
CONNECTED TRANSACTIONS

OVERVIEW AND CONNECTED PERSONS

Following completion of the Global Offering, our Group will continue to have certain transactions which constitute connected transactions as defined under Chapter 14A of the Listing Rules.

Immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), SINOMACH will ultimately control approximately 80.34% of our issued share capital. As SINOMACH will be our Controlling Shareholder as defined in the Listing Rules, members of SINOMACH Group (for the purpose of this section headed “Connected Transactions” only, SINOMACH Group also includes the associates of SINOMACH which are not members of our Group) will be connected persons of our Company pursuant to Rule 14A.11 of the Listing Rules.

AGREEMENTS RELATING TO THE REORGANIZATION

- **Reorganization Agreement**

Pursuant to the Reorganization Agreement, SINOMACH confirmed and undertook to our Company the amount of capital contributions to be made by SINOMACH and China United respectively to our Company. SINOMACH also agreed to indemnify us for all losses and claims incurred in connection with taxes, capital contributions and equity transfers made by SINOMACH, and litigation expenses, penalties and fines in relation to capital contributions and equity transfers made by SINOMACH. For further details, please refer to the section headed “History and Reorganization – Our Reorganization” in this Prospectus.

- **Non-competition Agreement**

In order to minimize any potential competition between our business and the Excluded Business after Listing, we entered into the Non-competition Agreement with SINOMACH. For further details, please refer to the section headed “Relationship with Controlling Shareholder – Non-competition Agreement” in this Prospectus.

Implication under the Listing Rules

Any transaction that might take place after the Global Offering pursuant to any agreement or arrangement described in the section headed “History and Reorganization – Our Reorganization” would be made in the performance of the relevant transaction already entered into before the Global Offering. Therefore, such transaction will not constitute connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS OF OUR GROUP

Set forth below are connected transactions of our Group as well as the waivers from strict compliance with the relevant requirements of the Listing Rules that our Company has received from the Stock Exchange:

Nature of Transactions	Applicable Listing Rule	Waivers received
<i>Exempt continuing connected transactions</i>		
Sub-leasing of premises by SINOMACH Group to our Group	14A.33	Not applicable
Trading procurement by SINOMACH Group from our Group	14A.33	Not applicable
<i>Non-exempt continuing connected transactions</i>		
Provision of engineering services and products by our Group to SINOMACH Group	14A.35	Waiver from announcement and independent shareholders' approval requirements
Receipt of engineering services and products from SINOMACH Group by our Group	14A.35	Waiver from announcement and independent shareholders' approval requirements
Trading procurement by our Group from SINOMACH Group	14A.35	Waiver from announcement and independent shareholders' approval requirements
Provision of integrated services by our Group to SINOMACH Group	14A.35	Waiver from announcement and independent shareholders' approval requirements

EXEMPT CONTINUING CONNECTED TRANSACTIONS

It is anticipated that, upon completion of Listing, the following transactions between members of our Group and members of SINOMACH Group will constitute continuing connected transactions of our Company according to the Listing Rules, which are however expected to be exempted from all the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Sub-leasing of premises by SINOMACH Group to our Group

General Machinery Development Co. Ltd., a subsidiary of SINOMACH and therefore a member of SINOMACH Group, as a tenant of the premises at Unit No.4, 8/F., Tower I, South Sea Centre, No.75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong (the “**Premises**”), currently sub-lets the Premises to our Company, China Machinery and Equipment (HK) Company Limited (中國機械設備香港有限公司) and China Everbest Development International Limited (華盛昌發展有限公司), both being members of our Group (collectively the “**HK Subsidiaries**”), and will continue to sub-let the Premises to our Company and the HK Subsidiaries after Listing pursuant to a sub-lease agreement entered into between General Machinery Development Co. Ltd., our Company and the HK Subsidiaries on October 31, 2012 (the “**Sub-lease Agreement**”).

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the historical transaction amounts for the sub-letting of the Premises by General Machinery Development Co. Ltd. to members of our Group were as follows:

<u>Financial year/period ended</u>	<u>Historical transaction amounts</u>
December 31, 2009.....	HK\$221,796.0
December 31, 2010.....	HK\$349,261.0
December 31, 2011.....	HK\$377,708.0
June 30, 2012.....	HK\$178,293.5

According to the Sub-lease Agreement, the HK Subsidiaries and General Machinery Development Co. Ltd. shall be responsible for 70% and 30% of the aggregate rental payable for the Premises, respectively. The rental payable by the HK Subsidiaries under the Sub-lease Agreement was determined with reference to (i) the rental payable by General Machinery Development Co. Ltd. to the landlord of the Premises; and (ii) the market rent for similar premises. Our Directors (including the independent non-executive Directors) are of the view that the rental payable by our Group to General Machinery Development Co. Ltd. under the Sub-lease Agreement is fair and reasonable.

The Premises is currently used as the office premises shared by General Machinery Development Co., Ltd., our Company and the HK Subsidiaries. The sub-leasing arrangement was agreed between General Machinery Development Co. Ltd., our Company and the HK Subsidiaries in order to save expenses for all parties. Furthermore, our Group considers that the Sub-lease Agreement with General Machinery Development Co. Ltd. is necessary for providing such office premises for use by our Company and the HK Subsidiaries in Hong Kong and is therefore beneficial to our Group.

As the percentage ratios (other than the profits ratio and as defined in the Listing Rules) calculated based on the transaction amounts under the Sub-lease Agreement are expected to be less than 0.1%, the transaction contemplated under the Sub-lease Agreement constitutes a continuing connected transaction of our Company which is exempted from all the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Trading procurement by SINOMACH Group from our Group

In respect of our Trading Business, although there has been no track record that our Group has provided any products to SINOMACH Group in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, from our Company's communication with SINOMACH, we understand that SINOMACH Group may from time to time require our trading services on sourcing products from overseas to support their own businesses.

In view of the above, a framework agreement on the sale of trading products by our Group to SINOMACH Group was entered into between our Company and SINOMACH on July 12, 2011 as supplemented by the supplemental agreement dated December 10, 2012 (the "**Trading Sales Agreement**"), pursuant to which our Group shall sell various trading products to SINOMACH Group after Listing for a term commencing from the Listing Date and ending on December 31, 2014.

The Trading Sales Agreement is a framework agreement comprises the general terms and conditions upon which our Group shall sell various products to SINOMACH Group. Members of SINOMACH Group and members of our Group may from time to time enter into detailed agreements in respect of the specific products to be provided by our Group, provided that the terms of such detailed agreements shall not be inconsistent with the terms of the Trading Sales Agreement. The actual products to be provided by our Group shall be subject to such detailed agreements entered into between the relevant member of SINOMACH Group and the relevant member of our Group from time to time.

The Trading Sales Agreement may be renewed on terms to be agreed upon by SINOMACH and our Company. The Trading Sales Agreement (i) may be terminated by a non-defaulting party by serving a written default notice to the defaulting party stipulating the relevant breach and the defaulting party having failed to remedy such breach within a reasonable period after its receipt of the default notice and (ii) shall be terminated automatically if the performance of the transactions contemplated thereunder will be in breach of the requirements under the Listing Rules or the necessary approvals required under the Listing Rules or relevant waivers from the Stock Exchange cannot be obtained.

Pursuant to the Trading Sales Agreement, the price payable for the subject products thereunder shall be determined in accordance with the prevailing market price of the relevant products, unless there is a guidance price range determined by the relevant governmental authorities. The prevailing market price shall be the price asked for by independent third parties for the relevant products under normal commercial terms at the relevant time in their place of supply or a place in close proximity to such place of supply, or the price asked for by independent third parties for supplying the relevant products under normal commercial terms at the relevant time. Where there are no available prevailing market prices or where it is impracticable to obtain such market prices, our Company and SINOMACH shall mutually agree on a price determined based on reasonable costs of the provision of the relevant product, and a reasonable profit margin.

The Trading Sales Agreement is expected to increase the revenue and profits of our Trading Businesses and to expand our market share in the international trading market if and when any member of SINOMACH Group enters into specific contracts with our Group and engages us in providing products for them, therefore our Group considers that the Trading Sales Agreement is beneficial to our Group and development of our Trading Businesses.

After considering the expected demand by SINOMACH Group for various products and the estimated prices for the various products to be provided by our Group to the SINOMACH Group under the Trading Sales Agreement for the years ending December 31, 2012, 2013 and 2014, our Directors are of the view that the percentage ratios (other than the profits ratio and as defined in the Listing Rules) calculated based on the transaction amounts under the Trading Sales Agreement

CONNECTED TRANSACTIONS

are expected to be less than 0.1%, therefore the transactions contemplated under the Trading Sales Agreement will constitute continuing connected transactions of our Company which are exempted from all the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

It is anticipated that, upon completion of the Listing, certain transactions between members of our Group and members of SINOMACH Group will constitute non-exempt continuing connected transactions of our Company according to the Listing Rules, details of which are set out below.

Provision of engineering services and products by our Group to SINOMACH Group

As part of our International Engineering Contracting Business, prior to Listing, we have provided engineering services and products, including but not limited to, undertaking turnkey project and provision of general contracting services in the power and energy sector and procurement services and products to SINOMACH Group for the engineering contracting projects undertaken by SINOMACH Group, in particular those engineering contracting projects sub-contracted to our Group by SINOMACH Group, which have been by certain reasons (e.g. our Group was not able to meet certain tendering requirements or certain engineering contracting projects were previously undertaken and followed-up by SINOMACH Group directly) undertaken by SINOMACH Group and it has been impracticable to transfer such engineering contracting projects to our Group, and we will continue to provide such engineering services and products described above to SINOMACH Group after Listing pursuant to a framework agreement on provision of engineering services and products entered into between our Company and SINOMACH on July 12, 2011 as supplemented by the supplemental agreement dated December 10, 2012 (the "**Provision of Engineering Services and Products Agreement**") for a term commencing from the Listing Date and ending on December 31, 2014. Details of the price determination mechanism for the subject services and products under the Provision of Engineering Services and Products Agreement are set out under the sub-section headed "– Non-exempt continuing connected transactions – Common terms of non-exempt continuing connected transactions" in this Prospectus.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the historical transaction amounts for the provision of engineering services and products by our Group to SINOMACH Group were as follows:

<u>Financial year/period ended</u>	<u>Historical transaction amounts (approximately)</u>	<u>Percentage of historical transaction amounts to the total revenue of our Group for the corresponding period (approximately) (%)</u>
December 31, 2009.....	RMB1,136.9 million	5.9
December 31, 2010.....	RMB930.1 million	4.9
December 31, 2011.....	RMB511.9 million	2.5
June 30, 2012	RMB948.2 million	9.2

CONNECTED TRANSACTIONS

Below is a summary of the identities of the relevant member of our Group and relevant member of the SINOMACH Group who are signing parties of the relevant contracts for each of the historical transaction and the nature of engineering products and/or services involved:

Relevant member of our Group (as seller)	Relevant member of the SINOMACH Group (as purchaser)	Nature of engineering products and/or services involved
------------------------------------------	------------------------------------------------------	---------------------------------------------------------

For the three financial years ended December 31, 2009, 2010, 2011 and the six months ended June 30, 2012

Our Company	SINOMACH (it is expected that the underlying products and/or services are used by subsidiaries of SINOMACH)	Power-related engineering construction
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The Provision of Engineering Services and Products Agreement is able to increase the revenue and profits of our International Engineering Contracting Business and to expand our market share in the international engineering contracting market. In particular, the Provision of Engineering Services and Products Agreement is able to allow us to participate in certain large-scale engineering contracting projects undertaken by SINOMACH Group in situations where the relevant engineering contracting projects have been by certain reasons (e.g. our Group was not able to meet certain tendering requirements or certain engineering contracting projects were previously undertaken and followed-up by SINOMACH Group directly) undertaken by SINOMACH Group and it has been impracticable to transfer such engineering contracting projects to our Group. Most of the engineering contracting projects sub-contracted to our Group by SINOMACH Group are large-scale projects which last for a few years. Therefore, our Group considers that the Provision of Engineering Services and Products Agreement is beneficial to our Group and development of our International Engineering Contracting Business. Despite the aforesaid, our Group is able to conduct our business independently of SINOMACH Group, in particular, the conduct of our business is protected against competition by SINOMACH Group through the Non-competition Agreement. Furthermore, our Directors (including the independent non-executive Directors) expect that the number of transactions and hence the transaction amounts under the Provision of Engineering Services and Products Agreement will be on a decreasing trend as, partly because of the Non-competition Agreement, our Group's market share in the international engineering contracting market will continue to grow and our Group will be able to secure various engineering contracting projects, especially those within the Core Sectors, against SINOMACH Group.

Having considered (i) the historical transaction amounts for the provision of engineering services and products by our Group to SINOMACH Group; (ii) the nature of services and products required under specific contracts already signed or agreed between members of our Group and members of SINOMACH Group; (iii) the expected duration and progress of relevant engineering contracting projects; and (iv) the expected decrease in demand by SINOMACH Group for engineering services and products, for the years ending December 31, 2012, 2013 and 2014, our Directors are of the view that the value of annual caps in respect of the provision of engineering

CONNECTED TRANSACTIONS

services and products by our Group to SINOMACH Group under the Provision of Engineering Services and Products Agreement are as follows:

<u>Financial year ending</u>	Annual caps for the value of transactions under the Provision of Engineering Services and Products Agreement
December 31, 2012.....	RMB1,091.0 million
December 31, 2013.....	RMB673.0 million
December 31, 2014.....	RMB573.0 million

More particularly, the above annual caps under the Provision of Engineering Services and Products Agreement have been set by our Directors based on the analysis on the actual contractual amount under each specific contract already signed or agreed between members of our Group and members of SINOMACH Group and the expected payment schedule with reference to the expected duration and progress of the relevant engineering contracting projects. The relatively high value of the annual cap for the year ending December 31, 2012 when compared to the historical transaction amounts is mainly due to a particular engineering contracting contract signed by our Company in 2007 in respect of our provision of certain power-related engineering construction products and services with a contract value of approximately US\$580 million, the project concerned commenced construction in 2009 and is expected to be completed by the end of 2012, and it is expected that our Company will recognize revenue of approximately US\$150 million from SINOMACH for this project in 2012. In respect of the annual caps for the years ending December 31, 2013 and 2014, our Company has taken into account certain specific contracts agreed between members of our Group and members of the SINOMACH Group, the contract values of which are comparable to those of the historical transactions of our Group during the Track Record Period, in particular those during the financial year ended December 31, 2011, and which are expected to be completed in 2013 and 2014. Accordingly, our Directors expect that the annual caps for the years ending December 31, 2013 and 2014 will remain steady at a level similar to the historical transaction amounts during the Track Record Period, in particular that for the financial year ended December 31, 2011.

Receipt of engineering services and products from SINOMACH Group by our Group

As part of our International Engineering Contracting Business, prior to Listing, we have received engineering services and products, including but not limited to design, installation, construction, building, subcontracting and procurement services and products from SINOMACH Group mainly to facilitate our International Engineering Contracting Business and for certain projects sub-contracted by us to SINOMACH Group, and we will continue to receive such engineering services and products described above, among which a large proportion are design, installation, construction, building, subcontracting and procurement services and products relating to our engineering contracting projects within the Core Sectors, from SINOMACH Group after Listing pursuant to a framework agreement on receipt of engineering services and products entered into between our Company and SINOMACH on July 12, 2011 as supplemented by the supplemental agreement dated December 10, 2012 (the “**Receipt of Engineering Services and Products Agreement**”) for a term commencing from the Listing Date and ending on December 31, 2014. Details of the price determination mechanism for the subject services and products under the Receipt of Engineering Services and Products Agreement are set out under the sub-section headed “– Non-exempt continuing connected transactions – Common terms of non-exempt continuing connected transactions” in this Prospectus.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the historical transaction amounts for the provision of engineering services and products by SINOMACH Group to our Group were as follows:

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Financial year/period ended	Historical transaction amounts (approximately)	Percentage of historical transaction amounts to the total costs of sales of our Group for the corresponding period (approximately) (%)
December 31, 2009.....	RMB323.2 million	1.8
December 31, 2010.....	RMB343.6 million	2.1
December 31, 2011.....	RMB209.4 million	1.2
June 30, 2012	RMB237.8 million	2.8

Below is a summary of the identities of the relevant members of our Group and relevant members of the SINOMACH Group who are signing parties of the relevant contracts for the top five historical transactions in terms of transaction amount and the nature of engineering products and/or services involved:

Relevant member of our Group (as purchaser)	Relevant member of the SINOMACH Group (as seller)	Nature of engineering products and/or services involved
For the financial year ended December 31, 2009		
Our Company	China Electrical Wires and Cables Import and Export Co., Ltd. (中國電線電纜進出口有限公司)	Power-related engineering subcontracting
Our Company	China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司)	Civil engineering, construction and installation
Our Company	CGME	Equipment and products for power-related engineering construction
Our Company	Harbin Power Plant Equipment Design & Research Institute (哈爾濱電站設備成套設計研究所)	Technical services of engineering construction
Our Company	China Electric Design & Research Institute (中機中電設計研究院)	Technical services of engineering construction

CONNECTED TRANSACTIONS

Relevant member of our Group (as purchaser)	Relevant member of the SINOMACH Group (as seller)	Nature of engineering products and/or services involved
For the financial year ended December 31, 2010		
Our Company	China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司)	Civil engineering, construction and installation
Our Company	China Construction Machinery Co. Ltd. (中工工程機械成套有限公司)	Equipment and products for power-related engineering construction
Our Company	CGME	Equipment and products for power-related engineering construction
Our Company	China Electric Design & Research Institute (中機中電設計研究院)	Technical services of engineering construction
Our Company	China JK Institute of Engineering Investigation and Design Institute (機械工業勘察設計研究院)	Technical services of engineering construction
For the financial year ended December 31, 2011		
Our Company	China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司)	Civil engineering, construction and installation
Our Company	Shanghai Sino Perfect Co., Ltd. (上海中浦供銷有限公司)	Equipment and products for power-related engineering construction
Our Company	China JK Institute of Engineering Investigation and Design Institute (機械工業勘察設計研究院)	Services and subcontracting of power-related engineering construction
Our Company	Harbin Power Plant Equipment Design & Research Institute (哈爾濱電站設備成套設計研究所)	Technical services of engineering construction
Our Company	Beijing Sciencetech International Project Management Co., Ltd. (北京興電國際工程管理公司)	Technical services of engineering construction

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Relevant member of our Group (as purchaser)	Relevant member of the SINOMACH Group (as seller)	Nature of engineering products and/or services involved
For the six months ended June 30, 2012		
Our Company	China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司)	Civil engineering, construction and installation
Our Company	CGME	Equipment and products for power-related engineering construction
Our Company	China JK Institute of Engineering Investigation and Design Institute (機械工業勘察設計研究院)	Services and subcontracting of power-related engineering construction
Our Company	Shanghai Sino Perfect Co., Ltd. (上海中浦供銷有限公司)	Equipment and products for power-related engineering construction
Our Company	Harbin Power Plant Equipment Design & Research Institute (哈爾濱電站設備成套設計研究所)	Technical services of engineering construction

The Receipt of Engineering Services and Products Agreement is able to allow our Group to subcontract part of our construction works in line with the common practice of participants in the international engineering contracting market. Our Group has an internal list of identified subcontractors who are able to provide various engineering services and products to satisfy the needs of our International Engineering Contracting Business from time to time. Such list includes both members of SINOMACH Group and other independent third parties, who have been identified by our Group with reference to their market reputation, prices and quality of services and products which they offer and if applicable, performance under previous engagements with our Group. We also sometimes choose our subcontractors through tendering process. However, in view of the fact that SINOMACH Group is a well-established participant with good reputation within the international engineering contracting market which possesses strong capacity and experience in the manufacturing, design, research and development of various engineering products, our Group has preference in sourcing relevant engineering services and products from SINOMACH Group to gain benefits from such technical strengths of them. Furthermore, taking into account the long history of cooperative relationship between our Group and SINOMACH Group, our Group considers that the Receipt of Engineering Services and Products Agreement is able to enhance completion of the engineering contracting projects undertaken by us at efficient timing and with the best quality, therefore the Receipt of Engineering Services and Products Agreement is beneficial to our Group and development of our International Engineering Contracting Business. Despite the aforesaid, our Group is able to conduct our International Engineering Contracting Business independently of SINOMACH Group, in particular, we are also able to source various engineering services and products from other independent market participants included in our internal list mentioned above.

Having considered (i) the historical transaction amounts for the provision of engineering services and products by SINOMACH Group to our Group; (ii) the nature of services and products required under the engineering contracting projects already undertaken by our Group and specific

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contracts signed or agreed between members of our Group and members of SINOMACH Group; (iii) the expected duration and progress of our relevant engineering contracting projects; (iv) the expected increase in demand by our Group for engineering services and products; and (v) the estimated increase in the average market prices for the relevant engineering services and products due to inflation and the general economic growth of the PRC, for the years ending December 31, 2012, 2013 and 2014, our Directors are of the view that the value of annual caps in respect of the provision of engineering services and products by SINOMACH Group to our Group under the Receipt of Engineering Services and Products Agreement are as follows:

Financial year ending	Annual caps for the value of transactions under the Receipt of Engineering Services and Products Agreement
December 31, 2012.....	RMB950.0 million
December 31, 2013.....	RMB1,200.0 million
December 31, 2014.....	RMB1,500.0 million

More particularly, the above annual caps under the Receipt of Engineering Services and Products Agreement have been set by our Directors based on our Directors' analysis on the actual contractual amount under each specific contract already signed or agreed between members of our Group and members of the SINOMACH Group, the expected payment schedule with reference to the expected duration and progress of the relevant engineering contracting projects.

The relatively substantial increase in the annual caps for the years ending December 31, 2012, 2013 and 2014 when compared with the historical transaction amounts is mainly due to the expected relatively rapid development of the engineering contracting projects under certain specific contracts which are material in value and signed or agreed between members of our Group and members of the SINOMACH Group, which include three major engineering contracting contracts signed or agreed between our Company and China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司) with expected contract values in aggregate of approximately RMB3,100.0 million, the projects concerned are with contract terms ranging from 4 to 5 years from 2012 and will involve our Group's receipt of civil engineering, construction and installation services and products and are expected to be completed at stages steadily in an increasing trend during the years 2012 to 2014. Since these contracts, in couple with a few other new contracts, are expected to become effective in the second half of 2012 and will begin to contribute revenue of approximately RMB500.0 million during the second half of 2012, the annual cap for the year ending December 31, 2012 is of relatively high value when compared with the historical transaction amount for the six months ended June 30, 2012. Furthermore, according to the above, our Directors believe that the annual caps for the years ending December 31, 2012 to 2014 shall also increase steadily in line with the progress of the relevant projects concerned.

Trading procurement by our Group from SINOMACH Group

As part of our Trading Business, prior to Listing, we have been providing various sourcing solutions to our domestic and overseas customers who wish to source products from the PRC. A large part of such business involved exporting products manufactured within the PRC to various overseas markets. In order to facilitate our Trading Business and in view of the strong manufacturing capacity of SINOMACH Group, our Group has sourced various trading products from SINOMACH Group to support our Trading Business, which consist of agriculture machinery and equipment, agriculture transportation vehicles, logging equipment and mining equipment and

CONNECTED TRANSACTIONS

we will continue to source other various trading products, including but not limited to those described above, for our Trading Business from SINOMACH Group after Listing pursuant to a framework agreement on the provision of trading products by SINOMACH Group to our Group entered into between our Company and SINOMACH on July 12, 2011 as supplemented by the supplemental agreement dated December 10, 2012 (the “**Trading Procurement Agreement**”) for a term commencing from the Listing Date and ending on December 31, 2014. Details of the price determination mechanism for the subject products under the Trading Procurement Agreement are set out under the sub-section headed “– Non-exempt continuing connected transactions – Common terms of non-exempt continuing connected transactions” in this Prospectus.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the historical transaction amounts for the provision of various products by SINOMACH Group to our Group were as follows:

Financial year/period ended	Historical transaction amounts (approximately)
December 31, 2009.....	RMB1.2 million
December 31, 2010.....	RMB1.4 million
December 31, 2011.....	RMB11.7 million
June 30, 2012.....	RMB8.2 million

During the Track Record Period, the percentage of historical transaction amounts to the total costs of sales of our Group for the corresponding period was below 0.1%.

Below is a summary of the identities of the relevant members of our Group and relevant members of the SINOMACH Group who are signing parties of the relevant contracts for each of the historical transactions and the nature of trading products involved:

Relevant member of our Group (as purchaser)	Relevant member of the SINOMACH Group (as seller)	Nature of trading products involved
For the financial year ended December 31, 2009		
CMEC Engineering Machinery	Yituo (Luoyang) Building Machinery Co., Ltd. (一拖(洛陽)建築機械有限公司)	Construction machinery
For the financial year ended December 31, 2010		
CMEC Engineering Machinery	Yituo (Luoyang) Building Machinery Co., Ltd. (一拖(洛陽)建築機械有限公司)	Machinery and equipment
CMEC Engineering Machinery	Changlin Company Ltd. (常林股份有限公司)	Machinery and equipment

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<u>Relevant member of our Group (as purchaser)</u>	<u>Relevant member of the SINOMACH Group (as seller)</u>	<u>Nature of trading products involved</u>
CMEC Engineering Machinery	Dingsheng Tiangong Construction Machinery Co., Ltd. (鼎盛天工工程機械銷售有限公司)	Machinery and equipment

For the financial year ended December 31, 2011

CMEC Engineering Machinery	Yituo (Luoyang) Building Machinery Co., Ltd. (一拖(洛陽)建築機械有限公司)	Machinery and equipment
CMEC Engineering Machinery	Changlin Company Ltd. (常林股份有限公司)	Machinery and equipment

For the six months ended June 30, 2012

CMEC Engineering Machinery	Dingsheng Tiangong Construction Machinery Co., Ltd. (鼎盛天工工程機械銷售有限公司)	Machinery and equipment
CMEC Engineering Machinery	China-Africa Machinery Corp. (中非重工投資有限公司)	Machinery and equipment

Our Group has an internal list of identified suppliers who are able to provide various products to satisfy the needs of our Trading Business from time to time. Such list includes both members of SINOMACH Group and other independent third parties, who have been identified by our Group with reference to their market reputation, prices and quality of products which they offer and if applicable, performance under previous engagements with our Group. SINOMACH Group is a group of companies which has a long history of manufacturing various products in the PRC and is renowned as being able to produce high quality machinery and equipment, especially those for electronic, energy, agricultural, forestry and geology industries. In order to facilitate our Trading Business and in view of the strong manufacturing capacity of SINOMACH Group, we have been sourcing various products from SINOMACH Group for our Trading Business. Furthermore, taking into account the long history of cooperative relationship between our Group and SINOMACH Group, our Group considers that the Trading Procurement Agreement is able to assure that the best quality products are available for our Trading Business, therefore the Trading Procurement Agreement is beneficial to our Group and development of our Trading Business. Despite the aforesaid, our Group is able to conduct our Trading Business independently of SINOMACH Group, in particular, we are also able to source various products from other independent suppliers included in our internal list mentioned above.

Having considered (i) the historical transaction amounts for the provision of various products by SINOMACH Group to our Group; (ii) the nature of products required under specific contracts already signed or agreed between members of our Group and members of SINOMACH Group; (iii) the products delivery dates under the relevant trading contracts; (iv) the expected increase in costs on manufacturing the relevant products; (v) the expected increase in demand by our Group for

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various products; and (vi) the estimated increase in the average market prices for the relevant products due to inflation and development of the PRC manufacturing and trading markets, for the years ending December 31, 2012, 2013 and 2014, our Directors are of the view that the value of annual caps in respect of the provision of various products by SINOMACH Group to our Group under the Trading Procurement Agreement are as follows:

Financial year ending	Annual caps for the value of transactions under the Trading Procurement Agreement
December 31, 2012.....	RMB15.0 million
December 31, 2013.....	RMB17.0 million
December 31, 2014.....	RMB21.0 million

More particularly, the above annual caps under the Trading Procurement Agreement have been set by our Directors based on the actual historical transaction amounts for the financial year ended December 31, 2011 and the six months ended June 30, 2012, and an estimated annual business growth rate of 20%.

Provision of integrated services by our Group to SINOMACH Group

Apart from our International Engineering Contracting Business and our Trading Business, prior to Listing, we have provided integrated services such as exhibition and conference services, storage and logistics services, tendering agency services, import and export agency services and real estate leasing and management services to SINOMACH Group in respect of the business undertaken by SINOMACH Group, and we will continue to provide such integrated services described above to SINOMACH Group after Listing pursuant to a framework agreement on the provision of integrated services by our Group to SINOMACH Group entered into between our Company and SINOMACH on July 12, 2011 as supplemented by the supplemental agreement dated December 10, 2012 (the “**Integrated Services Agreement**”) for a term commencing from the Listing Date and ending on December 31, 2014. Details of the price determination mechanism for the subject services under the Integrated Services Agreement are set out under the sub-section headed “– Non-exempt continuing connected transactions – Common terms of non-exempt continuing connected transactions” in this Prospectus.

For the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the historical transaction amounts for the provision of integrated services by our Group to SINOMACH Group were as follows:

Financial year/period ended	Historical transaction amounts (approximately)
December 31, 2009.....	RMB16.4 million
December 31, 2010.....	RMB13.7 million
December 31, 2011.....	RMB11.2 million
June 30, 2012.....	RMB1.5 million

During the Track Record Period, the percentage of historical transaction amounts to the total revenue of our Group for the corresponding period was below 0.1%.

CONNECTED TRANSACTIONS

Below is a summary of the identities of the relevant members of our Group and relevant members of the SINOMACH Group who are signing parties of the relevant contracts for the top five historical transactions in terms of transaction amount and the nature of integrated services involved:

<u>Relevant member of our Group (as seller)</u>	<u>Relevant member of the SINOMACH Group (as purchaser)</u>	<u>Nature of integrated services involved</u>
For the financial year ended December 31, 2009		
CMEC Comtrans	China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司)	International Carriage of Goods
CMEC Expo	SUMEC	Exhibition services
CMEC Expo	China National Automotive Industry International Corp. (中國汽車工業國際合作總公司)	Exhibition services
CMEC Expo	China Auto Caiec Ltd. (中汽凱瑞貿易有限公司)	Exhibition services
China Machinery R&D	SINOMACH (it is expected that the underlying services are used by subsidiaries of SINOMACH)	Supervision Services
For the financial year ended December 31, 2010		
CMEC Comtrans	China CMIIC Engineering & Construction Corporation (中國機械工業建設總公司)	International Carriage of Goods
CMEC Expo	SUMEC	Exhibition services
CMEC Comtrans	CHMC	International Carriage of Goods
CMEC Expo	China National Automotive Industry International Corp. (中國汽車工業國際合作總公司)	Exhibition services
CMEC Expo	China Auto Caiec Ltd. (中汽凱瑞貿易有限公司)	Exhibition services

CONNECTED TRANSACTIONS

Relevant member of our Group (as seller)	Relevant member of the SINOMACH Group (as purchaser)	Nature of integrated services involved
For the financial year ended December 31, 2011		
CMEC Comtrans	CHMC	International Carriage of Goods
CMEC Expo	SUMEC	Exhibition services
CMEC Expo	China National Automotive Industry International Corp. (中國汽車工業國際合作總公司)	Exhibition services
CMEC Expo	China Auto Caiec Ltd. (中汽凱瑞貿易有限公司)	Exhibition services
CMEC Expo	SINOMACH (it is expected that the underlying services are used by subsidiaries of SINOMACH)	Exhibition services
For the six months ended June 30, 2012		
CMEC Comtrans	China Machinery Industry Construction Group Inc. (中國機械工業建設集團有限公司)	International Carriage of Goods
CMEC Expo	China Abrasives Import & Export Corporation (中國磨料磨具進出口公司)	Exhibition services
CMEC Expo	China Machine-Building International Hebei Co., Ltd. (河北中機合作有限公司)	Exhibition services
CMEC Expo	China Geo-Equipment Corporation (中國地質裝備總公司)	Exhibition services
CMEC Expo	SUMEC	Exhibition services

Our Group is qualified in providing various integrated services, such as exhibition and conference services, storage and logistics services, tendering agency services, import and export agency services and real estate leasing and management services, and is well recognized with its experience in providing such integrated services, SINOMACH Group has therefore engaged us to provide them with such integrated services. The Integrated Services Agreement is expected to increase the revenue and profits of our Group, therefore our Group considers that the Integrated Services Agreement is beneficial to our Group and development of our business generally.

CONNECTED TRANSACTIONS

Having considered (i) the historical transaction amounts for the provision of integrated services by our Group to SINOMACH Group; (ii) the nature of services required under specific contracts signed or agreed between members of our Group and members of SINOMACH Group; (iii) the expected increase in demand by SINOMACH Group for the integrated services; and (iv) the estimated increase in the average market prices for such integrated services due to inflation and development of our business relating to such integrated services, for the years ending December 31, 2012, 2013 and 2014, our Directors are of the view that the value of annual caps in respect of the provision of integrated services by our Group to SINOMACH Group under the Integrated Services Agreement are as follows:

Financial year ending	Annual caps for the value of transactions under the Integrated Services Agreement
December 31, 2012.....	RMB28.0 million
December 31, 2013.....	RMB44.0 million
December 31, 2014.....	RMB53.0 million

More particularly, the above annual caps under the Integrated Services Agreement for the financial years ending December 31, 2012 and 2013 have been set by our Directors based on our Directors' analysis on the actual contractual amount under each specific contract already signed or agreed between members of our Group and members of the SINOMACH Group and the expected payment schedule with reference to the relevant service period, and for the financial year ending December 31, 2014, based on the calculated annual cap for the financial year ending December 31, 2013 and an estimated annual business growth rate of 20%.

Common terms of non-exempt continuing connected transactions

Each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement is a framework agreement comprises the general terms and conditions upon which our Group and SINOMACH Group shall carry out the particular type of transactions contemplated thereunder. Members of SINOMACH Group and members of our Group may from time to time enter into detailed agreements in respect of the specific services and/or products to be provided or received by our Group, provided that the terms of such detailed agreements shall not be inconsistent with the terms of the respective framework agreement. The actual services and/or products to be provided or received by our Group shall be subject to such detailed agreements entered into between the relevant member of SINOMACH Group and the relevant member of our Group from time to time.

Each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement is of a term commencing from the Listing Date and ending on December 31, 2014 and may be renewed on terms to be agreed upon by SINOMACH and our Company. Each of such framework agreements (i) may be terminated by a non-defaulting party by serving a written default notice to the defaulting party stipulating the relevant breach and the defaulting party having failed to remedy such breach within a reasonable period after its receipt of the default notice; and (ii) shall be terminated automatically if the performance of the transactions contemplated thereunder will be in breach of the requirements under the Listing Rules or the necessary approvals required under the Listing Rules or relevant waivers from the Stock Exchange cannot be obtained.

CONNECTED TRANSACTIONS

Pursuant to each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement, the price payable for the subject services and/or products thereunder shall be determined in accordance with the prevailing market price of the relevant services and/or products, unless there is a guidance price range determined by the relevant governmental authorities. The prevailing market price shall be the price asked for by independent third parties for the relevant services and/or products under normal commercial terms at the relevant time in their place of supply or a place in close proximity to such place of supply, or the price asked for by independent third parties for supplying the relevant services and/or products under normal commercial terms at the relevant time. Where there are no available prevailing market prices or where it is impracticable to obtain such market prices, our Company and SINOMACH shall mutually agree on a price determined based on reasonable costs of the provision of the relevant service and/or product, and a reasonable profit margin.

APPLICATION FOR WAIVER FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement will continue to be entered into on a recurring basis on normal commercial terms in the ordinary and usual course of our business. It is expected that the aggregate transaction amount for the transactions under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement, in each of the three financial years ending December 31, 2014, will be capped annually at the proposed annual caps detailed above. The percentage ratios (other than the profits ratio and as defined in the Listing Rules) for each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement for the three financial years ending December 31, 2014 are expected to be more than 5% and with annually capped amount of more than HK\$10,000,000. Accordingly, the transactions contemplated under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement constitute continuing connected transactions of our Company subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the aforesaid transactions will take place from time to time on a recurring basis, it would be costly and impractical for our Company to make disclosure and to obtain independent Shareholders' approval on each occasion in accordance with Chapter 14A of the Listing Rules.

We have applied to the Stock Exchange, in relation to the transactions contemplated under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement, for a waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and the Stock Exchange has granted to us, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the transactions contemplated under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement, from the announcement and/or independent Shareholders' approval requirements under the Listing Rules. In addition, we confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to the transactions contemplated under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement.

CONNECTED TRANSACTIONS

In respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules, the respective aggregate transaction amounts for the transactions under each of the Provision of Engineering Services and Products Agreement, Receipt of Engineering Services and Products Agreement, Trading Procurement Agreement and Integrated Services Agreement shall not, in respect of the three financial years ending December 31, 2014, exceed the proposed annual caps detailed above in each such financial year.

If any agreements are entered into by members of our Group with any connected persons (within the meaning of the Listing Rules) over and above those contemplated in the above-mentioned or the transactions contemplated under the aforesaid agreements are carried out or proposed to be carried out otherwise than in full compliance with the conditions specified above, we will comply with the then provisions of the Listing Rules governing connected transactions, as applicable, unless we apply for and obtain a separate waiver from the Stock Exchange.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been entered into in the ordinary and usual course of business of our Group, that such transactions have been negotiated on arms length basis on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole; and that the respective proposed annual caps for such transactions as referred to in this section are fair and reasonable.

Despite that each of the non-exempt continuing connected transactions described in this section will continue after Listing, our Directors believe that our Group will be able to operate independently from our Controlling Shareholder based on the following reasons:

- (a) in respect of products and services supplied by our Group to the SINOMACH Group, our Group has the absolute discretion to determine whether to enter into detailed agreements with SINOMACH Group and to provide the specific services and/or products as requested by SINOMACH Group;
- (b) in respect of our procurement of products and services from SINOMACH Group, our Group is able to source similar products and services from other independent suppliers included in our internal suppliers lists and our Directors have decided to continue the relevant continuing connected transactions with SINOMACH Group only because they consider that it is commercially sensible;
- (c) historically, our revenue and cost of sales (as the case may be) attributable to the non-exempt continuing connected transactions described in this section only accounted for relatively low percentages of our total revenue and cost of sales (as the case may be) in the corresponding financial periods;
- (d) all the non-exempt continuing connected transactions described in this section have been, and will be, entered into based on normal commercial terms which are fair and reasonable; and
- (e) there are no overlapping of board of directors, board of supervisors and senior management between members of our Group and members of the SINOMACH Group.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transactions described in this section have been entered into in the ordinary and usual course of business of our Group, that such transactions are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole and that the respective proposed annual caps for such transactions as referred to in this section are fair and reasonable.