

Risks Study on Yun Nan Enterprises Engineering Projects in Sri Lanka

Yating Shi

International Business School of Yunnan
University of Finance and Economics
Kunming, China
1161593899@qq.com

Yan Li*

International Business School
Yunnan University of Finance and Economics
Kunming, China
cyliyan2002@163.com

Abstract—The main purpose of this thesis was to analyze the risk of engineering project of Yunnan enterprises in Sri Lanka. Since the end of civil war, the backward traffic conditions, weak electrical infrastructure and lacking housing supply were severely restricting the development of the economy and society in Sri Lanka. In order to expand the market in Sri Lanka, the development of Yunnan enterprises' international project contracting in Sri Lanka is an important gap to open South Asia market. Chinese government can make use of regional advantages of Yunnan province, so Yunnan province can actively integrate into the "One Belt, One Road" strategy, continually innovate foreign economic cooperation, give full play to Yunnan location and channel advantages, steadily push forward the western region to carry out the strategy of "going out". Therefore, in order to gain a firm foothold in Sri Lanka engineering contracting market, Yunnan enterprises will encounter a variety of risks inevitably.

Keywords—Yunnan enterprises; engineering; contracting markets; risk ;

I. INTRODUCTION

In September 2013 and October, the President Xi Jinping puts forward to construct the "New Silk Road Economic Belt" and "21st Century Maritime Silk Road" strategic vision. From the map of the world, "One Belt, One Road" connects the Asia-Pacific economic circle and the European economic circle, which is considered to be the world's longest, most development potential of the big economic corridor. Sri Lanka, the geographical position is superior, since ancient times it is known as "Oriental crossroads", it is the most important transportation hub. In history, Sri Lanka is one of the important main Marine Silk Road, is a trade transfer station of Chinese and Arabic traders. Now, Sri Lanka not only is the maritime fortress for the Middle East oil transport via the Indian Ocean to Asia, a maritime fortress through the Chinese mainland and the Indian Ocean to Asia, but also is an important transit point leading to Chinese mainland and the eastern Indian Ocean. China implements "One Belt, One Road" strategy, the important position of Sri Lanka is obvious. Meanwhile, Sri Lanka's transport infrastructure facilities lag behind, which provide a favorable opportunity for the Chinese enterprises overseas investments. After the civil war of Sri Lanka ended in 2009, the bilateral ties between our two countries also rapidly

developed. South Asia has become China's important international engineering contracting market and investment destination, China has become South Asian countries important trading partner and source of foreign investment, China has also become Sri Lanka's largest aid donor the same year. Yunnan has a location advantage for the southwest. In 2009, President Hu Jintao put forward the construction of Yunnan Province become China's important bridgehead for opening to the southwest; at the same time, he points out that the construction of Yunnan province become one of the major portals, facing southwest can make Yunnan become the important land thoroughfare connecting South Asia, Southeast Asia and China's domestic of southwest, central and eastern regions. In order to promote economic development in Yunnan province, to promote the full opening process of our country, recent years, in addition to strengthening cooperation and exchanges with Southeast Asian countries, Yunnan Province continues to promote the process of cooperation with South Asian countries. Yunnan enterprises in the development of Sri Lanka's international project contracting, is an important gap to open the South Asia market. In 2014, the overseas engineering contracting of Yunnan Province broke through \$ 2 billion, completed turnover of 2.07 billion US dollars, ranking No. 16 in the country.

International engineering contracting, however, as a cross-industry, cross-regional, an industry that has a variety of business models, compared with the domestic engineering, international engineering contracting projects involving countries where the political and economic situation, international relations, monetary and financial market conditions of host country, the import, export, capital and labor policies and regulations, foreign exchange controls and many other uncertain factors, thus it is considered as "risky business". Although our country's international project contracting industry is facing good opportunities for development, it also faces serious challenges. The reason is that under normal competitive environment, China's foreign contracted engineering industry is facing the dual pressure of the competition from the developed contractors and local contractors. On the one hand, the contractors of developed countries with capital, technology, information and management and other advantages, occupies a monopoly position in the high-end market. On the other hand, the

* Corresponding author

contractors from some developing countries have begun to take part in technology-intensive and knowledge-intensive projects, continue to enter the international market, which caused great competitive pressure to China's foreign contracted engineering firms.

Sri Lanka has many uncertain factors, such as the industrial base is weak, technology is relatively backward, infrastructure is not perfect, political instability and etc., which risks foreign enterprise in engineering contracting project. Therefore, if Yunnan enterprises want to expand the international engineering contracting market in Sri Lanka, even throughout South Asia, they should strengthen the research and study on the risk analysis, which has instructive significance to the market development and projects implementation of international projects.

A. The present situation of the international project market

International engineering contracting is a form of international trade, is an international economic cooperation, it relates to international resort, consultation, negotiation or other activities, is a construction project with transnational economic and technical characteristics. In the international project contracting, the contractor and the owner by signing a contract to define the respective rights and obligations, the contract stipulates capital, labor costs, technology, equipment and material requirements, the contractor implement the project according to the regulations. After the acceptance of work, the owners will cover the cost according to the provisions of the contract.

1) Business revenue and ranking

In recent years, with the full recovery of the world economy and the improvement of the overall economic environment, capital investment in construction market showed a rapid growth trend, China's overseas project contracting industry maintains steady growth [1]. Chinese overseas project contracting industry since the reform and opening complete turnover increased from more than 600 million dollars in 1985 to 154.07 billion dollars in 2015, up 8.2% year on year, China international engineering contracting has achieved the best development in history. There are 57 Chinese companies on the list of "Engineering News Record" in the ENR United States which was published in 2015, accounting for a quarter of the seats. In 225 companies of the top 100, there are 20 Chinese companies. In the field of international engineering contracting, our country basically has formed a multi-industry composition, which can compete with big foreign contractor team, and has been widely recognized of the world.

2) Regional and industry distribution

To measure the development of China's foreign contracting market, we not only have to examine the turnover index, but also to study the region and distribution of industries of contract projects. As shown in figure 1, from the point of regional distribution, in recent years, China's foreign contracted engineering firms keep consolidating traditional markets in Asia and Africa, while increasing efforts to develop new markets. Business growth in Europe, Latin America and North America have more than 200%, of which Latin America has become China's third largest engineering contracting market. An Asia and Africa account for 51% and 35% of total turnover, 6% in Latin America is, 5% in Europe, 1% in North America and 2% in Oceania. The turnover mainly distributed in Hong Kong, Sudan, Algeria, Nigeria, Singapore and other places. Comparing the amount of new signing contracts in various regions since 2001, Asia, Africa region market growth trend is more obvious. To be sure, since the signing of a series of mega projects in Africa, in the next few years, the African market proportion will be improved to a great extent.

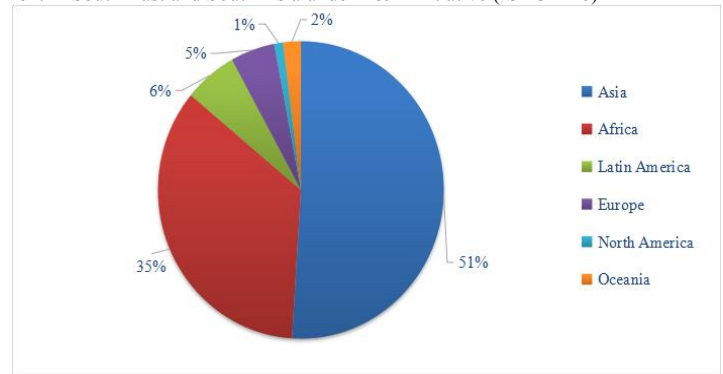


Fig. 1. 2015 China's foreign project contracting regional distribution share

Judging from the industry distribution, international engineering contracting in our country are mainly distributed in housing construction, transportation, petrochemical and electrical power engineering and other traditional projects. The new signing contracts of overseas project mainly distributed as follows, that is 24.1% in housing construction, 24.7% in transport, 3.7% in petrochemical, 13.6% in power engineering, 5.9% in manufacturing and processing, 10.1% in water supply and drainage and 9.6% in other fields. In recent years, in addition to maintain steady growth in the traditional areas of housing construction project, the scope of our country's foreign project contracting has expanded to metallurgy, port, electricity, telecommunications, machinery, water conservancy and other professional engineering. In general, enterprise group of overseas project contracting industry in our country has been expanded.

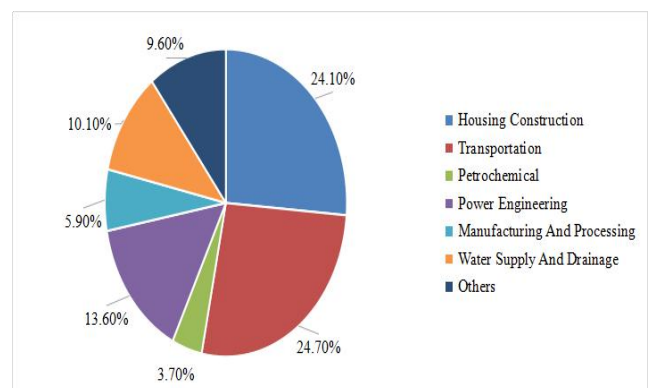


Fig. 2. China's foreign project contracting industry distribution share in 2015

3) The risk characteristics of international engineering project

In addition to similarities with other projects, the international project also has its own characteristics; related scholars were summarized as follows:

a) *Species diversity.* The risk of international engineering projects varied, which is affected by many factors, including external and internal factors. The external factors include: engineering political environment of the host countries, diplomatic relations, social environment, global economic conditions, laws and regulations, and may also encounter the geographical environment, climatic conditions and other issues. Internal risks include: management level, technical level, risk response capability, etc. Sometimes certain factors affect on projects alone, sometimes a variety of factors affect on projects at the same time. Risks are interrelated, which indeed affect the whole body.

b) *Widely distributed.* International projects have a long operating cycle from tender to completion; there are bidding, signing contracts, construction, acceptance and other links. The influence degree of each link to the whole project is different, and each part has its own risks. But we cannot give up the

implementation of the project because of the risk, without risk there is no profit, no profit contractors would not accept this project, the key lies in whether the contractors are good at identifying risks, appropriate estimating risks, effective management risks and controlling risk very well.

c) *High frequency.* Due to the long period of construction and installation, the external environment cannot be controlled, construction environment is complex. Therefore, many risk factors will appear in the whole construction process at any time. Especially in large projects, man-made or natural causes of project risk are frequent, leading to frequent accidents and huge losses to the contractor.

d) *The widespread impact.* The risks of international engineering contracting projects have a wide extent of influence, which will not only affect certain stages or a process, it will probably take throughout, impact on the overall situation. Local risk is likely to be along with the development of a project to expand its influence, and affect many of the activities associated with it, so it must draw enough attention of the contractor. For example, political change, wars between nations would stop the project, thereby affecting subsequent conduct of the whole project. This will not only extend the time limit, and may increase costs and harm the quality of the project.

e) *Operation rules.* Seen from the above, the risk of international projects has many characteristics, such as diverse species, widely distributed, high frequency of occurrence, large impact, but there are certain rules to follow. So we need to carefully study the experiences and lessons of predecessors, take the essence, discard the dross, avoid some unnecessary failure, quickly identify potential risks, enhance the sensitivity to the external environment in the new situation; we should standardized sort the specific lessons, form regularity of text, and continue to explore and add new experiences to have timeliness and guidance.

B. The present situation of the Yunnan engineering project

1) More diverse market pattern.

In 2014, the accomplished turnover of Yunnan Enterprises in five countries of the Greater Mekong Sub region reached 389 million dollars, accounting for 18.79%; the accomplished turnover in Africa reached \$ 957 million, accounting for 46.23%; the accomplished turnover in South America reached \$ 430 million, accounting for 20.77%. In the Middle East, the contract amounted to \$ 198 million in northern Saudi border university hospital projects are being steadily implemented, up to March 2015 the accomplished turnover has reached \$ 179 million; in South Asia, Yunnan Sunshine Road and Bridge Corporation is being executed contract value of 528 million project that Chinese government aid to Pakistan State road repair project, Sinohydro Bureau 14 Co., Ltd. and Yunnan Sunshine Infrastructure Corporation had a rapid growth of the business in Sri Lanka, achieved a total turnover of \$ 61.81 million for the whole year, these two firms already have a stable market share in South Asia. Overall, Yunnan enterprises "going out" subject to the current market has developed throughout the world in more than 30 countries and regions, market layout of the project from near to far, increasingly reasonable, basically forming a "highlighting surrounding, developing Africa, entering into South America, exploring the Middle East" diversified market pattern.

2) More varied contract way

Yunnan enterprises can not only complete project in the way of the general contractor (EPC), subcontract of project, but also with PPP (public-private partnerships for public projects), BOT (build - operate - transfer) and other modes;

these enterprises not only can complete spot contract projects, but also provide financing service or contracting with own capital depending on the project; they not only can complete contract projects independently, but also be able to form a consortium with foreign companies and cooperate with them. At the same time, more and more Yunnan companies involved in areas of project planning, exploration, design, and management. At present, EPC contractor has become an important way of foreign contracted projects in Yunnan Province; in 2014, general contracting projects have accounted for 48.7% of the total foreign bidding projects.

3) More significant competitive advantage

The rapid expansion of business scale makes that competitive position of Yunnan enterprises in the international market change a lot. Yunnan Construction Engineering Group for four consecutive years among the world's largest 250 international contractors list, and the top ranking in recent years improved. Sinohydro Bureau 14 Co., Ltd. and other enterprises in Yunnan business continued to show a greater advantage in undertaking and implementing projects. The design ability of Yunnan enterprises and state-owned companies in Yunnan is also more prominent in some fields, the ability to undertake large and super large projects have greatly improved. Large projects, represented by the EPC, is gradually increasing, those EPC projects Yunnan companies completing and tracking have risen from tens of millions dollars to hundreds of millions dollars, some companies began tracking billions, even billions of dollars in major projects.

4) More solid labor service cooperation

From the perspective of classification of service dispatched project, engineering project has already sent 4731 people, accounting for 51.28%; overseas investment project has sent 3484 people, accounting for 37.77%; labor cooperation project has sent 1010 people, accounting for 10.95%, of which 749 people sent by Yunnan provincial labor service dispatch platform, accounting for 74.16% of the total sent channels. It benefits from the cultivation and reserve of Yunnan Province dispatched labor service resources, which consolidate the foundation of labor service cooperation.

II. LITERATURE REVIEW

British scholar Rerry and Hayes (1985) from the contractor, owner and consultant three perspectives, focus on the research of risk identification and risk causes of construction projects, and fully analyze potential risks the above three sides may facing up. Hayes (1987) first proposed a systematic approach to timely deal with risk identification, risk analysis and risk control of project[2]. American scholar L. Y. Shen, George W. C. Wu (2001) in the paper Risk Assessment for Construction Joint Ventures in China, discusses the contractor and owner shared risk in Chinese construction market. Similar to this study, the American scholar M. Motiar Rahman (2004) analyzes from the aspect of joint management risk in Hong Kong construction market, however, Dongping Fang (2004) states Chinese construction market risks and risk management from the perspective of contractor.

In our country, the study of project risk management started relatively late, in the late 1970s and early 1980s, we only introduced the basic theory, approach and procedure of project management without introducing risk management theory and methods at the same time[3]. Until after the 1990s, we began to place more emphasis on project risk management, particularly risk management of large-scale civil engineering projects. Luyou Jie (1998), in its edited literature, discussed the urgency and necessity of implementation of the project risk management to the transformation of community market economy in China; they proposed that the project risk of

The First International Symposium on Business Cooperation and Development in South-East and South Asia under B&R Initiative (ISBCD-16) national economic sectors also can be classified from risk source, scope, risks control, the effects and consequences five aspects, at the same time, they elaborated risk identification, risk assessment and risk control of engineering project from the perspective of managers.

In summary, the 21st century, with the deepening of economic globalization, continuous strengthening domestic and international cooperation, national research field of engineering project risk management has become more extensive. The rapid development of society requires a modern scientific management technology; so we should attach importance to and actively promote the research and application of risk management, especially the study of the construction project risk management.

III. OBJECTIVES

In order to achieve the overall goal, we proposed the following objectives:

- 1) Current situation and risk analysis of international engineering contracting projects
- 2) Current situation of Yunnan enterprise engineering contracting projects and the analysis of the market in Lanka
- 3) Risk presence in Yunnan enterprise project contracting market of Sri Lanka
- 4) Countermeasures and suggestions on Yunnan enterprises developing Sri Lanka engineering contracting market

IV. PROBLEM ANALYSIS

A. The market analysis of Yunnan engineering project enterprises in Sri Lanka

International engineering contracting enterprises in our country entered into the Sri Lankan project contracting market since the mid-1980s, currently there are more and more Chinese engineering contracting enterprises in Sri Lanka, especially after 2009, the new signing contract and turnover have greatly improved than before [4]. At present, China's engineering contracting enterprises have been developing steadily in the construction market of Sri Lanka, since 2007 they have been occupying construction market 30% market share in Sri Lanka [5].

TABLE I. 2009-2013 PROJECT CONTRACTING COOPERATION CONDITIONS OF CHINESE ENTERPRISE IN SRI LANKA

Years	2009	2010	2011	2012	2013
Contract amount(US \$ billions)	10.70	25.59	15.26	10.47	21.13
Turnover (US\$ billions)	6.86	7.69	12.57	15.30	20.92

International engineering contracting enterprises in Yunnan province entered into the international project contracting market of Sri Lanka since 2006. So far, there are three international engineering contracting enterprises in Yunnan province, which are Sinohydro Bureau 14 Co., Ltd., Yunnan Sunshine Road and Bridge Co., Ltd. and Yunnan Construction Engineering Group. By visiting relevant personnel, we knew the construction projects are as follows: Sinohydro Bureau 14 Co., Ltd. built road projects ICB9 & 10 in 2006, Moluogaha reservoir first project of Irrigation Ministry of Sri Lanka in 2012, Sri Lanka north road upgrading project (C11A & B

standard highway); Yunnan Sunshine Road and Bridge Corporation mainly focuses on subcontracting road construction projects of CATIC in Sri Lanka, such as Matala - Rajapaksa International Airport (MATTALA) ramp and viaduct project in the south; Yunnan construction Engineering Group expanded a new national project contracting market - Sri Lanka in October 2013. Yunnan enterprise project specific conditions are shown below.

1) Project.

ICB9 & 10 standard road project; C11A & B standard road project; Moluogaha reservoir first project (Mdam); Carew dry Ge Reservoir Project (K Dam); Matala- Rajapaksa International Airport ramp and viaduct project.

2) Contract amount.

ICB9 & 10 standard road project- The total contract amount is \$ 22,099,200, low bidding price World Bank loans; C11A & B standard road project-\$100.32 million - China Export-Import Bank financing. Moluogaha reservoir first project (Mdam)- \$ 252 million, China Development Bank financing; Carew dry Ge Reservoir Project (K Dam)- The total contract amount is \$ 122 million, contract duration is 56 months, Saudi Arabia and other SFD Fund loans, the Sri Lankan government financing; Matala- Rajapaksa International Airport ramp and viaduct project-\$ 60 million.

3) Respective progress.

Contract duration is 24 months, officially started on November 6, 2006, completed at the end of 2009; Contract duration is 30 months, started in September 2010, completed in 2013; Contract duration is 48 months, started in July 2012; it is expected to be completed in May 2017; It started on April 2, 2014; it is expected to be completed on December 31, 2018.;Starting in 2011, the construction period is 2 years, where a viaduct and four ramps have been completed three months in advance, the rest of the project has already completed at the end of the 2013.

4) Respective comment.

Length of highway is 147 km, for pavement reconstruction and upgrading project; Length of highway is 95 kilometers, the first batch of key projects of post-war reconstruction in the northern province of Sri Lanka; Sri Lanka's largest agricultural irrigation projects. Sri Lanka's first RCC concrete dam; The project is an important large reservoir in Central Sri Lanka; subcontracting CATIC projects, Total length of road is about 25 km.

5) Contracting enterprise:

Sinohydro Bureau 14; Sinohydro Bureau 14; Sinohydro Bureau 14; Sinohydro Bureau 14; Yunnan Sunshine Road and Bridge Corporation.

About all, we know that the first Yunnan enterprise entered into Sri Lanka's international project contracting market is Sinohydro Bureau 14, which is affiliated with China Water Conservancy and Hydropower Construction Co., Ltd. Sinohydro Bureau 14 is the vanguard for Yunnan Province starting contracted project in Sri Lanka. However, it mainly relies on low price bidding strategy into the Sri Lanka project contracting market. Although the project was at a loss, it still completed ICB9 & 10 standard road projects according to the quality, which laid a good foundation for the afterwards project. Yunnan Sunshine Road and Bridge Co., Ltd. entered into Sri Lanka market in the form of subcontracting our country's construction projects, and complete project ahead of time based on their professional skills.

At present, Chinese international engineering contracting enterprises in Sri Lanka mainly focus on oilcan zone, road network transformation, sewage treatment, water and electricity, ports, construction, communications, water supply

The First International Symposium on Business Cooperation and Development in South-East and South Asia under B&R Initiative (ISBCD-16) and drainage and other areas. However, Yunnan international engineering contracting enterprises in Sri Lanka only involved roads, power stations, ports, dams and other projects. It is really necessary to broaden the industry fields to high-tech project.

B. The risk of Yunnan enterprise engineering project in Sri Lanka market.

Compared with other domestic enterprises, the way Yunnan international engineering contracting enterprises entered into Sri Lanka rely on low-cost and subcontracting, to some extent, it reduces the project profitability, and may even cause losses to the project. Ten years, from 2006 to 2015, large-scale projects investment of Yunnan international engineering contracting enterprises had already developed from nothing to the scale, although some projects are losses. By the end of 2015, Yunnan Province, only a few foreign projects contracting enterprises have conducted projects in Sri Lanka. Therefore, the main problem of Yunnan engineering contracting business in Sri Lanka is small scale and less quantity, and the ability of enterprises to develop market is poor. The main causes of this situation are the following main issues existed in Yunnan international project contracting enterprises.

1) Poor environment adaptation

When most engineering contracting enterprises develop foreign project contracting market, it's easy for them to put the domestic operating mode of operation and management to the project in host country[6]. Most of them the host country is not well adapted to the environment of the host country and its policies and regulations. The ability to adapt the environment in Sri Lanka is relatively poor.

We must pay attention to the impact of climate on projects when contracted projects in Sri Lanka. We have to make reasonable arrangements for the construction in Sri Lanka during rainy and dry seasons, in order to reduce the duration of the delay. We must change the previous construction arrangement in the domestic country; formulate special construction progress and arrangements for the rainy and dry seasons. Besides, we must pay attention to local environmental requirements. Currently, M dam project of Sinohydro Bureau 14 was complained during the construction process, according to the introduction of project personnel, the reason is that in the process of dam M project construction, dust caused by blasting affected the local residents.

2) Unreasonable staffing and inefficient staff management

For Chinese management personnel, personnel outfit is unreasonable. Yunnan overseas project contracting enterprises in Sri Lanka lack the specialized international business management[7]. According to the relevant understanding, English proficiency of senior project management staffs rarely meet the daily management, which will create obstacles to programs communication and bring some trouble to the project.

Most project staff of Chinese enterprises in Sri Lanka are local staff, first of all, because cultural differences between management and employees caused a certain difficulty to managers; especially for Sri Lanka's policy stipulate that in project management department there must have a small number of local staff participate in the daily management affairs, due to the low efficiency of local staff, it often cannot meet the management arrangements schedule, which will affect the project schedule. China employees in Sri Lanka will have 40 days annual leave each year, and in this process, it is easy to cause work handover fault; if work handover of employees is not very well, it will seriously delay the schedule.

3) Inefficient risk controlling

Those enterprises are not sensitive to the exchange rate, especially in Sri Lanka, its economy, has a rapid development in the past two years, there are also many problems, showing Sri Lanka rupee fall against the dollar. In recent years, because of the depreciation of the US dollar against the yuan, and if the project payment and settlement pay in US dollars and rupee, it will to some extent, causes losses. Such as the current M dam project's initial contract of Sinohydro Bureau 14 in Sri Lanka, as stipulated in the contract, the currency of payment are the dollar and the rupee, payment proportion were 85% and 15% respectively. In the case of the US dollar and rupee devaluated against yuan, the project profits shrink.

TABLE II. 2007--2015 THE COOPERATION STATE OF CHINESE ENTERPRISE CONTRACTING PROJECTS IN SRI LANKA

Years	2010	2011	2012	2013	2014	2015
Exchange rate (USD / RMB)	6.78	6.46	6.31	6.05	6.12	6.23
Exchange rate (RMB / Rs)	17.48	17.12	20.21	21.54	22.34	22.34

There is no system management for material cost control. Regular purchasing materials according to usage of technology and contract department will not be timely to formulate measures to deal with unexpected changes according to price changes of construction material. They only choose the lowest material or lowest offer for sending engineering materials direct to the project site (direct material costs include shipping). For price instability of Sri Lanka, without properly price risk defensive measures, it will increase the cost of the project.

4) Poor financing ability

The Sri Lankan government investment ability is poor, so the arrangements of international engineering contractors financing capacity and financing programs become an important capability for them to keep its advantage in Sri Lanka's engineering contracting market. The competitive of Sri Lanka project contracting market is more and more intense, spot contracted projects are less, engineering advance payment proportion reduced. Some even canceled the advance payment for the project. However, the contracting project with funding (such as BOT project) is increasing, which requires contracting companies have strong financial strength or has a high financing capacity. So if Yunnan foreign contracted projects companies want to contract projects in Sri Lanka, they must enhance the financing capacity to dominate in project contracting market.

But now, for the international foreign project contracting enterprises in China, the narrow channels of financing, financing assurance difficulties, high cost of financing are the common problem, and become a major obstacle for foreign project contracting.

Firstly, narrow channels of financing. Under normal circumstances, state-owned commercial banks would not agree to provide credit support for those engineering contracting companies without guarantees and collateral. Multinational engineering contracting business also rarely get support from our policy banks.

Secondly, financing assurance difficulties. Foreign contracted projects guarantee risk special fund established by the State is a smaller scale, and the approval process for funding is relatively complex. It takes too long, and the support range is narrow.

Finally, the high cost of financing. Common international engineering contracting bank lending rates is much lower than

The First International Symposium on Business Cooperation and Development in South-East and South Asia under B&R Initiative (ISBCD-16) that of China, which makes China's foreign engineering contracting business financing costs are relatively high. For Yunnan engineering contracting business, although the provincial government set up a "going out" special funds, the exact amount of annual funding arrangements of special funds is limited by the provincial government financial situation, the financing amount also have a fixed limit, which cannot meet the financing needs of enterprises.

V. STRATEGIES AND SUGGESTIONS OF PROMOTING THE ENGINEERING PROJECT IN SRI LANKA FOR YUNNAN ENTERPRISE.

A. Suggestions to strengthen enterprise internal management

First, strengthen the understanding of the local environment in Sri Lanka. Through field visits, Yunnan engineering contracting companies in Sri Lanka often do not pay attention to have a deeper understanding of economy, political and social environment in Sri Lanka. However, economic, political and social environment of the host plays an important role in the success of the project when carry out cross-border engineering contracting business. Especially at the early stages of the enterprise into the Sri Lanka market, it is necessary to establish contact with Colombo Commercial office of Yunnan Province, Economic and Commercial Counselor's Office of the Embassy of the People's Republic of China in the Democratic Socialist Republic of Sri Lanka and the Chinese Chamber of Commerce, to fully understand the local economy, culture, politics, geography, customs, natural conditions, building materials and labor markets and mechanical equipment and other conditions of Sri Lanka. Meanwhile, the local environmental protection system, labor system, preferential policies and national development priorities of Sri Lanka should also be well understood. Companies can also establish contact with those experienced enterprises in Sri Lanka, in order to gain experience to carry out engineering contracting business in Sri Lanka. The enterprise also can fully understand the local environment in Sri Lanka based on a third party consultant or investigative agencies.

Second, improve personnel management mechanism. Strengthen communication and understanding between Chinese managers department, pay attention to the coordination between upstream and downstream in case faults, such as demand arrangements for construction materials should be timely and reasonable notice to the purchaser. There must have a material inventory cordon, once it reaches cordon, procurement staff should be noticed timely, because in Sri Lanka materials procurement and transportation needs a certain amount of time, if the surplus cannot meet the engineering requirements, it will affect the duration. Another problem is business personnel's price forecast should notice in time, procurement and reserve program should be stipulated timely during the inflation period, and inform buyers to cooperate[8]. For local staff management, as the local staff working time is fixed, improving the efficiency of their work time becomes the key part of its management. One Chinese personnel takes a few local staff, and make them become skilled workers. It not only improves its efficiency, but also can promote the communication between Chinese personnel and local employees.

Finally, strengthen cooperation with other Chinese companies; jointly explore the market in Sri Lanka. Compared with other provinces, the overall strength of Yunnan foreign project contracting business is weaker. In order to develop foreign project contracting, enterprises in Yunnan can joint and restructure, to some extent, this can achieve the effect of complementary advantages, enhance the competitiveness.

Such as China Railway Engineering Corporation and China National Overseas Engineering Corporation, after the two companies restructuring, the comprehensive strength and international competitiveness increase markedly.

The joint between Yunnan foreign project contracting enterprises and other domestic enterprises can also reduce the phenomenon of lower prices and competition between enterprises in China, which will improve successful rate of China's engineering contracting business. Through the establishment of a "consortium" also can effectively gather funds, optimize the allocation of resources and solve widespread financing problems.

B. Strategies to improve the role of the government

Firstly, strengthen financial policy support. We should encourage policy banks to expand credit support. Preferential policy banks loans are the main financing method for Yunnan enterprises development in Sri Lanka, especially when financing ability of enterprises is weak, preferential credit support will help enterprises gradually accumulate funds for its development. We should also promote provincial financing platform to construct special contracted projects bonds in Sri Lanka, in order to support Yunnan enterprises to carry out engineering contracting business in Sri Lanka.

Secondly, support and encourage strategic cooperation between enterprises. Governments can promote joint and restructuring experience of company, and encourage enterprises to joint and restructure, in order to form a number of foreign engineering contracting companies and groups which have outstanding professional characteristics, technical strength and strong international competition, and also can on behalf of Yunnan Province. Meanwhile, the corresponding support policies should be made to guide the construction, design units to seek opportunities for joint and reorganization.

Finally, the construction of information platform. By observing and understanding, the main way for Yunnan foreign project contracting business to know various aspects of Sri Lanka is Economic and Commercial Counselor's Office of the Embassy of the People's Republic of China in the Democratic Socialist Republic of Sri Lanka website and the Chinese Ministry of Commerce website. In both sites, the dynamics of trade and economic cooperation between the two sides in Sri Lanka have updated at any time, but information about local policies and economic situation changes in Sri Lanka are relatively lagging behind, especially the information about policy and economic situation changes on Economic and Commercial Counselor's Office of the Embassy of the People's Republic of China in the Democratic Socialist Republic of Sri Lanka website won't renew since 2005. The lack of data integrity and information updates will do harm to Sri Lanka's corporate to prevent policy and economic turmoil risk.

Yunnan provincial government should build an information platform, they can update changes in economic, political changes of Sri Lanka and industrial developing plan Sri Lanka government of by feedback information from Colombo commercial (corporate) office of Yunnan Province, Sinohydro Bureau 14 and Yunnan Sunshine Road and Bridge Corporation, and offers information support for those Yunnan companies which enter or has entered Sri Lanka market.

VI. CONCLUSION

In a word, the current Sri Lanka engineering contracting market has opportunities, especially in roads, ports, power construction and housing construction, etc. The competition in project contracting market of Sri Lanka is intense; there are a certain political threats and economic imbalances risks. Such

as internal and external political risk, the risk of new government is the internal risk; Japan's investment in Sri Lanka is the exterior risk. The economy risk is excessive investment in infrastructure components, especially in large-scale projects. Investment risk we are facing is the difficulty of financing. Although Yunnan enterprises occupy a certain market in Sri Lanka, they still need to continue to improve themselves and enhance their competitiveness, the government should also optimize their service, play a supporting role to expand the South Asia market together.

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