
RISK FACTORS

Potential investors should carefully consider the risk factors described below together with all other information contained in this prospectus before deciding whether or not to invest in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of the Offer Shares could decline due to any of these risks, and you could lose all or part of your investment. This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions that involve risks and uncertainties. Our actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS

We rely on the PRC market; our business is affected by the PRC regulatory environment

Almost all of our clients at present are based in the PRC and almost all of our income during the three years ended December 31, 2011 and up to June 30, 2012 was generated from the PRC. Demand for our services depends on the level of activities and capital expenditures in the PRC petrochemicals, oil refining and coal-to-chemicals industries, which, in turn, is affected by the regulatory environment in the PRC, as our clients are predominately PRC state-owned enterprises whose capital expenditures often follow the PRC government's policies, planning and industry construction cycles. See "Financial Information—Factors Affecting Our Results of Operations and Financial Condition—PRC's Industry Trends and Regulatory Policies" for a more detailed description of the recent regulatory trends. Unfavorable shifts in the PRC's industry trends and regulatory policies could cause our projects to be postponed or cancelled, which could adversely affect our business, results of operations and financial condition.

We have a limited client base and may fail to secure further contracts from existing clients, or may fail to win contracts from new clients

We provide engineering, procurement and construction management, or EPC, services to the petrochemicals and oil refining industries in the PRC. The PRC petrochemicals and oil refining industries are dominated by a small number of large state-owned oil companies, such as PetroChina and Sinopec, and their respective subsidiaries, including engineering subsidiaries that could be our competitors and subsidiaries that could be our construction sub-contractors. We rely heavily on these companies' demand for our solutions, and our business, results of operations and financial condition are affected by their capital expenditures on designing, building and renovating ethylene and downstream petrochemicals production facilities and oil refineries.

For the three years ended December 31, 2011 and the six months ended June 30, 2012, revenue derived from PetroChina and its subsidiaries, on a group basis, constituted a significant proportion of our total revenue, reflecting the fact that PetroChina and its subsidiaries have continued to award contracts to us. Our revenue derived from PetroChina

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and its subsidiaries, on a group basis, amounted to RMB1,188.9 million, RMB3,985.0 million, RMB2,941.6 million and RMB120.6 million, or approximately 63.1%, 80.1%, 58.4% and 14.0% of our total revenue, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

We also maintained a good relationship with Sinopec and its subsidiaries during the same period, as evidenced by our participation in several projects owned by Sinopec Maoming, Sinopec Shanghai and Sinopec Guangzhou. Revenue derived from Sinopec and its subsidiaries, on a group basis, amounted to RMB182.7 million, RMB98.0 million, RMB57.0 million and RMB11.7 million, or approximately 9.7%, 2.0%, 1.1% and 1.4% of our total revenue, for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

We cannot assure you that PetroChina and Sinopec or their respective independently operated subsidiaries will continue to engage us to provide our solutions for their ethylene and downstream petrochemicals production facilities or oil refineries. If we fail to secure further contracts from these project owners for whatever reason, and we are unable to win contracts from other clients on comparable terms or at all, our business, results of operations and financial condition could be adversely affected. See “—We face competition in each of our business segments and as we expand overseas” below. In addition, changes in the strategic focus of these oil companies that result in any reallocation of resources away from their petrochemicals, oil refining or coal-to-chemicals businesses could also affect the total amount of their capital expenditure and their willingness to engage us for EPC services, which could adversely affect our business, results of operations and financial condition.

Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns

It is generally the project owners, and not the service providers such as us, who determine (and set out in the bidding documents) whether a contract is fixed price or cost plus. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the vast majority of our revenue was derived from fixed price contracts. Of the RMB29,243.5 million of our Group's total backlog as of June 30, 2012, RMB18,770.4 million, or 64.2%, consisted of fixed price contracts. Under these contracts, we agree to provide our solutions to a client at a fixed price, with penalties tied to our failure to meet agreed-upon design specifications, project milestones, quality specifications and deadlines, thus exposing us to any cost overruns.

While we would generally secure fixed price contracts from our equipment suppliers, our actual costs for the execution of a fixed price contract may differ from our estimates of such costs at the time we tendered our bids. Factors beyond our control, such as unanticipated increases in the costs of raw materials, parts, equipment, fuels and power could cause prices of inputs to increase, and failure on the part of suppliers or construction sub-contractors to perform, delay caused by unexpected weather conditions or technical issues and other unforeseeable events could give rise to unanticipated costs or delays, causing our actual costs to differ from our estimated costs. Raw materials, such as stainless steel, copper and alloy materials, that are critical to the production of our products and the delivery of our services have been subject to cost fluctuations. We cannot assure you that

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further cost fluctuations resulting in increases in the cost of supplies will not occur in the future or that we will be able to pass on any portion of such cost increases to our clients.

The shifting of the risks associated with the construction of production facilities, such as delays and cost overruns, from our clients to us is inherent in the nature of our business model. As the factors leading to cost overruns are difficult to predict at the time of bidding or prior to signing of binding agreements with clients, we may have to absorb any cost overruns that we are unable to pass on to our clients as a result of such fixed price contracts. As such, it may not always be possible for us to reliably estimate our final costs at the outset. If our actual costs differ from our anticipated costs for these or any other reasons, our results of operations and financial condition could be adversely affected. See “Financial Information—Net Profit Sensitivity” for a sensitivity analysis for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 showing the changes in net profit with reference to movements in our cost of procurement for raw materials and equipment for all of our projects.

Further, as part of our operations, we must also procure sufficient quantities of raw materials, parts and equipment, such as stainless steel, copper, steel pipes, alloy materials, valves and industrial meters, at acceptable prices and quality and in a timely manner. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our five largest suppliers, in the aggregate, accounted for approximately 19.8%, 17.1%, 19.3% and 17.9%, respectively, of our total purchases, while our largest supplier accounted for approximately 6.2%, 4.2%, 7.2% and 7.1%, respectively, of our total purchases. There is no assurance that we will be able to obtain sufficient quality or amounts of raw materials, parts or equipment from our existing suppliers or from alternative sources at acceptable prices, in a timely manner, or at all. Further, any failure to obtain raw materials or equipment of appropriate quality or quantity, or any failure to do so on commercially acceptable terms and in a timely manner, could interfere with our manufacturing operations, and hence adversely affect our business, results of operations and financial condition.

Our level of business is affected by the supply deficits created by demand growth of petrochemical and coal-to-chemicals products

Our business, results of operations and financial condition are affected by periods of supply deficits created by growth in demand for petrochemical and coal-to-chemicals products. The cycles in the petrochemicals industry are characterized by periods of tight supply, where there is higher demand than the supply available, leading to high operating rates by the producers and peak margins. These periods are normally followed by periods of oversupply resulting primarily from excessive capacity additions, which in turn lead to reduced operating rates and margins for the producers. As a result, capital expenditures for refining and distribution facilities by large petrochemicals producers in the PRC have a significant impact on the activity levels of our businesses.

Demand for our services could decrease in the event of a sustained reduction in crude oil prices. Perceptions of lower longer-term oil and natural gas prices by petrochemicals and coal-to-chemicals producers could similarly reduce or defer their major expenditures for production facilities given the long-term nature of many large scale projects. Historically, the markets for oil and gas have been volatile and are likely to continue to be volatile in the future.

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Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty, and a variety of other factors that are beyond our control, such as worldwide political, military and economic conditions, cost of producing and delivering oil, level of oil production, the supply quota adopted by OPEC, shifts in end-client preferences toward fuel efficiency and potential acceleration of the development of alternative fuels. If any factors mentioned above have a negative impact on the profitability of, and capital expenditures by, petrochemicals and coal-to-chemicals producers in the PRC, their demand for our EPC services may fall and our business, results of operations and financial condition could be adversely affected.

We have limited experience in providing EPC solutions for coal-to-chemicals production facilities and our future success is dependent on our keeping abreast of rapidly developing technologies

We have limited experience in providing EPC solutions for the construction of coal-to-chemicals production facilities, having completed only one project, Project 42 (Wison (Nanjing) Synthesis Gas Project). While there are substantial process similarities between the EPC service requirements for the designing and building of petrochemicals production facilities and those for coal-to-chemicals production facilities, there are certain specialized technologies and processes, project implementation procedures, and knowledge of suppliers and their products for which we must devote significant time and effort to develop. Further, new technologies are constantly being developed in the coal-to-chemicals conversion processes. Traditionally, the coal-to-chemicals processes in China have been largely in the areas of coal-to-PVC, coal-to-aromatics and coal-to-ammonia/urea. More recently, the focus has been shifted to coal-to-methanol, MTO and MTP processes due to better cost efficiencies and greater demand for these chemicals. Our future success in the coal-to-chemicals EPC sector, and our ability to capture a significant share of China's coal-to-chemicals EPC service business as it develops, depends on (i) our being awarded additional projects to enable us to keep abreast of the latest design developments, available technologies and changing market demands, (ii) our ability to devote sufficient resources to such developments and (iii) our ability to develop new technologies. Failure to win additional EPC contracts in the coal-to-chemicals sector or to successfully keep abreast of or develop new technologies could adversely affect our ability to keep pace with advancements in technology and could adversely affect our competitiveness.

We have experienced strong volatility in our gross profit margins in the coal-to-chemicals business segment

During the three years ended December 31, 2009, 2010 and 2011, our gross profit margins in the coal-to-chemicals business segment were 42.9%, 76.4% and 25.3%, respectively. During the six months ended June 30, 2011 and 2012, our gross profit margins in the coal-to-chemicals business segment were 29.5% and 25.7%, respectively. We experienced strong volatility in our gross profit margins in this business segment primarily due to a small number of projects we undertook in this business segment having widely divergent profit margins and we believe the volatility we experienced was accentuated by the small sampling size in this segment overall.

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In the two years ended December 31, 2009 and 2010, a majority of our revenue in the coal-to-chemicals business segment was derived from projects that involved engineering and management services. As the costs of procurement and construction were not borne by us for such services, those projects had lower costs of sales and yielded much higher gross profit margins compared to the gross profit margins of our EPC or PC services. See “Financial Information—Factors Affecting Our Results of Operations and Financial Condition—Model of Services Provided” and “Financial Information—Description of Components of Results of Operations—Gross Profit” for more details. In the year ended December 31, 2011 and the six months ended June 30, 2012, a majority of our revenue in the coal-to-chemicals business segment was derived from projects that involved EPC or PC services in which we paid the costs of procurement, which yielded gross profit margins similar to the gross profit margins of our other business segments.

During the three years ended December 31, 2011 and the six months ended June 30, 2012, the vast majority of our revenue was derived from fixed price contracts, which subjected us to the risks of fluctuating raw materials and equipment prices and sub-contracting fees. Such fluctuations may contribute to the volatility in our gross profit margins. See “—Our operations could be affected by fluctuations in the supply and price of raw materials, parts and equipment and cost overruns” for more details. In May 2012, we entered into a contract for Project 55 (Jiangsu Sailboat Alcohol Based Cogeneration Project (Phase I)) in the coal-to-chemicals business segment, the largest project of our Group by contract value as of the Latest Practicable Date, which utilizes cost plus pricing according to the specifications of the client. In general, cost plus contracts transfer the risks of fluctuating raw materials and equipment prices and sub-contracting fees to the project owners and thus limit the risk to us of gross profit margin volatility. However, gross profit margins for our cost plus contracts are normally lower than gross profit margins for our fixed price contracts to take into account this shifting of risk. It is generally the project owners, and not us, who determine (and set out in the bidding documents) whether a contract will be fixed price or cost plus. See “Business—Pricing and Risk Management” for more details. We cannot predict whether the use of cost plus contracts in our coal-to-chemicals business segment will increase or, if it does, whether that will have an overall positive or negative effect on our gross profit margins in this business segment. Further, we may continue to experience volatility in our gross profit margins in the coal-to-chemicals business segment.

We could be affected by future PRC policy changes on coal-to-chemicals projects

The PRC government is becoming cautious in approving new coal-to-chemicals project investments given the proliferation of small scale projects that do not necessarily justify their environmental impact. In the case of coal-to-olefins, the technology is also newly developed and there could be undiscovered risks. The PRC government updated its policy on coal-to-chemicals investment approvals on March 23, 2011, prohibiting investments in certain small scale coal-to-chemicals projects and imposing tight thresholds on large scale coal-to-chemicals projects. Pursuant to this update in policy, approval of certain small scale projects is suspended pending issuance of new project approval standards by relevant government authorities. See “Business—Business Segments—Coal-to-chemicals”.

Among the coal-to-chemicals projects currently undertaken by us, the annual output of each of Project 44 (Erdos Jingchentai Methanol Project) and Project 52 (Erdos Guotai

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Chemical Coal-to-Methanol Project) is under 1,000kta, which falls into one of the categories of projects suspended by the updated policy. These projects, however, were approved by the relevant governmental authority prior to March 23, 2011, and, as advised by our PRC legal advisers, the validity of such approvals has not been affected by the new policy.

If there are further limiting changes to the PRC government policies on the coal-to-chemicals industry, there may be fewer coal-to-chemicals projects available in the market and our business, financial condition and results of operations could be adversely affected.

If we suffer disputes or other difficulties with Jiangsu Xinhua, the minority shareholder of Wison Engineering, our major operating subsidiary, or Jiangsu Xinhua experiences its own difficulties, it may affect our ability to cause Wison Engineering to take actions that we believe would be beneficial to us. Further, any change in Jiangsu Xinhua's status as a PRC domestic investment entity could affect Wison Engineering's status as a Sino-foreign joint venture construction enterprise and our ability to undertake certain construction projects within the PRC

Wison Engineering, our major operating subsidiary, is a Sino-foreign cooperative joint venture that is indirectly 75% owned by us and 25% owned by Jiangsu Xinhua. During the three years ended December 31, 2011 and the six months ended June 30, 2012, our revenue derived from projects that could only be undertaken by a Sino-foreign joint venture construction enterprise, and not by a wholly foreign owned enterprise, accounted for at least 70%, 95%, 95% and 85% of our total revenue, respectively. Our ability to control the decisions of Wison Engineering, a non-wholly owned subsidiary, depends on a number of factors, including, without limitation, reaching agreement with our joint venture partner and our rights under the joint venture contract entered into between Jiangsu Xinhua and Wison Energy (HK). Under the joint venture contract, Wison Energy (HK) is entitled to appoint two of the three directors of Wison Engineering and Jiangsu Xinhua is entitled to appoint the third director. Certain matters such as amendment of articles of association, increase and decrease of registered capital, merger, division and change of company form, termination, dissolution or liquidation, and mortgage of assets require unanimous approval from the directors attending the relevant board meeting. Further, under the joint venture contract, increase and decrease of registered capital requires the consent of both parties. Failure to obtain unanimous consent on those matters may prohibit us from acting in a manner which we would like. However, we cannot assure you that Jiangsu Xinhua's consent can be obtained as Jiangsu Xinhua may have economic or business interests or goals that are inconsistent with ours. Consequently, we may not always have the ability to cause Wison Engineering to take actions that we believe would be beneficial to us and to it.

We depend on Wison Engineering's status as a Sino-foreign cooperative joint venture construction enterprise in order to be able to undertake certain types of construction projects within the PRC. As such, Wison Engineering must be owned as to a minimum of 25% by one or more PRC domestic entities at all times. Jiangsu Xinhua and Mr. Han Jianyu, the sole shareholder of Jiangsu Xinhua, have given certain undertakings to our Company, Wison Energy (HK) and Wison Engineering in connection with maintaining Wison Engineering's status as a Sino-foreign cooperative joint venture construction enterprise. For further details

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of such undertakings and the terms of the joint venture contract between Wison Energy (HK) and Jiangsu Xinhua in relation to Wison Engineering, see “History, Reorganization and Group Structure”.

There is no certainty that disputes will not arise between us and Jiangsu Xinhua. If a dispute cannot be timely resolved in a satisfactory manner, if Jiangsu Xinhua fails to perform any of its obligations under the joint venture contract or if Jiangsu Xinhua or Mr. Han Jianyu fails to perform their respective obligations under the undertakings they have given to our Company, Wison Engineering and Wison Energy (HK) in connection with Wison Engineering’s status as a Sino-foreign joint venture construction enterprise, it could cause a loss of business opportunities to us, disruption to or termination of our joint venture with Jiangsu Xinhua or lead to potential litigation, or could affect Wison Engineering’s status as a Sino-foreign joint venture construction enterprise and its ability to undertake certain construction projects within the PRC. As a result, the business and results of operations of Wison Engineering, and therefore our Group, could be negatively affected. For further details of the construction projects that different types of foreign invested enterprises may undertake in the PRC, see “Summary of PRC Laws and Regulations”.

Furthermore, any financial, operating or other difficulties experienced by Jiangsu Xinhua or Mr. Han Jianyu in their own businesses may also impede their ability to fulfill their contractual obligations with respect to the maintenance of the status as a Sino-foreign joint venture construction enterprise for Wison Engineering and hinder the furtherance of our corporate objectives. The occurrence of any of these events could in turn adversely affect our business and results of operations.

We need to continually develop new technologies

We continually invest in and develop new technologies or new features of current technologies; for example, our HS-I, HS-II and HS-III cracking furnace proprietary technologies, certain MTO light olefins separation technologies and WMTD process technologies, in order to sustain our competitive advantage. See “Business—Our Key Strengths—Strong technology innovation capability”. The research and development of new technologies or new features of current technologies, either individually or in collaboration with other companies, is a complex and uncertain process requiring high levels of innovation and investment, as well as the accurate anticipation of technological and industry trends. Failure to make adequate investment, to successfully anticipate trends or to successfully develop new technologies or new features of current technologies could have an adverse effect on our business, financial condition or results of operations.

We are currently cooperating with Shell Global Solutions to develop and commercialize Shell Global Solutions’ hybrid coal gasification technology in China. Shell Global Solutions’ hybrid coal gasification technology is still in the validity demonstration stage and therefore is subject to occasional setbacks that could disrupt production processes resulting in lower yields to facilities than anticipated. Further, we cannot assure you that development and commercialization of these technologies will be successful. See “Business—Intellectual Property Rights—Shell Hybrid Gasification Demonstration Project”.

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We cooperate with third party business partners to provide tailored solutions to our clients and our business could be affected if we cannot maintain such business relationships with them

We sub-contract to, and form working relationships with, suppliers of materials, equipment and services so as to deliver tailored solutions to our clients by selecting high-quality equipment, materials and construction methods. While these working relationships are not formal arrangements and vary from time to time, the past success of our collaboration with our business partners and our experience gained from our projects have reinforced our business relationships with such business partners. In the event that our business partners, such as raw materials and equipment suppliers and construction sub-contractors, fail to enter into agreements with us or otherwise to cooperate with us on commercially reasonable terms in relation to future projects, and we are unable to put in place alternative business arrangements on commercially viable terms and of acceptable quality within the required time frames, our business, results of operations and financial condition could be adversely affected.

We face competition in each of our business segments and as we expand overseas

There are a number of PRC-based EPC solution providers, including subsidiaries of PetroChina and Sinopec, that design, build or renovate petrochemicals production facilities and oil refineries at a level close to our level of sophistication. We compete actively with these entities on the basis of our pricing, qualifications and perceived quality of services. See “Business—Competition”. Among our competitors are certain affiliates of project owners, again, including subsidiaries of both PetroChina and Sinopec, that have been established to provide a mix of engineering, procurement, construction management and construction sub-contractor services. Project owners are required to award their projects through public tender of open bids or invitational tender with multiple bidders, without favoring affiliated entities. However, we cannot assure you that we will always be successful in winning these bids. See “—We have a limited client base and may fail to secure further contracts from existing clients, or may fail to win contracts from new clients” above. Further, unfavorable publicity regarding project owners’ project tendering processes, or the tendering processes through which we select our suppliers, could adversely affect our reputation, business, results of operations and financial condition. We are also exposed to the risk that our competitors could implement new technologies before we do, offer lower prices, or offer other qualifications that we cannot or will not offer. In addition, our competitors could respond more quickly to new or emerging technologies and changes in client requirements. Further, our competitors could establish financial and strategic relationships among themselves or with other EPC service providers outside of the PRC that would work to our disadvantage.

We also face new challenges and competition as we venture further into the coal-to-chemicals markets. As the PRC coal-to-chemicals industry is newly developed, we may not be able to rely on our track record to procure further contracts. In addition, as we expand into international markets, we will face increased competition from service providers outside of the PRC, who might have more experience in the industry, as well as greater financial resources.

Any competition would likely result in increased pressure on pricing and increased marketing expenses, which could result in reduced profit margins and reduction in our market

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share. If our competitors, whether domestic or foreign, gain a competitive advantage in terms of pricing, quality, brand name recognition or financial and technical resources, our business, results of operations and financial condition could be adversely affected.

We may be exposed to greater credit risks as we expand into coal-to-chemicals and overseas markets

We are subject to the credit risks of our clients and our profitability is dependent on our clients making timely payment after the clients confirm our progress billings for the work done by us. Historically, our clients have been industry leaders in the petrochemicals market in the PRC, such as PetroChina and Sinopec, and their respective subsidiaries, to whom we have not had significant exposure for credit risks. China's coal-to-chemicals industry is more fragmented than the other industries in which we operate and privately-owned businesses in the coal-to-chemicals industry may not have the financial resources comparable to the industry leaders in the petrochemicals market. In addition, our international expansion plan includes targeting certain oil and gas rich countries in Southeast Asia, the Middle East and Latin America that are among the emerging and developing economies. Engaging in projects with project owners from these countries, such as Saudi Arabia and Venezuela, could expose us to higher credit risks. We cannot assure you we will be able to collect all or any part of our trade receivables within the credit terms granted by us to the relevant client or at all. Default or delay in payment by our clients would adversely affect our business, results of operations and financial condition.

Our expansion into overseas markets is subject to political, economic and other uncertainties not generally encountered in our PRC domestic operations

We hope to further expand our operations outside China, to countries in Southeast Asia, the Middle East, West Africa and Latin America. Our existing operations in Indonesia, Saudi Arabia and Venezuela and future overseas expansion will be subject to political, economic and other uncertainties not generally encountered in our PRC domestic operations. These include:

- difficulties in staffing and managing foreign operations;
- the ability to finance efficiently our foreign operations;
- unfamiliarity with local operating and market conditions;
- unexpected changes in foreign government policies and regulatory requirements;
- the adoption of new, and the expansion of existing, trade or other restrictions;
- uncertain political, legal and economic environments;
- lack of developed legal systems to enforce contractual rights;
- overlap of different tax structures;
- limitations on the ability to repatriate foreign earnings; and
- risk of changes in foreign currency exchange rates.

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In addition, there may be many established participants in these markets who already enjoy significant market share, and it may be difficult for us to win market share from them. Further, because of the recent market downturn in the United States and Western Europe, industry participants from these places might also look into our potential new markets due to the weakness of their own local and domestic markets. Because of these risks, the development of our overseas operations and our execution of projects may be limited, or disrupted. These potential events and liabilities could adversely affect our business, results of operations and financial condition.

Our revenue is subject to periodic fluctuations

Due to the project-based nature of our business, our revenue is subject to periodic fluctuations, both from year to year and from period to period within a given year. Our revenue fluctuates due mainly to the scheduling of the principal construction phases of the major projects we undertake, as our revenue flow from a project is strongest during the principal construction phase. During the three years ended December 31, 2011 and the six months ended June 30, 2012, the principal construction phases of most of our projects were skewed to the second half of the calendar year. As a result, we recognized substantially larger amounts of revenue in the second half of each calendar year than in the first half. In addition, as a large majority of our revenue is generated from the projects we undertake in the PRC (many of which are in the cold weather areas of China's north and northeast regions) and the PRC government does not normally begin to review and approve its budgets until after the Chinese new year, the fluctuation in our revenue during each year is also attributable to the effect of the Chinese New Year holiday and the cold winter weather in the first quarter. Specifically, the long Chinese New Year holiday in the PRC negatively affects the availability of human resources and, in turn, the amount of activity in a given project, and the cold winter weather adversely affects our construction operations located in north and northeast China or in high latitude locations. As a result, we recognized lower revenue in the first half than in the second half of each calendar year during the three years ended December 31, 2011. Due to these factors, our annual results may fluctuate from year to year, and our interim results may not be indicative of our operating results for a particular year or another interim period in the same year. Further, any significant or prolonged adverse weather conditions that negatively affect construction activities or slow the growth of new construction business could have a material adverse effect on our business, results of operations and financial condition.

We may experience increased working capital requirements and net cash outflows from time to time that could adversely affect our ability to meet our liquidity needs

Due to the timing differences between our payment obligations and receipts of payments from our clients, our cash flows from operating activities are relatively uneven, rather than steady and consistent. As of December 31, 2009, 2010 and 2011, we had net current assets of RMB309.5 million, RMB1,065.1 million and RMB387.8 million, respectively. As of June 30, 2012, we had net current liabilities of RMB338.6 million, and we had unaudited net current liabilities of RMB93.3 million as of October 31, 2012.

On the timing of cash inflows, our normal payment arrangements with our construction contract clients are as follows: (i) 10% to 20% of the total contract price is collected as an advance upon signing of the contract; (ii) further collection is made such that we will have

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cumulatively received 60% to 70% of the total contract price when the materials and equipment are delivered on site; and (iii) further collection is made such that we will have cumulatively received 90% to 100% of the total contract price upon completion of the construction and acceptance testing. However, on cash outflows, our normal payment arrangements with our raw material suppliers generally require up to 90% to 100% of the invoice amount to be paid by the time the goods are delivered and passed inspections. Our normal payment arrangements with our equipment suppliers generally require: (a) 15% to 30% of the total contract price to be paid as an advance upon signing of a supply contract; (b) further payment to be made such that we will have cumulatively paid 90% to 95% of the total contract price when the equipment is delivered; (c) 5% to 10% of the total contract price to be paid when the equipment delivered has passed any on-site testing; and (d) the remaining 5% of the total contract price to be paid upon the expiry of the warranty period that on average is approximately 12 months after the delivery of the key equipment on site. As a result of these timing differences between our cash inflows and outflows, we have had to rely on short-term bank borrowings to fund a portion of our working capital requirements and expect to continue to do so in the future.

In addition, as we venture into the international market, we may enter into contracts where, compared to our existing contracts in the PRC, the advance payments we receive from project owners will be less, or even none. If the equipment or raw material suppliers for those projects require advance payment from us, we could experience increasing working capital needs.

We cannot assure you that we will always be able to repay our bank borrowings on maturity or replace them with new borrowings as necessary. If we are unable to obtain additional financing, or if we encounter significant working capital requirements or cash outflows as a result of these or other factors, we might not have sufficient liquidity or the credit capacity to meet all of our cash needs.

Projected revenue amounts reported in our backlog could fail to result in actual revenue or translate into profits

Backlog represents our estimate of the contract value of work that we are engaged in and remains to be completed under our signed and legally-binding contracts net of estimated VAT, which may vary from actual VAT. Backlog is not an audited measure defined by IFRS and may not be indicative of financial performance. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming we perform the contract in accordance with its terms. Contracts are subject to termination by clients under certain circumstances, including, but not limited to, our breach of material contractual obligations, bankruptcy or force majeure events. We may also agree to modify the scope of a project contract or to suspend the project or terminate the contract ahead of project completion, due to changes in market demand or applicable regulations or policies. The termination or scope adjustment of any one or more contracts or the award of new contracts could have a substantial and immediate effect on our backlog. To the extent work on contracts advances, they are progressively removed from backlog. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or adjustments to the scope of the projects in our backlog may occur from time to time, which could reduce the monetary amount of our backlog and the revenue and profits we ultimately earn from those contracts. As of June 30, 2012, our backlog was approximately RMB29,243.5 million.

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We cannot assure you that our contracts will not be subject to any material modifications, terminations or cancellations by our clients, each of which could have an adverse effect on our backlog and our business and results of operations. There also can be no assurance that we can perform our contracts in full in accordance with their terms without any delay or defect due to reasons beyond our control. Additionally, we cannot guarantee that the revenue projected in our order book will be realized in a timely fashion, or at all, or that, even if the revenue is realized, it will result in profit. As a result, you should not take the number of orders we have received or the value of our order book or backlog in the past as an indication of our revenue or profitability in the future.

We do not have full control over the commencement time and various milestones of a construction project, which could delay our receipt of revenue and completion of our projects

As a substantial portion of our revenue is generated from the projects we undertake, and the timing of award of new projects, their subsequent commencement dates and the timing of when they reach various milestones, which in turn trigger payment obligations to us, could be unpredictable, our revenue and results of operations could be subject to significant periodic fluctuations. It is generally very difficult to predict whether or when we will secure mandates for projects as they frequently involve a lengthy and complex bidding and selection process that is affected by a number of factors, such as market conditions and timing of governmental approvals. Further, even after projects have been awarded to us, we have no control over the commencement dates of the construction work for our projects, which to a large extent are dictated by our clients' own commercial objectives and internal approval procedures, as well as their desire to minimize disruptions to their normal production. Although we have a significant amount of control over the progress of our services on a transaction, a number of factors (such as delivery of raw materials and supplies, and timely performance by third party sub-contractors according to their contractual obligations) are beyond, or partially beyond, our control. Consequently, if a sub-contractor fails to provide services on time, we may be delayed in meeting a particular milestone when we can issue and request our clients to confirm the progress billings for that milestone, therefore delaying when we can receive payments. Lastly, the gap between the end of the principal construction phase and project completion is based not only on the completion of principal construction but also subject to various factors and conditions, some internal to us and others relating to the project owners, which include but are not limited to: (a) insulation, corrosion protection, test runs, and cleaning performed by us, which could be affected by factors such as supply of electricity and water from the project owner; (b) the completion of relevant supporting facilities or other sub-projects within the entire project constructed by the project owner or other parties, which might be delayed due to various reasons not within our control; and (c) various inspections and acceptance tests organized and coordinated by the project owners, the procedures of which might be complicated and time-consuming for large scale projects. Delayed commencement of the construction work commissioned by our clients, and delays in the timing of our projects and ability to recognize revenue, or other factors beyond our control, could lead to significant periodic fluctuations in our revenue and working capital and adversely affect our results of operations and financial condition.

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We could be penalized under client contracts if our solutions fail to meet certain performance criteria

Our contracts with clients usually contain performance and progress penalty clauses linked to the quality and timely delivery of our services. Under the performance penalty clauses, if our solutions fail to attain any agreed performance parameters or meet a progress schedule, we would generally be subject to fines ranging from 0.1% to 1.0% of the total contract price for each unit of deviation, but normally within a cap of up to 5.0% of the total contract price. Under the progress penalty clauses, delay in the delivery of a solution typically would result in a fine ranging from 0.01% to 0.5% of the contract price per day, although, since 2006, our agreements typically provide for a cap on the fine of between 2.0% and 5.0% of the contract price. If we are alleged or found to be in breach of any of such performance or progress penalty clauses in the future, we could be subject to penalties. If our failure to attain performance parameters or meet progress schedules is persistent, our reputation could be adversely affected.

Further, our agreements with clients generally either provide for a retention fund of approximately 5.0% of the contract price to be retained by our clients or we obtain a bank guarantee of the equivalent sum in favor of our clients, until the expiry of our warranty period, which generally would be 12 months after the acceptance of the goods and services by our client or 18 months after the facility has been commissioned for production. Bank guarantees taken out by us have been generally counter-guaranteed by pledges of our cash. As of December 31, 2009, 2010 and 2011 and June 30, 2012, approximately RMB0.2 million, RMB10.1 million, RMB4.5 million and RMB4.5 million, respectively, of our cash balances at banks were pledged to banks for issuance of bank guarantees in respect of retention funds. We cannot assure you that our retention funds will not be forfeited or bank guarantees will not be enforced by our clients in the event of a defect in our work, which could adversely affect our results of operations and financial condition.

We may fail to obtain financing to meet our liquidity needs and sustain our continued growth

We may require additional capital resources to sustain our business strategy of expanding our operations through organic growth or investment in other entities or to respond to technological changes or expand into new markets. We expect to meet our funding needs through cash flow generated from operations, securities offerings, bank borrowings and other external financing sources. Our ability to obtain additional financing will depend on a number of factors, including our cash flow, results of operations and financial condition, China's economic conditions (including, but not limited to, the after-effects of a recently uncovered fraudulent lending scheme based in Wenzhou, Zhejiang Province), costs of financing (including changes in interest rates) and prevailing conditions in the capital markets, including, but not limited to, the effects of the general market downturn in the United States and Western Europe. We have not had any difficulties in obtaining credit facilities during the three years ended December 31, 2011 and up to the Latest Practicable Date, but, if we cannot obtain sufficient funding on acceptable terms in the future, we might not be able to successfully implement our business strategy, and our prospects could be adversely affected.

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We recorded net current liabilities as of June 30 and October 31, 2012 and we cannot assure you that we will not have net current liabilities in the future

We had net current liabilities of RMB338.6 million as of June 30, 2012, and unaudited net current liabilities of RMB93.3 million as of October 31, 2012, respectively. During the three years ended December 31, 2011 and the six months ended June 30, 2012, other than the net current liabilities position as of June 30, 2012 discussed above, we did not have net current liabilities positions at the end of any financial statement period. However, we cannot assure you that we will not record a net current liabilities position in the future. If we have net current liabilities in the future, our working capital may be constrained and we may be forced to seek additional external financing, which may not be available at commercially reasonable terms, or at all. Any such development could adversely affect our business, results of operations and financial condition.

We may not grow at a rate comparable to our growth rate in the past

Although we plan to continue to expand our scale of operations through organic growth and investments in other entities, we might not grow at a rate comparable to our growth rate in the past, either in terms of revenue or profit. Our future growth is dependent on many factors, including, among other factors, growth of the petrochemicals, oil refining and coal-to-chemicals industries in China and abroad, the regulatory environment of these industries, the profitability and strategic focuses of our clients and our ability to implement our business strategy, particularly as it relates to our expansion into coal-to-chemicals and overseas markets, to effectively compete against existing and potential competitors and to improve our operational, financial, accounting and other internal systems and controls. Expansion of our business also requires capital commitments and could divert management resources away from our current business. There is no assurance that we can successfully implement our growth strategy or do so without straining our management resources, which could adversely affect our business, results of operations and financial condition. Any of the foregoing factors could limit our ability to grow in the future. Accordingly, our growth rate during the three years ended December 31, 2011 and the six months ended June 30, 2012 may not be indicative of our future performance.

We may not be successful in the implementation of our business plans

Our business plans as described in “Business—Our Business Strategies” and “Future plans and use of proceeds”, including expansion of our business operations into coal-to-chemicals production facilities and in Southeast Asia, the Middle East, West Africa and Latin America are based on assumptions of future events that entail certain risks and are subject to inherent uncertainties such as changes in the petrochemicals, oil refining and coal-to-chemicals industries, availability of funds, sufficiency of manpower, competition, government policies and political, economic and military developments in the relevant jurisdictions. We cannot assure you that our plans will be implemented successfully or at all. Any failure or delay in the implementation of any or all of our plans could have an adverse effect on our business, results of operations, financial condition and prospects.

Rapid growth could strain our management and operating resources

As a result of our growth, our operations have become increasingly complex, and our management’s responsibilities have correspondingly increased. Further growth, including

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further development of our international business, could place a significant strain on our managerial, operational and financial resources. If we fail to retain or identify and attract additional qualified management and operating personnel, our ability to successfully expand our scale of operations will be adversely affected.

Our ability to continue to manage this growth successfully may require us, among other things, to enhance our management, financial control and information technology systems, to implement additional internal controls, including financial and reporting procedures, and to hire and retain additional management and operating personnel, all of which may be costly and difficult to achieve. Further, our raw materials and equipment suppliers and sub-contractors may be unable to meet the increased demand for our services.

If we fail to manage our growth effectively or incur significant costs in an effort to do so, this could have an adverse impact on our business, results of operations or financial condition.

We rely on key management and technical personnel to keep abreast of technology advancement and market demands and to pursue our projects

Our success is largely built on the expertise and experience of Mr. Hua, our founder, Chairman and executive Director, our senior management and certain other key technical and management personnel. Since our establishment in 1997, Mr. Hua has been primarily responsible for and involved in the day-to-day management of our Group. The relevant experience of our Directors and our senior management is set out in “Directors, Senior Management and Employees”. In particular, if we lose the services of members of our key management and technical personnel, and fail to find suitably skilled and experienced replacements, our business, results of operations and financial condition could be adversely affected.

Our continued success is also dependent on our ability to keep pace with the rapid advancement in technology relating to our business required to meet changes in our clients’ requirements and changing market demands. A key factor to this is our ability to continuously attract, recruit, train, retain and motivate experienced, qualified and talented professionals. The demand for such technical personnel is currently high and competition for such personnel from our competitors and clients could intensify. If we encounter difficulties in retaining or recruiting suitable skilled personnel on commercially reasonable terms or at all, our ability to pursue projects could be adversely affected and the costs of performing our existing and future projects could increase, which could adversely affect our competitiveness.

We require various approvals, licenses and qualification certificates to operate our business and failure to renew any approvals, licenses or qualification certificates that are crucial to our operations could adversely affect our business

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and qualification certificates in order to operate our business. As of the Latest Practicable Date, we have obtained all relevant approvals, licenses and qualification certificates required for our operation of the business that we are currently engaged in. However, most of these licenses are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal. Out of our eight material licenses and qualification certificates, five of them will expire in 2013. See

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“Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Management of Contracting Qualification” for more details. We cannot assure you that we will be able to renew all of these licenses and qualification certificates that are crucial to our operations when they expire. If we cannot obtain and maintain all licenses and qualification certificates required by us to operate our business, our business could be interrupted or the continued operation of our business may incur fines and penalties, which could adversely affect our business, results of operations and financial condition.

We could be liable for the quality of our sub-contractors’ work and could be sued for service/product or other liability that arises from our sub-contractors’ work

As a general contractor, we are responsible for the quality of construction work we are engaged to build under the Construction Law of the PRC, including compliance with PRC laws and regulations governing environmental protection, public work, health and safety. As we sub-contract construction work in the PRC to sub-contractors, we could be liable for breaches by our sub-contractors. We cannot assure you that the work performed by our sub-contractors will always meet the requisite standards. Our reputation and results of operations could be adversely affected if our sub-contractors fail to meet such standards and we are held ultimately liable for their work. Further, even if we are entitled to be indemnified by our sub-contractors in respect of losses suffered as a result of their actions or negligence, our ability to be fully indemnified from such losses will be dependent upon their financial resources. If we are unable to recover such losses, our business, results of operations and financial condition could be adversely affected.

Further, the quality and efficiency of our raw materials and equipment suppliers and sub-contractors have a direct impact on the overall quality of our solutions and the timeliness of their delivery. There is usually no contractual relationship between our clients and our suppliers or sub-contractors. Consequently, we would have to seek remedies from our suppliers or sub-contractors, as the case may be, if any service or product liability claim is made by our clients against us. In case of any such claim against us, even if it is not proven, our reputation could suffer and our business could be adversely affected. In addition, our resources could be strained by any claim that proceeds to litigation, irrespective of the merits of our case. We cannot assure you that claims of this nature, which could have an adverse impact on our business, results of operations, financial condition and reputation, will not be brought against us in the future.

Our ability to pay dividends will depend on our receipt of dividends from our subsidiaries

As a holding company incorporated in the Cayman Islands with no operating assets, we rely on dividends and other distributions from Wison Technology, which derives its earnings and cash flow from dividends and other distributions from Wison Energy (HK), which derives its earnings and cash flow from dividends and other distributions from Wison Engineering and Wison Yangzhou, its PRC subsidiaries, and Wison Singapore. If Wison Engineering, Wison Yangzhou or Wison Singapore fails to pay cash dividends to Wison Energy (HK), which then fails to pay cash dividends to Wison Technology, our ability to receive cash dividends from Wison Technology could be adversely affected.

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The abilities of Wison Engineering, Wison Yangzhou and Wison Singapore to pay cash dividends to Wison Energy (HK) and then from Wison Energy (HK) to Wison Technology are subject to various legal, regulatory and contractual constraints. Further, as a Sino-foreign cooperative joint venture enterprise, Wison Engineering is required to allocate a portion of its profit to a reserve fund, an employee bonus and welfare fund and an enterprise development fund before it can pay any dividend to us. Also, Wison Yangzhou, as a wholly foreign-owned enterprise, or WFOE, is required to allocate a portion of its profit to a reserve fund and employee bonus and welfare fund before it can make dividend payments to us, and the allocation of the reserve fund may not be less than 10% of its after-tax profit until the total amount of such reserve fund reaches 50% of its registered capital. Further, if any of Wison Engineering, Wison Yangzhou or Wison Singapore incurs losses, it may not declare any dividends until the cumulative amount of such losses has been offset by profits.

While Wison Engineering and Wison Yangzhou have, in the past, paid cash dividends from time to time, the pattern might not be indicative of the amount of dividends Wison Technology will receive in the future. In particular:

- either Wison Engineering or Wison Yangzhou may conclude that it is in the best interest of its shareholders to retain earnings, if any, for use in the operation and expansion of its business. The shareholders or the board of directors of Wison Engineering and Wison Yangzhou have the power to determine whether to pay dividends based on conditions then existing, including their earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant; and
- the ability of Wison Engineering and Wison Yangzhou to declare and pay dividends is subject to the requirements of PRC law described above and covenants in their credit facilities and other loan agreements to which they are parties or guarantors.

For the reasons stated above, we cannot assure you that dividends of similar amounts or of similar percentages of profits will be declared in the future by either Wison Engineering or Wison Yangzhou.

We have limited insurance coverage

Currently, we maintain general insurance coverage for workers' compensation and damage to our vehicles. However, we do not maintain public liability insurance, product/service liability insurance, business interruption insurance or any third party liability insurance to cover claims, suits and complaints incidental to our business that are not required under the current PRC laws. We have to date not brought any claims under our insurance policies for delays in project delivery or other matters covered by our insurance policies. If our solutions cause property damage or physical injury to any person, we would not be covered or compensated by insurance and could be liable for compensation. In addition, we could have to devote a significant amount of management's time and resources to defend any such potential claims and may ultimately be required to provide compensation. Our business, results of operations and financial condition could therefore be adversely affected.

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We are subject to litigation risk

We could be exposed to product liability, consumer, commercial, environmental or tax litigation, government investigations and other legal proceedings that arise from time to time in the ordinary course of our business. In addition, we may bring claims against project owners that include claims for additional costs incurred in excess of current contract 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, could be subject to lengthy and expensive litigation or arbitration proceedings.

Litigation is inherently unpredictable, and, if we are found liable, we could be subject to large damages or fines. Although we plan to vigorously defend our interests in any legal proceedings involving us, we could in the future be subject to judgments or enter into settlements of claims that could have an adverse effect on our business, results of operations and financial condition. Moreover, legal proceedings, whether or not resulting in judgments against us, may harm our business and our reputation, and may damage our prospects for future contract awards.

If unexpected equipment failures or accidents happen in our facilities or on our project sites, such incidents could lead to production curtailments, expose us to liability and harm our reputation

Our operations are generally subject to significant operating risks, including unexpected equipment failures, industrial accidents and environmental hazards. These occurrences could result in damage to, or destruction of, our facilities or construction projects, personal injury or death, environmental damage, monetary losses or legal liability for which we are not insured.

Working at our project sites presents risks to our employees and contract laborers. We could be held liable for any on-the-job injuries and serious on-the-job injuries or accidents could happen at our project sites. If accidents happen, we could incur significant costs and suffer damage to our reputation and our business, results of operations and financial condition could be adversely affected.

Infringement of intellectual property rights can adversely affect our reputation and profitability

Our patents and trade marks are important to our success and we rely on them to protect our proprietary technology and know-how. We have obtained various patents and trade mark registrations as set out in “Appendix VI—Statutory and General Information—Further information about our business—Intellectual property rights of our Group”. However, we may not have registered in time all the patents or intellectual property rights in respect of our independently developed technologies so as to receive protection for our intellectual property rights.

We are also licensed to use the trade marks “惠生”, “WISON” and **WISON** by Wison Holding, the registered owner of these trade marks, which may license or permit other Wison Entities that are not members of our Group to use the trade marks as well as any third party not in the scope of our business or outside our business territories. The details of our

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trade mark licensing arrangements are set out in “Connected Transactions—Trade mark Licensing”. In addition, third parties could unlawfully pass off their products as our products, counterfeit our products or otherwise infringe our intellectual property rights. There is also no assurance that we can prevent misappropriation or infringement of our patents or trade marks. Our reputation and ability to win contracts could be affected by such passing-off, counterfeiting or infringement, and our results of operations could in turn be adversely affected.

From time to time, our clients may instruct us to utilize certain technologies in the provision of our EPC services. However, we cannot assure you that our clients are the owners of such technologies or have obtained valid licenses or authorizations from the technology owners to use such technologies. If our clients do not own such technologies and have not obtained valid licenses from their owners, we may also be exposed to infringement or misappropriation claims, which, if determined adversely against us, could require us to pay damage awards, notwithstanding that we are protected by the general indemnity clause in contracts we enter into with our clients, under which we may claim for indemnification from our clients for any damage awards paid by us in relation to breaches by our clients.

The validity and scope of legal claims relating to the patents or know-how covering the proprietary components in our products and services involve complex scientific, legal and factual questions and analyses and, therefore, may have highly uncertain outcomes. We cannot assure you that we will not be subject to claims of patent infringement or other disputes of intellectual property rights in the future. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our products or services or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our clients or potential clients deferring or limiting their use of our products or services until resolution of such litigation.

Further, our use of patents and technologies that we have not registered in the PRC could potentially infringe the intellectual property rights of others if the same or substantially the same patents or technologies have been properly registered by other parties in the PRC. Claims from third parties with regard to intellectual property rights could be initiated against us and litigation could be necessary to determine the validity and scope of the proprietary rights of others, or to otherwise enforce our intellectual property rights. Defending or otherwise dealing with such infringement claims, whether with or without merit, could also be costly, time consuming and could divert management attention, as well as resources, away from our business. If the outcome of such litigation is not in our favor, we could be legally prevented from utilizing technology and know-how utilized by us in providing our products and services to our clients and the exclusivity and value of our products could be undermined. In such event, our business could be adversely affected. Even if we are successful in our defense, we cannot assure you that the costs and resources required will not have an adverse impact on our business, results of operations and financial condition.

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We enjoy certain preferential tax treatments from the government of the PRC. Expiration of, or changes to, these preferential tax treatments could have an adverse effect on our operating results and the new Enterprise Income Tax Law could affect tax exemptions on dividends received by us and our Shareholders and increase our enterprise income tax rate

Wison Engineering obtained a “high-technology enterprise” certificate in November 2008, which was renewed in October 2011, from competent authorities in accordance with the relevant regulations. According to the approval from its local taxation authority, Wison Engineering is entitled to a preferential tax rate of 15% as a high and new technology enterprise from January 1, 2009 to December 31, 2013. However, if Wison Engineering fails to renew the “high-technology enterprise” certificate when it expires or our currently available tax benefits become unavailable as a result of adjustment or change of the New EIT Law or other relevant income tax laws and regulations, and we are not entitled to any preferential tax rate thereunder, the effective income tax rate of our PRC subsidiaries could increase significantly, and such increase in the income tax rate could have an adverse effect on our business, results of operations and financial condition.

In addition, we were exempt from withholding tax on dividends we received from Wison Engineering and Wison Yangzhou before the enactment of the New EIT Law. Under the New EIT Law and its implementing regulations, withholding tax at the rate of 10% is normally applicable to dividends paid by foreign invested enterprises to foreign investors and there is no provision specifically exempting withholding tax on such dividends. Therefore, starting from January 1, 2008, except as otherwise provided by the agreement for avoidance of double taxation between the PRC and Hong Kong where the withholding tax rate is 5%, Wison Energy is subject to withholding tax at the rate of 10% on dividends it receives from Wison Engineering and Wison Yangzhou. Similarly, any gain realized on the transfer of shares by our investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

In addition, we are a Cayman Islands holding company and substantially all of our income is expected to come from dividends we receive from our subsidiary located in Hong Kong, Wison Energy (HK), which is a holding company for our PRC subsidiaries. If Wison Energy (HK) is considered a non-PRC resident enterprise, dividends that it receives from our PRC subsidiaries may be subject to withholding tax at a preferential rate of no more than 5% upon receiving approval from the local tax authority under the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, effective on January 1, 2007. However, if Wison Energy (HK) is not considered to be the beneficial owner of our PRC subsidiaries pursuant to the tax notice promulgated on October 27, 2009, such dividends could be subject to withholding tax at a rate of 10%.

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

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Our operations could be adversely affected by present or future environmental, health and safety regulations

Currently, the PRC government is moving toward more rigorous enforcement of applicable environmental, health and safety laws and regulations, and the adoption of more stringent environmental, health and safety standards. In addition, as we venture into international markets, we may be subject to other environmental, health and safety laws and regulations. Compliance with existing and future environmental, health and safety laws and regulations could result in substantial ongoing compliance costs and may also result in operating restrictions that could have an adverse effect on our business, results of operations and financial condition. Further, as a general contractor, we are responsible under PRC law for the quality of the construction work. As we subcontract construction work in the PRC to sub-contractors, we could be liable for breaches by them of environmental, health and safety laws. See “—We could be liable for the quality of our sub-contractors’ work and could be sued for service/product or other liability that arises from our sub-contractors’ work” above.

Wison Engineering is an EPC service provider and does not engage in the business of operating petrochemicals or coal-to-chemicals production facilities or oil refineries. However, Wison Yangzhou is engaged in the manufacturing of heat-resistant alloy pipes and ancillary accessories that results in the discharge of waste water. We are currently in compliance with applicable environmental, health and safety laws. See “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Environmental Protection” and “Summary of PRC Laws and Regulations—Principal Laws and Regulations of the Construction Industry—Work Safety”. However, we cannot assure you that we will be in compliance with such laws in the future. If such laws are not complied with, we will be held responsible under applicable laws for required clean up or other actions at substantial cost. Such non-compliance could have an adverse effect on our business, results of operations and financial condition. Further, we cannot assure you that the PRC government will not adopt new environmental, health and safety laws that could affect our current or future business. If such laws are adopted and we violate such laws, our business, results of operations and financial condition could be adversely affected.

RISKS RELATING TO THE PRC

We could be affected by economic and political developments in the PRC

Substantially all of our current business, assets and operations are located in the PRC and almost all of our sales for the three years ended December 31, 2011 and the six months ended June 30, 2012 were made to clients in the PRC. In spite of our aims to expand into overseas markets, we expect this trend to continue in the foreseeable future and, as such, our business, results of operations and financial condition are and could be significantly affected by the economic and political developments in the PRC.

The PRC economy differs from the economies of most developed countries in many aspects, including structure, government involvement, level of development, capital reinvestment, control of currency conversion, growth rate, rate of inflation and allocation of resources. The PRC economy is still undergoing the transition from a planned economy to a market-oriented economy. In recent years, the PRC government has implemented economic reforms that have resulted in market forces playing a more significant role in the allocation of

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resources and greater management autonomy for enterprises. However, many of the reforms implemented by the PRC government are still in their initial stages of development and require further refinement and revision. There is no assurance that any changes brought about by these economic reforms or macroeconomic control measures adopted by the PRC government will have positive effects on the economic development of the PRC. There is also no assurance that any measures taken or policies implemented by the PRC government will not adversely affect our business, results of operations and financial condition.

The expenditures of our clients are dependent on the PRC government's policies, planning and industry construction cycles

Our clients' expenditures for the construction of oil refineries and petrochemicals and coal-to-chemicals production facilities in China are closely tied to the PRC government's policies, planning and industry construction cycles. Our current contracts are principally projects identified during the Eleventh Five-Year Plan (2006-2010). On October 18, 2010, China adopted the Twelfth Five-Year Plan (2011-2015), which, in addition to extending the policies and plans for the petrochemicals and oil refining industries under the Eleventh Five-Year Plan (2006-2010), also established goals to study the economy of coal-to-chemicals production and the course of appropriate development. Finally, most of our new contracts tend to be signed in the second half of any calendar year because our clients and the PRC government does not normally begin to review and approve budgets until after the Chinese New Year. Further, new projects could be delayed due to the need for approval at each level of governmental authorities. All of these factors could have an adverse impact on our business, results of operations and financial condition.

We could be affected by uncertainties in the legal system of the PRC

The PRC's legal system is based on statutory law. Under this system, prior court decisions may be cited for reference but do not have any binding effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations relating to economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, despite such progress in the legal system of the PRC, the relevant laws, regulations and rules are subject to further advancement, and, because of the limited volume of published cases and the non-binding nature of prior court decisions, there are significant uncertainties concerning their interpretation and enforcement. These factors could have a negative impact on our business and results of operations and adversely affect our financial condition.

We may be deemed a PRC resident enterprise under the New EIT Law and be subject to PRC taxation on our worldwide income

Under the New EIT Law, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise could be recognized as a PRC tax resident enterprise and thus could be subject to enterprise income tax at the rate of 25% on its worldwide income. Under the Implementation Rules, "de facto management bodies" is defined as those bodies that have, in substance, overall management control over the production and business, personnel, accounts and properties of an enterprise. There are

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no detailed guidelines issued by the State Administration of Taxation for determining the location of “de facto management bodies” in an offshore entity which is not controlled by a PRC enterprise or PRC group enterprise. If we are deemed a PRC tax resident enterprise, our Company will be subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries), and our financial condition and results of operations could be adversely affected. If we are deemed a PRC tax resident enterprise, our historical operating results will not be indicative of our operating results for future periods and the value of our shares could be adversely affected. According to the New EIT Law, dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the short history of the New EIT Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends Wison Energy receives from Wison Engineering and Wison Yangzhou would be exempted from enterprise income tax if we are recognized as a PRC tax resident.

We face uncertainty with respect to PRC tax liabilities in connection with direct and indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company (an “Indirect Transfer”), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its residents, the foreign investor must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 due to the Reorganization and

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we may be required to expend resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have an adverse effect on our results of operations and financial condition.

On April 30, 2009, the Ministry of Finance and the State Administration of Taxation issued the Notice on Certain Issues Concerning the Handling of Enterprise Income Tax in Enterprise Restructuring (《關於企業重組業務企業所得稅處理若干問題的通知》) (Cai Shui [2009] No.59, “Circular 59”), which took effect retroactively on January 1, 2008. In accordance with Circular 59, where an enterprise is involved in a cross-jurisdiction equity or assets acquisition transaction between parties in mainland China and outside mainland China (including Hong Kong, Macau and Taiwan), special taxation provisions may be applied if all of the following requirements are satisfied: (i) (x) a non-resident enterprise transfers equity of a resident enterprise it owns to another non-resident enterprise under its sole and direct control, (y) no change is caused thereby to the subsequent withholding tax burden on such equity transfer income, and (z) the transferor non-resident enterprise makes a written commitment to the competent tax authority that it will not transfer the equity of the transferee non-resident enterprise it owns within three years; (ii) such transaction has a reasonable business purpose and its primary purpose is not the deduction, exemption or deferment of any tax payment; (iii) the proportion of the assets or equity purchased, merged or separated conforms to the proportion prescribed by Circular 59; (iv) the original substantive business activities are maintained for 12 consecutive months after the enterprise restructuring; (v) the amount of payment of equity interests involved in the consideration in restructuring conforms to the proportion prescribed by Circular 59; and (vi) the original main shareholders who have obtained the payment of equity interests in enterprise restructuring may not, within 12 consecutive months after the restructuring, transfer the equity obtained.

On November 2, 2008, Wison Technology entered into an agreement with Wison Energy (HK) to transfer its entire 100% equity interest in Wison Yangzhou to Wison Energy (HK). This equity transfer was approved by the Yangzhou Foreign Trade and Economic Cooperation Bureau on December 3, 2008 and was registered with the Jiangsu Administration for Industry and Commerce on December 17, 2008. On May 14, 2010, Wison Technology entered into a supplementary agreement with Wison Energy (HK), whereby Wison Technology and Wison Energy (HK) agreed that the purchase price would be settled in full via the issuance of one share in Wison Energy (HK) to us.

In 2010, we submitted an application to the relevant tax authorities for the above equity transfer transactions to qualify for special tax treatment under Circular No.59. As of the Latest Practicable Date, the relevant authorities have not reverted on this application. As of December 31, 2011, we calculated our prospective tax liability in relation to the transfer of equity interests in Wison Yangzhou and made a provision of RMB4.4 million in our financial statements as of and for the year ended December 31, 2011 accordingly. The provision was based on a valuation of Wison Yangzhou performed by a PRC valuer. However, we cannot assure you that such provision will be sufficient to cover the full amount of our tax liability if the PRC tax authorities decline our application and we fail to obtain the special tax treatment under Circular No.59. In that case, our results of operations and financial condition could be adversely affected.

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We may be subject to penalties under relevant PRC laws and regulations due to failure to make full social security and housing fund contributions for our employees

During the three years ended December 31, 2011 and the eight months ended August 31, 2012, Wison Yangzhou did not make full contributions to the social security and housing funds for all its employees. Wison Yangzhou did not pay, or was not able to pay, certain past social security and housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of its employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the housing fund system by its employees. In particular, according to relevant PRC laws and regulations, Wison Yangzhou is responsible for making contributions to the social security and housing fund on the basis of actual salary paid to its employees. As some of Wison Yangzhou's employees have houses in the nearby villages, they have been reluctant to make full housing fund contributions and have calculated the amount of their housing fund contributions on a basis that is lower than the salaries received by them. As Wison Yangzhou is required to make its portion of the housing fund contributions on the same basis as its employees, the amount of social security and housing fund contributions made by Wison Yangzhou for its employees were less than the amount required under the PRC laws and regulations. Nevertheless, the local government authority with oversight of Wison Yangzhou has issued a regulatory compliance certificate to Wison Yangzhou and, therefore, the risk of Wison Yangzhou being required to make a supplemental contribution or being imposed administrative penalties is low, and our PRC legal advisers have advised that they are of the view that there is a low likelihood that Wison Yangzhou may be required to make supplemental contributions or be subject to administrative penalties or sanctions in respect of its failure to make full contributions. Wison Yangzhou's total outstanding amount of past social security obligations is approximately RMB3.3 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012 and the outstanding amount of past housing fund contributions is approximately RMB0.7 million for the three years ended December 31, 2011 and the eight months ended August 31, 2012. Taking into account the outstanding amount of past social security and housing fund contributions, the receipt of compliance certificates from the local competent social security and housing fund authorities and the advice of our PRC legal advisers that there is a low likelihood that Wison Yangzhou may be required to make supplemental contributions or be subject to administrative penalties or sanctions in respect of its failure to make full contributions, our Directors consider that adequate provisions have been made. Since October 2012, Wison Yangzhou has been making full contributions to the social security and housing funds for all its employees.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) as amended in 2002, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. Pursuant to the PRC Social Insurance Law promulgated in 2010, the relevant social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit; if the enterprise fails to do so by the expiration of the time limit, in addition to the outstanding contributions, a late-payment fine of 0.05% per day from the date when the amount became overdue may be imposed; if the enterprise fails to pay such contributions and late-payment within the time limit, a fine from one to three times the amount of overdue payment may be imposed.

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Notwithstanding Wison Yangzhou's failure to be in strict compliance with the relevant PRC regulations with respect to social security and housing fund contributions, the competent government authorities have confirmed our regulatory compliance in this regard. See "Business—Legal and Compliance—Social Security and Housing Fund".

Therefore, our PRC legal advisers are of the opinion that, although Wison Yangzhou's contribution is not in strict compliance with the relevant laws, the possibility that we will be required by local authorities to make payments for the outstanding social security contributions is remote as relevant competent social security and housing fund authorities have issued confirmation that Wison Yangzhou has duly contributed social security and housing funds for employees in accordance with national and local laws and regulations and the risk that such confirmations will be rebutted or invalidated by other government authorities is low since the confirmations regarding social security and housing fund are issued by the relevant and competent government authorities.

Between January 1, 2009 and the Latest Practicable Date, we have not received any notice from the relevant housing fund or social security authorities ordering us to make payments in respect of any outstanding contributions, nor were we aware of any employees' complaints or demands for payment of social security and housing fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the People's Courts regarding social security and housing fund contribution disputes.

Based on the foregoing, we have not made payments of any outstanding social security and housing fund contributions between January 1, 2009 and August 31, 2012. However, we cannot assure you that we will not be required to make payment in respect of outstanding contributions, and any related fines, in the future.

Investors could have difficulty in enforcing judgments in the PRC

Substantially all of our assets are located in the PRC, and most of our Directors and executive officers reside in the PRC. As a result, it could be difficult for investors to effect service of process upon our Directors and executive officers. The PRC government recognizes and enforces judgments of foreign courts based on treaties that relate to the recognition and enforcement of foreign judgments and the principle of reciprocity with foreign countries. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it could be difficult for investors to enforce against our Company or our Directors in the PRC any judgments obtained from courts of a country that has not executed such treaty with the PRC or has not implemented the reciprocity principle.

Our financial condition is dependent on the strength of the Renminbi and could be adversely affected by unfavorable currency conversion and exchange controls

We currently receive almost all of our revenue in Renminbi, which is not a freely convertible currency. Conversion of Renminbi is subject to strict control by the PRC government and the value of the Renminbi against other currencies could be affected by, among other things, changes in the PRC's economic, financial and political conditions and supply and demand of Renminbi in the local market.

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The current PRC foreign exchange legislation has significantly reduced the government's control over usual current account items, including trade- and service-related foreign exchange transactions and payment of dividends to foreign investors. Pursuant to the Foreign Exchange Control Regulations (《外匯管理條例》) and the Regulations on Foreign Exchange Settlement, Sale and Payments (《結匯、售匯及付匯管理規定》) of the PRC, after completion of the Global Offering, provided that certain procedural requirements are met, our PRC subsidiaries will be permitted to remit to their foreign holding company their share of profits in foreign currencies without the need to obtain the prior approval of SAFE. However, there is no assurance that such foreign exchange policy in relation to remittance of profits in foreign currency will continue to be in force in the future.

From 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, was based on the exchange rates set by the People's Bank of China that are set daily based on the previous business day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. From 1994 to July 2005, the official exchange rate for conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. As the foreign exchange of Renminbi is allowed to move in a managed way, there can be no assurance that the Renminbi will not further appreciate or that other measures will not be introduced to address the concerns of the PRC's trading partners. Moreover, we cannot assure you that such exchange rate will continue to remain stable in the future. Since our income and profits are denominated in Renminbi, a portion of which must be converted into other currencies to meet our foreign currency obligations, depreciation in the value of the Renminbi could adversely affect our business and financial condition, and the value of, and any dividends payable on, the Shares.

Changes in PRC government policy on foreign investment in the PRC could adversely affect our business and results of operations

Wison Engineering and Wison Yangzhou are foreign-owned enterprises under PRC law and are subject to foreign investment restrictions imposed by the PRC government from time to time. For instance, under the Foreign Investment Industrial Guidance Catalog (the "Catalog"), some industries are categorized as sectors that are encouraged, restricted or prohibited for foreign investment.

According to the latest version of this Catalog, which became effective on January 30, 2012, neither Wison Engineering nor Wison Yangzhou is within the prohibited or restricted category. As this Catalog is updated every few years, we cannot assure you that the PRC government will not change its policies in a manner that could cause part or all of our businesses to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in businesses that become restricted for foreign investors, we could be forced to sell or restructure the businesses that have become restricted or prohibited for foreign investment.

If we are forced to adjust our business as a result of changes in government policy on foreign investment, our business, results of operations and financial condition could be adversely affected.

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Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (《個人外匯管理辦法實施細則》) (the “Individual Foreign Exchange Rules”), issued on January 5, 2007 by SAFE, and relevant guidance issued by SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of SAFE and complete certain other procedures related to the share options or other share incentive scheme. On February 15, 2012, SAFE issued the Notice on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Equity Incentive Plans of Overseas Listed Companies (Hui Fa [2012] No.7, “Circular 7”), which replaced the Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies, issued in 2007. Circular 7 frames a set of general requirements on the participation of PRC citizens in employee share option plans of overseas listed companies. However, no detailed administrative rules have been issued by SAFE in connection with the registration process and therefore the requirements of the local branches of SAFE vary significantly. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizens or exchanged into Renminbi. We adopted the Pre-IPO Share Option Scheme on November 30, 2012 and have granted certain options to a number of our employees and other individuals. Our PRC citizen employees who have been granted share options or restricted share units will be subject to the Individual Foreign Exchange Rules upon our Listing. If we or our PRC option holders fail to comply with these regulations, we or our PRC option holders may be subject to fines and legal or administrative sanctions. In particular, pursuant to relevant PRC foreign exchange laws and regulations, including the Foreign Exchange Control Regulations, the Implementation Measures of Individual Foreign Exchange Rules and Circular 7, a PRC option holder must select a domestic institution (the “Domestic Agency”) through the PRC company he or she works for to handle all relevant foreign exchange matters on his or her behalf. The Domestic Agency could be a PRC company involved in the equity incentive plan or a PRC institution qualified to act as an asset custodian, selected by the PRC company. If the Domestic Agency or the PRC company fails to comply with relevant PRC foreign exchange rules, or if the PRC option holders fail to comply with relevant PRC foreign exchange rules upon our Listing, the Domestic Agency or the PRC company could be subject to a fine of no more than RMB300,000 and the PRC option holders could be subject to a fine of no more than RMB50,000.

Our operations could be adversely affected by acts of God, war, terrorist attacks and contagious diseases

Our business is affected by the general economic conditions in the PRC and other parts of the world. Acts of God such as natural disasters and outbreaks of highly-contagious diseases such as atypical pneumonia, Severe Acute Respiratory Syndrome, avian flu and swine flu are beyond our control and could adversely affect the economy, infrastructure and livelihood of people in the PRC and other parts of the world. Our business and results of

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operations could be adversely affected if such acts of God and/or outbreaks occur or intensify.

Wars, terrorist attacks and other hostilities could also cause damage or disruption to our operations. During the three years ended December 31, 2011 and the six months ended June 30, 2012, approximately 12.0%, 25.0%, 10.0% and 8.7% of our purchases were sourced from Europe and the U.S. Potential war and terrorist attacks involving Europe and the U.S. could adversely affect the supplies from Europe and the U.S. and in turn adversely affect our results of operations. Generally, there can be no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not, directly or indirectly, have an adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE GLOBAL OFFERING

There is no assurance on the liquidity or price stability of our Shares

There may not be an active trading market for our Shares and their trading price could also fluctuate substantially. Prior to the Global Offering, there has been no public market for our Shares. The Offer Price may not be indicative of the price at which our Shares will trade following the completion of the Global Offering. In addition, we cannot assure you that an active trading market for our Shares, if it does develop, will be sustained following the completion of the Global Offering, or that the market price of our Shares will not fall below the Offer Price.

The trading price of our Shares could also be subject to significant volatility in response to, among other factors, the following:

- investor perceptions of us and our future plans and prospects;
- variations in our operating results;
- technological advances;
- changes in competition faced by us in the PRC;
- changes in our senior management and other key personnel;
- general economic and other factors; and
- there has been no public market for our Shares prior to the Global Offering, and the liquidity and market price of our Shares may be volatile.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have an adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future

The market price of our Shares could decline as a result of future sales or issuances of substantial amounts of our Shares or other securities relating to our Shares in the public market, or the perception that such sales or issuances could occur. Future sales, or perceived

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sales, of substantial amounts of our Shares could also adversely affect our ability to raise capital in the future at a time and at a price that we deem appropriate. In addition, our Shareholders could experience dilution in their holdings to the extent we issue additional securities in future offerings.

Statistics from official government sources might not be entirely reliable

Statistical and other information relating to the PRC and the petrochemicals, oil refining and coal-to-chemicals industries contained in “Industry Overview” have been compiled from various official government sources. Although reasonable steps have been taken by our Directors to ensure that such statistics and information were extracted accurately from such sources, neither we, our Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Lead Managers, the Joint Bookrunners, the Underwriters nor any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy or completeness of such official statistics and information. There is no assurance that statistics derived from multiple official sources will be prepared on a comparable basis or that such statistics and information will be stated or prepared in the same standard or level of accuracy as, or consistent with, those in other official publications within or outside the PRC. Accordingly, such statistics and information might not be accurate and should not be relied upon unduly.

There could be uncertainties with respect to the interpretation or implementation of certain PRC government regulations that could relate to the conduct of the Global Offering.

On August 8, 2006, six PRC regulatory agencies, namely MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation (“SAT”), the State Administration for Industry and Commerce, the China Securities Regulatory Commission (“CSRC”) and SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective on September 8, 2006 (the “M&A Rules”). The M&A Rules require, among other things, that, if any offshore company established or controlled by any PRC domestic company or citizen intends to acquire equity interests or assets of any domestic company affiliated with such PRC company or citizen, then the acquisition must be submitted to MOFCOM, rather than local regulators, for approval. The M&A Rules further require an offshore special purpose vehicle (a “SPV”) such as our Company, formed for listing purposes and controlled directly or indirectly by PRC companies or residents, to obtain the approval of CSRC prior to the listing and trading of such SPV’s securities on an overseas exchange. On September 21, 2006, CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listings. Based on its understanding of current PRC laws and regulations, our PRC legal advisers have advised us that we had already obtained all necessary approvals from the relevant PRC authorities for our offshore reorganization completed prior to the effective date of the M&A Rules, and the M&A Rules do not apply retroactively. Therefore, no MOFCOM approval should be required for the Corporate Reorganization and no CSRC approval should be required for our Listing. However, there could be uncertainties as to how the M&A Rules will be interpreted or implemented by the PRC government. Contrary interpretation by the PRC government could have an adverse effect on our Company.