits due to competing sales of products and services that exploit our intellectual properties. Furthermore, we cannot assure you that any of our intellectual property rights will not be challenged by third parties. Adverse rulings in any litigation or proceedings on intellectual property rights could result in the loss of our proprietary rights and subject us to substantial liabilities, or even disrupt our business and operation.

Fluctuations in foreign currency exchange rates could adversely affect our business.

Our functional currency is RMB, and a major portion of our cost of sales was denominated in RMB during the Track Record Period. We conduct a substantial part of our International

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Engineering Contracting Business and Trading Business overseas, and these business contracts are usually denominated in US dollars or other foreign currencies. For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our revenue denominated in foreign currency accounted for approximately 88.6%, 82.6%, 80.1% and 85.3% of our total revenue, respectively. For the years ended December 31, 2009, 2010, 2011, our net foreign exchange losses were approximately RMB24.8 million, RMB332.1 million and RMB505.2 million, respectively. For the six months ended June 30, 2012, our net foreign exchange gain was approximately RMB13.9 million. In addition, we incurred foreign currency denominated borrowings equivalent to approximately RMB279.4 million as of June 30, 2012. Furthermore, we currently plan to apply a substantial portion of the net proceeds from this Global Offering to our international engineering contracting projects. See “Future Plans and Use of Proceeds – Use of proceeds” for more details. We are therefore subject to significant risks associated with foreign currency exchange rate fluctuations.

Changes in the value of foreign currencies could increase our RMB costs for, or reduce our RMB revenues from, our foreign business, or affect the prices of our exported and imported products and services. Any increased costs or reduced revenues as a result of foreign exchange rate fluctuations could adversely affect our profit margins. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies, primarily the US dollars. Generally, an appreciation of RMB against US dollars and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in US dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in US dollars and other foreign currencies. Conversely, a devaluation of RMB against US dollars and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in US dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in US dollars and other foreign currencies. We seek to reduce our foreign exchange rate risk by entering into foreign currency forward contracts, while abiding by the Notice on Further Strengthening the Supervision of Financial Derivatives Transactions of Centrally Administered State-owned Enterprises (《關於進一步加強中央企業金融衍生業務監管的通知》) issued by SASAC on February 3, 2009. See “Financial Information – Qualitative and Quantitative Disclosure about Market Risk – Currency Risk” for more details. As at December 31, 2009, 2010 and 2011 and June 30, 2012, we had foreign currency forward contracts hedging forecast transactions and foreign currency forward contracts on monetary assets and liabilities denominated in foreign currencies with a total net fair value of RMB(0.2) million, RMB(0.8) million, RMB(3.7) million and RMB(23.6) million, respectively, recognized as derivative financial instruments. However, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency denominated assets and liabilities in an effective manner. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs.

The value of RMB is subject to changes in the PRC’s governmental policies and to international economic and political developments. On July 21, 2005, the PRC Government changed its policy of pegging the value of RMB to US dollars. RMB is now permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The PRC Government has made, and may in the future make, further adjustments to the exchange rate system. On June 19, 2010, the PRC Government announced its intention to further relax its currency policy, and RMB slightly appreciated against US dollars. We cannot assure you that RMB will not experience appreciation against US dollars in the future. In addition, the PBOC made an announcement on April 14, 2012, on enlarging the floating band of RMB’s trading prices against US dollar from 0.5% to 1% with effect from April 16, 2012. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of RMB against US dollars or other foreign currencies. Fluctuations of RMB could adversely affect the value of our foreign currency denominated

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transactions along with the value of cash flow generated from our operation or any dividends payable on our H Shares in foreign currency terms. Further appreciation of RMB against these currencies may dampen the demand for our international contracting and trading services and hence lead to a decline in the revenues of our overseas operation. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may further increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than RMB until we obtain necessary approvals from the relevant PRC regulatory authorities to convert the same into RMB. On the other hand, as we expect to expand our international markets, future RMB appreciation could increase our costs and expenses or lead to fluctuations in the exposure of our foreign currency denominated assets and liabilities, thereby adversely affecting our profitability.

Our continued success requires us to hire and retain qualified personnel.

The growth of our business operation is dependent upon the continued service of our senior management team. The industry experience, expertise and contributions of our executive Directors and other members of our senior management whose names are set out in the section headed “Directors, Supervisors, Senior Management and Employees” of this Prospectus are essential to our continuing success. We will require an increasing number of experienced and competent executives in the future to implement our business and growth plans. If we were to lose the services of any of our Company’s key management members or were unable to train or recruit and retain personnel with equivalent qualifications at any time, the management and growth of our business could be adversely affected.

Our future success is dependent upon our ability to train, attract and retain high quality personnel, including executive officers, business development personnel and project managers and key qualified personnel, who have the necessary and required experience and expertise to conduct our business. Particularly, our success in the International Engineering Contracting Business is largely attributable to the qualified and experienced engineering designers, engineers and other business personnel that we have been able to train, attract and retain in the past. We may periodically experience difficulties in recruiting suitable personnel. We may lose these persons to our competitors who are able to offer more competitive packages, or we may have to significantly increase our related staff costs.

Competition for competent personnel in general is intense in the PRC and other markets where we operate our business. We cannot assure you that we will be able to maintain an adequate skilled labor force necessary for us to execute our business or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labor force on a continuous basis, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

We do not possess valid title to certain properties that we occupy.

For some of the properties we occupy in the PRC, we have not yet obtained sufficient title certificates that allow us to use or transfer the properties freely. For our owned properties, as at September 30, 2012, we had not obtained proper building ownership certificates or real estate title certificates for 14 buildings with a total gross floor area of approximately 22,398 square meters. These properties are used for various purposes, including offices, retail, warehouses and dormitories for employees. We cannot predict how our rights as owner, lessee or occupier of these properties, and our operations carried out on or from these properties, may be adversely affected as a result of the absence of vested legal title in these properties or right to lease these properties. We may be required to relocate our business operations carried out on properties that we do not

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have unassailable legal rights to use or occupy temporarily or permanently, and such relocation could adversely affect our financial condition and results of operations. See “Business – Properties” for further details.

We may be subject to product liability exposure which could harm our reputation and materially adversely affect our business, financial condition and results of operations.

Potential product liability claims can be filed if products that we trade or equipment and machinery we employ for our engineering contracting projects fail to perform as expected, or are proven to be defective, or if their use causes, results in, or is alleged to have caused or resulted in personal injuries, project delays or damages or other adverse effects. Any product liability claim, whether relating to personal injuries or project delays or damages, or related regulatory actions could prove costly and time-consuming to defend and could potentially harm our reputation. If successful, product liability claims may require us to pay substantial damages which may not be sufficiently covered by the claims that we are entitled to against the manufacturers or suppliers. We did not experience any significant product liability claims during the Track Record Period and we currently do not maintain product liability insurance to cover potential product liability arising from the use of products that we trade or equipment and machinery that we employ for our engineering contracting projects, and may be unable to obtain sufficient product liability insurance coverage on commercially reasonable terms, or at all.

Moreover, a material design, manufacturing or quality related failure or defect in products that we trade or equipment and machinery we employ for our engineering contracting projects, or other safety issues could each warrant a request for repair or replacement which may result in increased product liability claims. During the Track Record Period, we have not experienced any material request for repair or replacement that adversely impact our reputation, business, operation and financial condition. If the local authorities decide that the products, equipment or machinery fail to conform to applicable quality and safety requirements and standards, we could be subject to regulatory actions. Violation of local laws and regulations relating to product quality and safety may subject us to fines, penalties and prohibition to market or trade. In case of defects, we may be required to repair or replace the defective products, equipment or machinery and effect any modification to render them safe before they can be distributed again on the market or employed in a project, which may also lead to significant expenses. Criminal liability can be triggered by violations of the general obligation to offer safe products or can arise from significant damages caused to the users of any defective products.

We recorded net current liabilities during the Track Record Period.

As at December 31, 2009, 2010 and 2011 and June 30, 2012, our net current liabilities amounted to approximately RMB1,448.7 million, RMB826.8 million, RMB1,166.2 million and RMB555.8 million, respectively, which was primarily a result of using cash generated from our business operations to finance our EPC projects, some of which have a cash collection period of over one year. Throughout the Track Record Period, a major item of our current liabilities was receipts in advance from customers. As at December 31, 2009, 2010 and 2011 and June 30, 2012, receipts in advance from third-party customers, most of which were advance payments made by customers of our International Engineering Contracting Business, amounted to approximately RMB5,077.4 million, RMB8,158.4 million, RMB9,617.2 million and RMB12,582.7 million, respectively. In line with industry and accounting practices, receipts in advance made by our engineering contracting customers to us are classified as current liabilities. In addition, it has been our Company’s policy to request for advance payments from our customers so as to better manage the cash flow from our projects. The ability to request for and collect such receipts in advance demonstrates our relatively strong bargaining power. Normally, we are not expected to repay these

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receipts in advance. Such receipts in advance are generally recognized as revenue along with the performance and completion of the relevant project and hence there is generally no need to repay such liabilities using our cash flows. We also have treasury and cash management policy and mechanisms to monitor our cash flows and borrowings. See “Financial Information – Qualitative and Quantitative Disclosure about Market Risk – Liquidity Risk” and “Financial Information – Net Current Liabilities” for more details. We cannot assure you that our treasury and cash management policy and mechanisms of managing liquidity risk will continue to be effective in the future or at all, or that our relationship with various banks will not deteriorate, or that our cash flow position will not worsen, which could materially adversely affect our ability of obtaining borrowings for our business, the expansion of our business, financial condition and results of operations.

We are subject to extensive environmental, safety and health laws and regulations, and our compliance with these laws and regulations may be onerous and costly to us.

Our business and operation are subject to numerous environmental, safety and health laws and regulations promulgated by the PRC Government and governments of overseas jurisdictions in which we conduct our business or operate. In addition, the environmental, safety and health laws and regulations in the PRC and such other jurisdictions will continue to evolve. We cannot predict the impact of regulatory developments relating to such industry regulations or environmental, health and safety laws and regulations, nor can we guarantee that the PRC Government or governments of foreign jurisdictions will not impose additional or stricter laws or regulations, compliance with which may cause us to incur significant costs that we may not be able to pass on or pass on in full amount to our clients. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, or other obligations or liabilities. Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous or may require substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with compliance with these laws and regulations may therefore be substantial and may delay the schedule of, or cause interruptions to, our business and operation. Non-compliance with the relevant industry regulations or the environmental, health and safety laws and regulations applicable to our business and operation may even result in substantial penalties or fines, suspension or revocation of our relevant licenses or permits, termination of business contracts or suspension of our operation. Such events could impact our business, operating results, financial condition and reputation. Furthermore, some of the new overseas markets or sectors that we are seeking to enter into may have more onerous environmental, safety and health laws and regulations than the PRC and other jurisdictions, and compliance with such laws and regulations may be costly and could hinder our endeavors to enter into these new overseas markets or sectors.

RISKS RELATING TO OUR GROUP STRUCTURE

Failure by SINOMACH to fulfill its obligations to us in connection with the non-competition undertakings and pre-emptive rights may materially and adversely impact our business and operating results.

In connection with the Global Offering, SINOMACH as our Controlling Shareholder entered into the Non-competition Agreement with our Company, pursuant to which SINOMACH undertook that, so long as SINOMACH remains as our Controlling Shareholder, it and its subsidiaries which are engaged in the Excluded International Engineering Contracting Business (except for CAMC Engineering) shall not compete with our Group in respect of the Core Sectors conducted by our Group. SINOMACH also made certain non-competition undertaking with respect to SUMEC in relation to our Trading Business. See “Relationship with Controlling Shareholder – Non-competition Agreement” for more details. If, for any reason, the Non-competition Agreement were

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to be terminated or changes detrimental to us were to be made to the Non-competition Agreement, our business and results of operations could be materially and adversely affected.

We will be controlled by our Controlling Shareholder, whose interests may differ from those of our other shareholders.

Upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholder, SINOMACH, will ultimately control approximately 80.34% of our share capital. Subject to the Articles of Association, SINOMACH will continue to have the ability to exercise a controlling influence over the management, policies, business and affairs of our Company such as the composition of our Board, the timing and amount of dividend distributions, material transactions, our annual budgets and the Articles of Association. We cannot guarantee that SINOMACH will not cause us to enter into transactions, to take or fail to take any other actions or make decisions that conflict with the best interests of our other Shareholders.

In addition, SINOMACH has retained its Excluded International Engineering Contracting Business and Excluded Trading Business which compete or are likely to compete with our business. SINOMACH will continue to operate its Excluded Business after the Global Offering, which may materially and adversely affect our business, operation and growth prospects. See “Relationship with Controlling Shareholder – Delineation of Business and Competition with SINOMACH Group” for further details.

Our historical declared dividends may not be indicative of our future dividend policy.

In accordance with the Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment (企業公司制改建有關國有資本管理與財務處理的暫行規定) issued by MOF and the resolutions of the shareholders’ meeting dated February 14, 2011, we agreed to declare a special distribution (the “**Special Distribution**”) to SINOMACH in an amount equal to the consolidated net profit attributable to equity owner of our Company for the period from July 1, 2010, the date immediately after the reference date on which our assets were valued for the establishment of our Company as a joint stock company with limited liability, to January 18, 2011, the date of the establishment of our Company.

The Special Distribution payable by our Company to SINOMACH for the period from July 1, 2010 to December 31, 2010 amounted to RMB698.0 million, which was determined based on the audited consolidated net profit attributable to the equity owner of our Company for the year ended December 31, 2010 in accordance with PRC GAAP, after deducting the consolidated net profit attributable to the equity owner of our Company for the six-month period ended June 30, 2010. Such amount was paid to SINOMACH by our Company in 2011 and funded entirely out of the cash generated from our operations.

The Special Distribution payable by our Company to SINOMACH for the period from January 1, 2011 to January 18, 2011 was determined based on the audited consolidated net profit attributable to the equity owners of our Company for the year ended December 31, 2011 in accordance with PRC GAAP, prorated according to the number of days from January 1, 2011 to January 18, 2011 (18 days). Pursuant to the resolution of the shareholders’ meeting dated May 8, 2012, we resolved to distribute a special dividend of RMB72.7 million for the period from January 1, 2011 to January 18, 2011 to SINOMACH. Such amount was paid to SINOMACH by our Company in May 2012 and funded entirely out of the cash generated from our operations.

The Special Distribution is not indicative of the dividends that our Company may declare or distribute in the future. We cannot guarantee whether and when any dividends will be declared and

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paid in the future and the amount of dividends that we may have declared historically is not indicative of the amount of dividends that we may pay in the future. See “Financial Information – Dividend Policy” for more details of our Company’s dividend policy after the completion of the Global Offering. The declaration, payment and amount of any future dividends are determined at the discretion of our Board and will depend upon general business conditions and strategies, our financial results and capital requirements, the interests of the Shareholders, tax conditions, statutory and regulatory restrictions and other factors that our Board deems relevant.

We may not be able to control the non-controlling interests holders and cause our non-wholly-owned subsidiaries to take all the actions that we believe would be most beneficial to us in the future.

We have, and expect to have in the future, interests and management participation in non-wholly-owned subsidiaries in the normal course of our business. Our ability to direct the actions of or influence the decisions of non-wholly-owned subsidiaries within our Group is dependent on a number of factors, including reaching agreement with other shareholders, business partners with respect to certain decisions, our rights and obligations under the relevant shareholders’ agreements and the decision making process by the board of directors or the shareholders applicable to those subsidiaries. As a result of our non-wholly ownership interest in these subsidiaries, we may not in the future always have the ability to control the non-controlling interests holders and cause such non-wholly-owned subsidiaries to take all the actions that we believe would be most beneficial to us.

Our Group is large and complicated, and has been restructured, and we cannot assure that our efforts to further integrate all our business and coordinate among different subsidiaries will be successful.

As part of the Reorganization in connection with the Global Offering, our Company was established as a joint stock company with limited liability on January 18, 2011 with SINOMACH and China United as the Promoters. We also attempted to streamline our organization structure. Following the Reorganization, our Group consisted of 36 direct and indirect subsidiaries located across the PRC and other jurisdictions. The large scale and scope of our operations makes central coordination of activities a challenging task. There may be overlap in the operating activities of certain of our subsidiaries, in terms of geography, product type and/or business scope. We intend to maintain the independent operation of our subsidiaries, which may result in certain subsidiaries competing directly in certain areas. While we are of the view that such competition amongst some of our subsidiaries would not have a material adverse impact on our overall business operation and market position, the effect of such internal competition on our financial results is uncertain.

We formulated several initiatives to rationalize, integrate and consolidate the duplicated operations conducted by different subsidiaries to further realize the synergies within our Group following the Reorganization. Our proposed business integration initiatives may not be implemented effectively or on a timely basis, or may be adversely affected by certain issues arising from excessive number of employees, inability to obtain sufficient financial resources, technical difficulties, constraints in terms of human resources or other resources, or for other reasons. Moreover, the implementation of these business integration initiatives may be more costly than originally estimated. Should cost overrun, changes in circumstances, negative reaction from our employees or other reasons occur, the operational efficiencies and business synergy, which these business integration initiatives were intended to achieve, may not materialize. Furthermore, managing such internal competition will present challenges to our management team, financial and management information systems and internal control measures which will require continuous improvement and development in order for us to operate more effectively and efficiently as an

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integrated entity. If we are not able to successfully implement our business integration initiatives, our business, financial condition, results of operations and prospects may be adversely affected.

RISKS RELATING TO THE PRC

China's economic, political and social conditions, as well as regulatory policies, significantly affect the financial markets in China, as well as our liquidity, access to capital and ability to operate our business.

Our Company was incorporated, and our operation and assets are primarily located, in the PRC. Accordingly, our results of operations, financial condition and prospects are subject to the economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained or is sustainable. The PRC Government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by government control over currency exchange or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business and operation in the PRC may also be materially adversely affected.

Over the recent years, the PRC Government implemented a number of measures, such as raising bank reserves against deposit rates. This action placed additional limitations on the ability of commercial banks to make loans and raise interest rates in order to decrease the growth rate of specific sectors of the PRC's economy which the PRC Government believed to be overheating. Such actions, as well as other PRC policies, may materially and adversely affect our liquidity and access to capital as well as our ability to operate in the PRC.

The PRC Government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares.

Currently, RMB still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially adversely affected.

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Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in the PRC could limit the legal protections available to the shareholders.

PRC laws and regulations govern our operation in the PRC. We and most of our subsidiaries are organized under PRC laws. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedent value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the governmental agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to our investors and Shareholders.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our business, which in turn may adversely affect our financial condition and results of operations.

Changes in PRC tax policy may adversely affect our business and financial results.

Prior to January 1, 2008, except for a number of preferential tax treatment schemes applicable to various enterprises, industries and locations, business enterprises in the PRC were subject to a corporate income tax rate of 33% under the relevant PRC enterprise income tax law. On January 1, 2008, the EIT Law (中華人民共和國企業所得稅法) became effective and imposed a tax rate of 25% on business enterprises. Those business enterprises enjoying preferential tax treatment that was extended for a fixed term prior to January 1, 2008 will still be entitled to such treatment until such fixed term expires. Increases in the effective tax rate would increase our tax liability correspondingly.

In addition, the PRC Government from time to time adjusts or changes its policies on value-added tax, business tax, resources tax, fuel and oil tax, property development tax and other taxes. Such adjustments or changes, together with any resulting uncertainty, could have an adverse effect on our business, results of operations and financial position.

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Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and Non-PRC Resident Enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under China's Individual Income Tax Law (中華人民共和國個人所得稅法). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the foreign individuals reside, reduce or provide an exemption for, the relevant tax obligations. Generally, a convenient tax rate of 10% shall apply to the dividends paid by the company listed in Hong Kong to foreign individuals according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (1) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%, (2) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%, and (3) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For Non-PRC Resident Enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the EIT Law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders Which are Overseas Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the State Administration of Taxation, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of the residence of the relevant Non-PRC Resident Enterprise.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by PRC's tax authorities, including the taxation of capital gains by the Non-PRC Resident Enterprises, individual income tax on dividends to non-PRC resident individual holders of our H Shares and on gains realized on sale or other disposition of our H Shares. PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

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Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

Holders of H Shares may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors or senior management and to take action on the basis of violations of the Listing Rules.

We are a company incorporated under the laws of the PRC and most of our assets and subsidiaries are located in the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision. On July 14, 2006, the Supreme People's Court of Mainland and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following completion of the Global Offering. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our H Shares. Furthermore, the price and trading volume of our H Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows may affect the volume and price at which our H Shares will be traded.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share issued to existing holders of our Shares. Therefore, all investors and purchasers of our Offer Shares in the

RISK FACTORS

Global Offering will experience an immediate dilution in pro forma net tangible book value and existing holders of our Shares will receive an increase in net tangible book value per Share of their Shares. If we issue additional Shares or equity-linked securities in the future, investors and purchasers of Shares may experience further dilution in their ownership percentage.

Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares.

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time. In addition, Domestic Shares can be converted into H Shares after Listing subject to relevant laws and regulations and approvals. See “Information about this Prospectus and the Global Offering – Restrictions on Offer and Sale of Offer Shares” for a more detailed discussion of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also materially and adversely affect our ability to raise capital at a time and at a price we deem appropriate.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price for our H Shares and trading volume may decline.

The trading market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publishes negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our H Shares to decline.

We strongly caution investors not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorized press and media coverage may not truly reflect what is disclosed in this Prospectus or the actual circumstances. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inappropriateness, inaccuracy, incompleteness or unreliability of any such information. To the extent that any such information appearing in the press or media is inconsistent or conflicts with the information contained in this Prospectus or the actual circumstances, we shall not be liable on the same, accordingly, investors should not rely on any such information in making a decision as to whether to purchase our H Shares, and should rely only on the information included in this Prospectus.