IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

中國交通建設股份有限公司

China Communications Construction Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Global Offering

Number of Offer Shares under the Global Offering	:	3,500,000,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	175,000,000 H Shares (subject to adjustment)
Number of International Offering Shares	:	3,325,000,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$4.60 per Offer Share payable in full on application subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.004%, and Stock Exchange trading fee of 0.005%
Stock Code	:	1800

Joint Global Coordinators, Joint Bookrunners,
Joint Lead Managers and Joint Sponsors
(in alphabetical order)

BOC INTERNATIONAL   Merrill Lynch   UBS Investment Bank

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection"to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date which is expected to be on or around December 9, 2006 and, in any event, not later than December 13, 2006. The Offer Price will not be more than HK$4.60 and is currently expected to be not less than HK$3.40.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares". If, for whatever reason, we, and the Joint Global Coordinators are not able to agree on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed.

We are incorporated, and substantially all of our businesses are located, in China. Potential investors should be aware of the differences in the legal, economic and financial systems between China and Hong Kong, and that there are different risk factors relating to investment in companies incorporated in China. Potential investors should also be aware that the regulatory framework in China is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set forth in the sections headed "Risk Factors", "Appendix VII — Summary of Principal Legal and Regulatory Provisions" and "Appendix VIII — Summary of Articles of Association of the Company".

December 1, 2006

EXPECTED TIMETABLE[1]

Application lists open[2]	11:45 a.m. on Wednesday, December 6, 2006
Latest time to lodge **white** and **yellow** Application Forms	12:00 noon on Wednesday, December 6, 2006
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website www.eipo.com.hk[3]	12:00 noon on Wednesday, December 6, 2006
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, December 6, 2006
Application lists close	12:00 noon on Wednesday, December 6, 2006
Expected Price Determination Date	Saturday, December 9, 2006
Announcement of the Offer Price, the level of indication of interest in the International Offering and the application results and basis of allocation of the Hong Kong Offer Shares (with successful applicants' identification document numbers) to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, December 14, 2006
Dispatch of H Share certificates in respect of wholly or partially successful applications on or before[5][6]	Thursday, December 14, 2006
Dispatch of refund cheques in respect of wholly or partially successful applications on or before[6]	Thursday, December 14, 2006
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	Friday, December 15, 2006

(1) All times refer to Hong Kong local time except where otherwise stated.

(2) If there is a ''black'' rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 am and 12:00 noon on Wednesday, December 6, 2006, the application lists will not open on that day. See the paragraph headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists'' in the section headed ''How to Apply for Hong Kong Offer Shares'' in this Prospectus.

(3) You will not be permitted to submit your application to the eIPO Service Provider through the designated website www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed ''How to Apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC'' in this Prospectus.

(5) H Share certificates will only become valid certificates of title provided that neither of the Underwriting Agreements has been terminated in accordance with its terms and the Hong Kong Public Offering has become unconditional, which is expected to be at 8:00 a.m. or before on December 15, 2006. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

(6) Refund will be made in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

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IMPORTANT NOTICE TO INVESTORS

China Communications Construction Company Limited has issued this Prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters, any directors of any of them, or any other person involved in the Global Offering.

CONTENTS

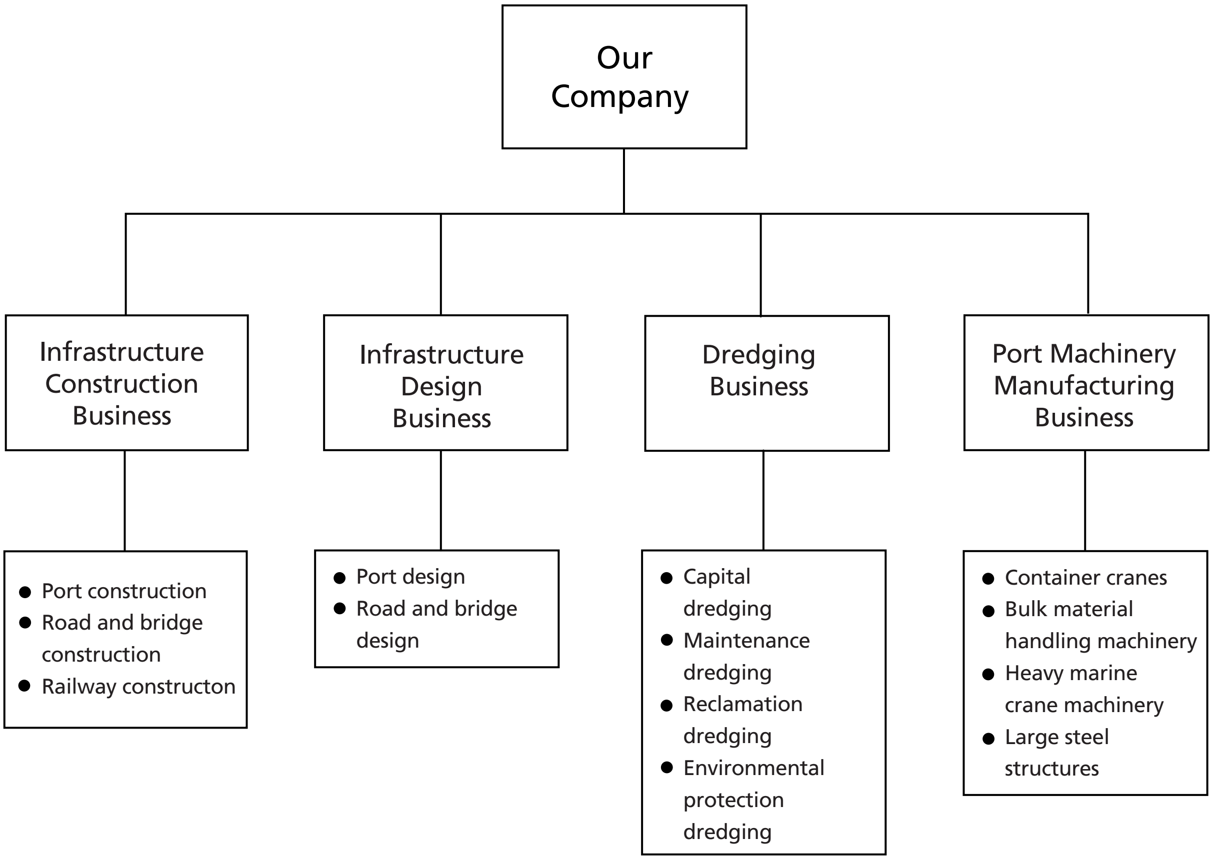
SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this Prospectus, before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed ''Risks Factors'' in this Prospectus. You should read this section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are a leading transportation infrastructure group in China primarily engaged in the infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses. With more than 50 years' experience gained from a diverse range of projects, we are able to provide our clients with integrated solutions across different phases of an infrastructure project. In addition to our Chinese operations, we have extensive international operations in approximately 40 countries and regions around the world. In 2005, our total turnover was approximately RMB83.3 billion and for the six months ended June 30, 2006, our total turnover was approximately RMB47.2 billion. The table below summarizes our four core businesses and their key services and products.



SUMMARY

Infrastructure Construction Business. We are the largest port construction company and a leader in road and bridge construction in China, in terms of total construction contracting revenues. Our Infrastructure Construction Business provides services relating to the construction of transportation infrastructures, including ports, roads, bridges, tunnels and other facilities both domestically and internationally. We hold the only three top-tier qualification certificates granted by the Ministry of Construction for conducting port construction work in China. We also provide construction services in the form of BT and BOT projects. We operate our Infrastructure Construction Business through 16 direct subsidiaries and their respective subsidiaries and associates. For the six months ended June 30, 2006, the Infrastructure Construction Business accounted for approximately RMB28.8 billion, or 60.4%, of our turnover before elimination of inter-segment transactions.

Infrastructure Design Business. We are the leading port, road and bridge design company in China in terms of design revenue with 10 top-tier design institutes. Our Infrastructure Design Business provides a complete range of design services, including consulting and planning services, feasibility studies, designs, engineering consulting, engineering surveys and technical studies, project management, project supervision, construction and other services. These services support our customers in the transportation infrastructure market both domestically and internationally. We operate our Infrastructure Design Business through 10 direct subsidiaries and their respective subsidiaries and associates. For the six months ended June 30, 2006, the Infrastructure Design Business accounted for approximately RMB2.4 billion, or 4.9%, of our turnover before elimination of inter-segment transactions.

Dredging Business. We are the largest dredging company in China and were ranked the third largest globally based on dredging capacity in 2005, according to the latest report by the Chinese Dredging Industry Association. We have been involved in most of the major dredging and reclamation works along China's coastline. We operate our Dredging Business through three direct subsidiaries and their respective subsidiaries and associates, and provide a comprehensive range of dredging and reclamation services both domestically and internationally. For the six months ended June 30, 2006, the Dredging Business accounted for approximately RMB5.0 billion, or 10.5%, of our turnover before elimination of inter-segment transactions.

Port Machinery Manufacturing Business. We are the largest manufacturer of container cranes in the world in terms of units ordered according to the latest annual survey by World Cargo News. Our products primarily include container cranes and bulk material handling machinery. We also produce heavy marine crane machinery and large steel structures. ZPMC and SPMP are our two major subsidiaries that conduct our Port Machinery Manufacturing Business. ZPMC is an internationally well-known port machinery manufacturer that accounted for approximately 74% of the global market share of quayside container cranes in terms of units ordered during the 12 months ended June 2006. It is a public company in which we own a controlling equity interest of approximately 43.3%, with A shares and B shares listed on the Shanghai Stock Exchange. For the six months ended June 30, 2006, the Port Machinery Manufacturing Business accounted for approximately RMB9.0 billion, or 19.0%, of our turnover before elimination of inter-segment transactions.

Leveraging on our established platforms of the above four core businesses, we are also engaged in a variety of other businesses, including road and bridge construction machinery manufacturing, logistics services and trading of construction related materials and equipment. For the six months ended June 30, 2006, our other businesses accounted for approximately RMB2.5 billion, or 5.2%, of our turnover before elimination of inter-segment transactions.

In China, we operate throughout the country. In particular, we have major subsidiaries located in the Bohai Bay region, Yangtze River Delta region and Pearl River Delta region, which are among China's fastest developing and most economically active regions, with growth in GDP and foreign trade activities significantly above the national average. Although certain measures implemented by the PRC government since late 2003 to prevent the economy from overheating may impact public spending on transportation infrastructure projects, which may in turn have an adverse impact on our operations, our profit for the year increased in each of the three years ended December 31, 2005. Internationally, we operate in approximately 40 countries and regions, primarily in Southeast Asia, the Middle East and Africa.

Our Company was established on October 8, 2006 as part of the Reorganization, during which our parent group, CCCG, transferred to us all of its core operating businesses and related assets and liabilities. CCCG, which was formed upon the Merger of the CHEC Group and CRBC Group in December 2005, is one of the largest groups in the transportation infrastructure industry in China. Prior to the Merger, the CHEC Group was a leading state-owned enterprise primarily engaged in port design and construction, dredging and port machinery manufacturing and the CRBC Group was a leading state-owned enterprise primarily engaged in road and bridge design and construction. Each of them had an operating history in excess of 50 years and had developed and accumulated extensive expertise and advanced technology, equipment and assets in their respective areas of operation. Following the Merger and the Reorganization, we have inherited from CCCG the core businesses and assets of the CHEC Group and the CRBC Group, and we are well positioned to further expand operations and increase profitability through consolidating the different businesses and realizing synergies created through the Merger and the Reorganization.

In 2003, 2004 and 2005, our turnover was approximately RMB48.5 billion, RMB65.9 billion and RMB83.3 billion, respectively, representing a compound annual growth rate of 31.1%; and our profit attributable to equity holders of the Company was approximately RMB435 million, RMB1.1 billion and RMB2.2 billion, respectively. For the six months ended June 30, 2006, our turnover was approximately RMB47.2 billion and our profit attributable to equity holders of the Company was approximately RMB1.1 billion. The following table sets forth the amount and percentage of our total turnover for each of our four core businesses and our other businesses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2003		2004		2005		2005		2006	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
							(unaudited)			
	(in millions, except for percentages)									
Infrastructure Construction Business	33,119	*67.6*	44,863	*67.5*	54,723	*64.9*	21,150	*61.3*	28,845	*60.4*
Infrastructure Design Business	2,150	*4.4*	3,416	*5.1*	4,441	*5.3*	1,616	*4.7*	2,360	*4.9*
Dredging Business	4,134	*8.4*	5,051	*7.6*	6,823	*8.1*	3,211	*9.3*	5,017	*10.5*
Port Machinery Manufacturing Business	5,982	*12.2*	8,778	*13.2*	13,947	*16.5*	6,477	*18.8*	9,041	*19.0*
Other Businesses	3,609	*7.4*	4,344	*6.6*	4,409	*5.2*	2,034	*5.9*	2,494	*5.2*
Subtotal	48,994	*100.0*	66,452	*100.0*	84,343	*100.0*	34,488	*100.0*	47,757	*100.0*
Inter-segment Elimination	(512)		(540)		(1,078)		(480)		(570)	
Total	48,482		65,912		83,265		34,008		47,187	

COMPETITIVE STRENGTHS

We believe that our historical success and future prospects are underpinned by our competitive strengths, including:

- We are a recognized leader in China's transportation infrastructure industry and a global leader in the dredging industry and in the port machinery manufacturing industry;

- We are well positioned to capture attractive opportunities in China's rapidly growing transportation infrastructure industry;

- Our integrated business and economies of scale allow us to realize synergies across our businesses to achieve enhanced market share and profitability;
- We have advanced technologies, research and development capabilities and equipment; and
- Our management and technical teams have extensive experience in the transportation infrastructure industry.

BUSINESS STRATEGIES

We aim to become one of the world's leading transportation infrastructure groups. To achieve this, we intend to implement the following strategies:

- Enhance our leading position in China's transportation infrastructure market;
- Further expand offerings of high-margin and high-value added products and services and selectively enter into new markets;
- Capture growing opportunities for profitable transportation infrastructure BT and BOT projects;
- Continue to focus on and improve productivity and operational efficiency; and
- Enhance profitability by implementing effective and on-going cost reduction initiatives.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following table sets forth our selected income statement and other financial information for the periods indicated, as derived from the Accountants' Report in Appendix I to this Prospectus.

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
			(RMB millions)		
Turnover	48,482	65,912	83,265	34,008	47,187
Cost of sales	(43,617)	(59,578)	(75,110)	(30,722)	(42,073)
Gross profit	4,865	6,334	8,155	3,286	5,114
Other gains/(losses), net	37	33	205	141	(45)
Selling and marketing expenses	(270)	(363)	(463)	(184)	(199)
Administrative expenses	(2,878)	(3,459)	(4,117)	(1,693)	(2,473)
Other income	706	785	1,001	452	561
Other expenses	(715)	(749)	(972)	(462)	(441)
Operating profit	1,745	2,581	3,809	1,540	2,517
Interest income	97	100	117	53	71
Finance costs, net	(972)	(933)	(433)	(245)	(684)
Share of profit/(loss) of jointly controlled entities	5	5	(47)	1	10
Share of profit of associates	113	101	117	52	48
Profit before income tax	988	1,854	3,563	1,401	1,962
Income tax expense	(361)	(457)	(592)	(382)	(502)
Profit for the year/period	627	1,397	2,971	1,019	1,460

SUMMARY

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
			(RMB millions)		
Attributable to:					
Equity holders of the Company	435	1,071	2,195	689	1,084
Minority interests	192	326	776	330	376
	627	1,397	2,971	1,019	1,460

BACKLOG

Backlog represents our estimate of the contract value of work that remains to be completed as at a certain date. The following table sets out the aggregate value of projects in our backlog as at the dates specified:

	As at December 31,			As at June 30,
	2003	2004	2005	2006
		(RMB millions)		
Infrastructure Construction Business	68,497	69,984	83,178	94,017
Infrastructure Design Business	3,905	5,507	6,641	8,318
Dredging Business	4,412	7,469	10,625	11,827
Port Machinery Manufacturing Business	9,604	15,238	22,921	26,332
Other Businesses	1,495	1,062	2,284	170
Total:	87,913	99,260	125,649	140,664

NEW CONTRACT VALUE

New contract value represents the aggregate value of the contracts we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. The following table sets out the aggregate value of new contracts entered into for the period specified.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
		(RMB millions)		
Infrastructure Construction Business	39,723	47,807	68,382	42,304
Infrastructure Design Business	3,619	5,090	5,418	3,600
Dredging Business	5,341	7,810	9,890	6,168
Port Machinery Manufacturing Business	10,354	14,383	21,600	12,428
Other Businesses	1,255	373	1,551	—
Total:	60,292	75,463	106,841	64,500

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2006

Forecast combined profit attributable to equity holders of the Company[(1)]	not less than RMB2,806 million
Forecast earnings per Share	
(a) Pro forma fully diluted[(2)]	RMB19.6 cents (HK19.4 cents)
(b) Weighted average[(3)]	RMB25.6 cents (HK25.3 cents)

(1) The above profit forecast has been prepared on the bases and assumptions set out in Appendix III.

(2) The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006, assuming that we had been listed since January 1, 2006 and a total of 14,300,000,000 Shares were issued and outstanding during the entire year. This calculation assumes that the Over-allotment Option will not be exercised.

(3) The calculation of the forecast earnings per Share on a weighted average basis is based on the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006. This calculation assumes that we had been established and 10,800,000,000 Shares were issued and outstanding as of January 1, 2006, the Over-allotment Option will not be exercised, and the 3,500,000,000 H Shares expected to be issued pursuant to the Global Offering will be issued on December 15, 2006.

OFFER STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$3.40 per H Share	Based on an Offer Price of HK$4.60 per H Share
Our Company's market capitalization upon completion of the Global Offering[(1)]	HK$48,620 million	HK$65,780 million
Prospective price/earnings multiple:		
(a) on a pro forma fully diluted basis[(2)]	17.5 times	23.7 times
(b) on a weighted average basis[(3)]	13.4 times	18.2 times
Unaudited pro forma adjusted net tangible asset value per Share[(4)]	HK$1.44 (RMB1.45)	HK$1.72 (RMB1.74)

(1) The calculation of market capitalization is based on 14,300,000,000 Shares expected to be in issue following completion of the Global Offering.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis at the respective Offer Prices of HK$3.40 and HK$4.60 per H Share, assuming that the Global Offering had been completed on January 1, 2006 and a total of 14,300,000,000 Shares were issued and outstanding during the entire year.

(3) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the forecast earnings per Share on a weighted average basis at the respective Offer Prices of HK$3.40 and HK$4.60, assuming that we had been established and 10,800,000,000 Shares were issued and outstanding as of January 1, 2006, and the 3,500,000,000 H Shares expected to be issued pursuant to the Global Offering will be issued on December 15, 2006.

(4) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in ''Appendix II Unaudited Pro Forma Financial Information'' in this Prospectus and on the basis of a total of 14,300,000,000 Shares being issued at the respective Offer Prices of HK$3.40 and HK$4.60 per H Share, assuming the completion of the Global Offering.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to distribute any dividends would require the approval of our Board and will be at their discretion, and will be subject to shareholders' approval. During the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, we did not distribute any dividend to our shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

In any case, we will pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to a discretionary common reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory funds are 10% of our after-tax profit, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required.

Under PRC law, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

Considering our present financial position, we currently intend, subject to the abovementioned limitations and in the absence of any circumstances which might reduce the amount of distributable profits whether by losses or otherwise, to distribute to our shareholders not less than 25% of our distributable profits (i) in respect of the year ending December 31, 2006, for the period between December 1, 2006 to December 31, 2006; and (ii) for the years ending December 31, 2007 and December 31, 2008.

There is, however, no assurance that we will be able to declare dividends of such amount or any amount in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

SPECIAL DISTRIBUTION AND SPECIAL DIVIDEND

Pursuant to the ''Provisional Regulations Relating to Corporate Reorganization of Enterprise and Related Management of State-owned Capital and Financial Treatment'' issued by the Ministry of Finance, we are required to make a distribution to CCCG, our sole shareholder prior to the Global Offering, in an amount equal to the profit for the period generated during the period from January 1, 2006 to October 7, 2006, being the date immediately prior to our incorporation (''Relevant Profit Period'') as determined in accordance with PRC GAAP (the ''Special Distribution''). In connection with our incorporation, we issued 10,800,000,000 Shares to CCCG based on a valuation of our net assets as at December 31, 2005. As no valuation of our assets later than December 31, 2005 was available at the time of our incorporation, the profits earned after December 31, 2005 up to our incorporation date were not taken into account in determining the number of Shares we issued to CCCG in connection with our incorporation. Accordingly, there is a surplus between the value of our net assets as at our incorporation date over the value of net assets as at the last valuation date, being December 31, 2005 and we are required to return such surplus to CCCG. The Special Distribution, therefore, represents the amount of such surplus that we are required to pay to CCCG.

We have determined the Special Distribution to amount to RMB1,556 million. We have based such determination on an aggregation of (a) the net profits as recorded in our management accounts under PRC GAAP for the nine months ended September 30, 2006, which has been reviewed by independent accountants, and (b) our estimate of the net profits generated during the seven days ended October 7, 2006. We estimated our net profits for the seven days ended October 7, 2006 by calculating on a pro rata basis the net profits shown in our reviewed management accounts for the nine months ended September 30, 2006. We paid the Special Distribution to CCCG in November 2006 from our internal financial resources.

At a general meeting held on November 25, 2006, we resolved that CCCG being our then sole shareholder shall be entitled to all of the distributable profits generated from October 8, 2006 to November 30, 2006 (the ''Special Dividend'').

We currently estimate the Special Dividend to amount to approximately RMB374 million. Such estimate is calculated on a pro rata basis using the number of days in the period between October 8, 2006 and November 30, 2006, and the net profits as recorded in our management accounts under PRC GAAP for the three months ended September 30, 2006. We will engage a firm of independent accountants to perform a special audit of our accounts for the period from October 8, 2006 to November 30, 2006 to determine the actual amount of the Special Dividend. We will only pay the Special Dividend to CCCG after completing that special audit, which is currently expected to be by April 30, 2007, following which we will publish an announcement of the outcome of that special audit and the actual amount of the Special Dividend. We will pay the Special Dividend out of our distributable profits for the relevant period as determined by taking into account the lower of net profit determined under PRC GAAP and IFRS and after making allocations for the required statutory reserves. We expect to finance the payment of the Special Dividend from our internal cash resources on hand prior to the Global Offering.

The Special Distribution referred to above relates to a period which falls prior to the formation of our Company and was made to comply with the regulations issued by the Ministry of Finance. The distribution of the Special Dividend was decided based on our commercial discretion. Neither the Special Distribution nor the Special Dividend was determined in accordance with our dividend policy as described in the section headed ''Financial Information — Dividend Policy''. Purchasers of H Shares in the Global Offering will not be entitled to participate in the Special Distribution or the Special Dividend.

USE OF PROCEEDS

We estimate that the net proceeds to us from the Global Offering, after deducting underwriting commissions and our estimated offering expenses, will be approximately HK$13,260 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$4.00 per H Share, being the mid-point of the price range set forth on the cover page of this Prospectus.

We intend to use such net proceeds for the following purposes:

- up to 53%, or approximately HK$7,028 million, for the purchase and upgrade of equipment and vessels, comprising:
  - — up to 33%, or approximately HK$4,376 million, for our Dredging Business; and
  - — up to 20%, or approximately HK$2,652 million, for our Infrastructure Construction Business;
- up to 11%, or approximately HK$1,458 million, for investment in our BOT projects including a BOT project relating to a section of Guangming Expressway in Guangdong province;
- up to 20%, or approximately HK$2,652 million, for the construction of production bases in Shanghai for our Port Machinery Manufacturing Business;
- up to 8%, or approximately HK$1,061 million, for repayment of short-term bank loans that were used for working capital purposes with interest rates ranging from 5.02% to 5.27% per annum; and
- up to 8%, or approximately HK$1,061 million, for additional working capital and other general corporate purposes.

The above allocations of the proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at the highest or at the lowest point of the indicative Offer Price range. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to the Company from the offering of these additional H Shares will be approximately HK$2,026 million, after deducting the underwriting commissions and our estimated offering expenses, assuming an Offer Price of HK$4.00 per H Share, being the mid-point of the price range set forth on the cover page of this Prospectus. Any additional proceeds received from any exercise of the Over-allotment Option will also be allocated to the above uses on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by PRC law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

ONGOING DISCLOSURE OF INFORMATION ON ZPMC

In accordance with Rule 13.09(2) of the Hong Kong Listing Rules, we will simultaneously release in Hong Kong, among other things, the quarterly and interim reports of ZPMC, our subsidiary listed on the Shanghai Stock Exchange, when ZPMC is required to publish these reports pursuant to the requirement of the Shanghai Stock Exchange.

RISK FACTORS

We face certain risks, many of which are beyond our control. These risks can be categorized into: (i) risks relating to our businesses and the industries in which we operate; (ii) risks relating to our group structure; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering.

Risks relating to our business and the industries in which we operate

- Our performance largely depends on public spending on transportation infrastructure.
- If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may incur lower than anticipated profits or incur losses on the contracts.
- We face risks associated with undertaking BT and BOT projects.
- Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.
- Our operations may cause substantial harm to persons, property and the environment, which could hurt our reputation and, to the extent they are not covered contractually or by insurance, could cause us to incur substantial costs.
- We are subject to extensive environmental, safety and health regulations, the compliance with which may be difficult or expensive.
- Our production process and future growth may be impaired by capacity constraints.
- We depend on sub-contractors to complete many of our contracts.
- Our customers pay us by way of progress payments and require retention money, and delay in progress payments or release of retention money may affect our working capital and cash flow.
- We require substantial capital and any failure to obtain the capital we need on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.
- Our borrowing levels and significant interest payment obligations could limit the funds we have available for various business purposes.
- We have net current liabilities and need to roll over our short-term borrowings on a periodic basis.

- Our failure to meet schedule requirements of our contracts could require us to pay liquidated damages.
- Our operations depend on the availability of an adequate supply of raw materials at acceptable prices and quality and in a timely manner.
- Our operations are sensitive to adverse weather conditions.
- We are subject to litigation risks.
- We face risks associated with contracting with public bodies.
- We face significant competition in certain markets in which we operate, which could adversely affect our businesses.
- Our operations require permits or licenses and the loss of these permits or licenses could significantly hinder our business and reduce our expected turnover and profits.
- We may encounter unexpected difficulties in expanding into new markets.
- We have international operations that are subject to foreign economic and political uncertainties.
- We are exposed to foreign currency fluctuations.
- We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness.
- Our continued success requires us to hire and retain qualified personnel.
- We do not possess valid title to certain properties that we occupy.
- Any termination of, or change in, preferential tax treatment in the PRC may have a negative impact on our results of operations.

Risks relating to our group structure

- As a recently restructured company, we face challenges in integrating our operations and we cannot assure you that our business integration plans will be successfully implemented.
- Any decline in the ability of our operating subsidiaries to pay dividends to us would adversely affect our cash flows.
- As we do not wholly own some of our subsidiaries, we may not have the ability to cause them to take actions that we believe would be most beneficial to us.
- Our Controlling Shareholder has the ability to exercise substantial control over us, which allows it to influence our businesses in ways that may not be in the interests of other shareholders.
- Our historical results may not be indicative of our future results.
- Our Special Distribution and Special Dividend are not an indication of our future dividend policy.

Risks relating to the PRC

- The political and economic policies of the PRC government could affect our businesses and results of operations.
- PRC government control of foreign currency conversion may limit our foreign exchange transactions.
- The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

- It may be difficult to effect service of process upon us or our Directors or executive officers that reside in the PRC, or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.
- Holders of our H Shares may become subject to PRC taxation.

Risks relating to the Global Offering

- There has been no prior public market for our H Shares.
- Future sales or perceived sales of substantial amounts of our securities in the public market, including any future PRC Public Offering, sale of our H Shares by NSSF or re-registration of Shares held on our domestic share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.
- The market price of our H Shares following this Global Offering may be volatile.
- Because the initial Offer Price per H Share is higher than the net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.
- Forward-looking information in this Prospectus may prove inaccurate.
- The industry statistics contained in this Prospectus are derived from various publicly available official government publications and may not be reliable.

PROPOSED PRC PUBLIC OFFERING

We are in the process of preparing for a PRC Public Offering and intend to pursue such offering as soon as practicable after completion of the Global Offering. We expect that the PRC Public Offering will initially comprise not more than 3,500,000,000 A Shares subject to an over-allotment option of up to 15% of the number of A Shares initially offered under the PRC Public Offering, all of which will be newly issued shares. Assuming that we can complete our PRC Public Offering by no later than February 7, 2008, no specific approval by holders of our H Shares will be required. See ''The PRC Public Offering''.

DEFINITIONS

In this Prospectus, the following expressions have the following meaning unless the context otherwise requires. Certain technical terms are explained in the section headed ''Glossary of Technical Terms'' in this Prospectus.

''A Shares''	the Domestic Shares that we currently intend to issue and offer in the PRC
''Application Forms''	white Application Form(s) and yellow Application Form(s) or, where the context so requires, either of them
''Articles of Association''	the articles of association of the Company, adopted on October 8, 2006 and will become effective on the Listing Date, as amended from time to time, a summary of which is contained in Appendix VIII to this Prospectus
''associate''	has the meaning ascribed thereto under the Hong Kong Listing Rules
''Board''	the board of Directors
''BOCI''	BOCI Asia Limited
''business day''	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
''Cargo Systems''	one of the leading global monthly publications covering all aspects of port development and privatization, container technology and intermodalism
''CCASS''	the Central Clearing and Settlement System established and operated by HKSCC
''CCASS Broker Participant''	a person admitted to participate in CCASS as a broker participant
''CCASS Custodian Participant''	a person admitted to participate in CCASS as a custodian participant
''CCASS Investor Participant''	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
''CCASS Participant''	a CCASS Broker Participant, a CCASS Custodian Participant, or a CCASS Investor Participant
''CCCG''	China Communications Construction Group (Limited), a wholly state-owned company incorporated on December 8, 2005 in the PRC which immediately prior to the Global Offering holds 100% interest in our Company
''CHEC Group''	the former China Harbour Engineering Company (Group) and, except when the context otherwise requires, its subsidiaries, one of our predecessor companies
''Chinese Dredging Industry Association''	a state-level non profit-making association for the PRC dredging industry, which is supervised by the Ministry of Communications

	and other government authorities of the PRC. It has represented the dredging industry of the PRC in the World Organisation of Dredging Associations since August 2002
''CRBC International''	CRBC International Co., Ltd., a company incorporated on March 18, 1999 in the PRC and listed on the Shanghai Stock Exchange in which the Company owns a controlling equity interest of approximately 64.07%
''CRBC Group''	the former China Road and Bridge Corporation and, except where the context otherwise requires, its subsidiaries, one of our predecessor companies
''CSRC''	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
''Company Law'' or ''PRC Company Law''	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993, which came into effect on July 1, 1994, as amended, supplemented or otherwise modified from time to time
''Computershare Hong Kong''	Computershare Hong Kong Investor Services Limited
''Controlling Shareholder''	has the meaning ascribed thereto under the Hong Kong Listing Rules and unless the context requires otherwise, refers to CCCG
''Domestic Shares''	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
''Director(s)''	the director(s) of the Company
''Eleventh Five-Year Plan''	the Eleventh Five-Year Plan for National Economic and Social Development (2006-2010) promulgated by the State Council on the Tenth National People's Congress in 2006
''eIPO Service Provider''	HSBC Broking Securities (Asia) Limited
''GDP''	gross domestic product
''Global Offering''	the Hong Kong Public Offering and the International Offering
''Group''	the Company and its subsidiaries
''HKSCC''	Hong Kong Securities Clearing Company Limited
''HKSCC Nominees''	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
''H Share Registrar''	Computershare Hong Kong Investor Services Limited
''H Shares''	overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed and traded in Hong Kong dollars and for which an application has been made for the

	granting of listing, and permission to deal, on the Hong Kong Stock Exchange
''Hong Kong'' or ''HK''	the Hong Kong Special Administrative Region of the PRC
''Hong Kong Companies Ordinance''	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
''Hong Kong dollars'' or ''H.K. dollars'' or ''HK$'' and ''cents''	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
''Hong Kong Listing Rules''	Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
''Hong Kong Offer Shares''	the H Shares offered for subscription in the Hong Kong Public Offering
''Hong Kong Stock Exchange'' or ''Stock Exchange''	The Stock Exchange of Hong Kong Limited
''Hong Kong Public Offering''	the offer by our Company of initially 175,000,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in ''Structure of the Global Offering'') for cash at the Offer Price (plus brokerage fee of 1%, Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%) on the terms and subject to the conditions described in this Prospectus and the Application Forms, as further described in the section headed ''Structure of the Global Offering — The Hong Kong Public Offering'' in this Prospectus
''Hong Kong Underwriters''	the underwriters listed in the section headed ''Underwriting — Hong Kong Underwriters'' being the underwriters of the Hong Kong Public Offering
''Hong Kong Underwriting Agreement''	the underwriting agreement dated November 30, 2006 relating to the Hong Kong Public Offering and entered into by, among others, the Joint Global Coordinators, the Hong Kong Underwriters and us, as further described in the section headed ''Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement'' in this Prospectus
''IFRS''	International Financial Reporting Standards promulgated by the International Accounting Standard Board (''IASB''). IFRS includes International Accounting Standards (''IAS'') and interpretations
''International Offering''	the offering of initially an aggregate of 3,325,000,000 H Shares by us to professional and institutional investors and other investors as further described in the section headed '' Structure of the Global Offering'', subject to the Over-allotment Option
''International Offering Shares''	the H Shares offered pursuant to the International Offering

DEFINITIONS

''International Underwriters''	the underwriters listed in the section headed ''Underwriting — International Underwriters'', being the group of underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
''International Underwriting Agreement''	the international purchase agreement relating to the International Offering and to be entered into by the Company, the Joint Global Coordinators and the International Underwriters on or about December 9, 2006, as further described in the section headed ''Underwriting — Underwriting Arrangements and Expenses — International Offering — International Underwriting Agreement'' in this Prospectus
''ISO''	International Organization for Standardization
''Joint Global Coordinators'' and ''Joint Sponsors''	BOCI, Merrill Lynch and UBS
''Latest Practicable Date''	November 24, 2006, being the latest practicable date for the purposes of ascertaining certain information contained in this Prospectus
''Listing Committee''	the Listing Committee of the Hong Kong Stock Exchange
''Listing Date''	the date, expected to be on or about December 15, 2006, on which our Offer Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
''Macau''	the Macau Special Administrative Region of the PRC
''Mandatory Provisions''	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (as amended from time to time), for inclusion in the articles of association of companies incorporated in China to be listed overseas, which were promulgated by the former Securities Commission of the State Council of China and the former State Commission for Restructuring the Economic Systems of China on August 27, 1994
''Merrill Lynch''	Merrill Lynch Far East Limited
''the Merger''	the merger of CHEC Group and CRBC Group in December 2005, pursuant to which CCCG was formed
''Ministry of Land and Resources''	The Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
''Ministry of Commerce''	the Ministry of Commerce of the PRC (中華人民共和國商務部)
''Ministry of Communications''	the Ministry of Communications of the PRC (中華人民共和國交通部)
''Ministry of Construction''	the Ministry of Construction of the PRC (中華人民共和國建設部)
''Ministry of Finance''	the Ministry of Finance of the PRC (中華人民共和國財政部)

''Ministry of Railways''	the Ministry of Railways of the PRC (中華人民共和國鐵道部)
''National Bureau of Statistics''	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
''NDRC''	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
''NSSF''	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
''Offer Price''	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) at which Hong Kong Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering and International Offering Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed ''Structure of the Global Offering — Determining the Offer Price'' in this Prospectus
''Offer Share(s)''	the H Shares offered in the Global Offering, where relevant, including any additional H Shares issued pursuant to the exercise of the Over-allotment Option
''our Company'', ''the Company'', ''we'' and ''us''	China Communications Construction Company Limited (中國交通建設股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on October 8, 2006 and, except where the content otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Reorganization
''Over-allotment Option''	the option granted by us to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Purchase Agreement until 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 525,000,000 additional H Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any, details of which are described in the section headed ''Structure of the Global Offering — The Global Offering'' in this Prospectus
''PBOC''	People's Bank of China (中國人民銀行)
''PBOC Rate''	the exchange rate for foreign exchange transactions set daily by the People's Bank of China based on the China inter-bank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets
''PRC GAAP''	the accounting rules and regulations in the PRC

DEFINITIONS

''PRC'' or ''China'' or ''Chinese''	the People's Republic of China excluding, for the purpose of this Prospectus only, Hong Kong, Macau and Taiwan
''PRC Public Offering''	the proposed offering of initially not more than 3,500,000,000 A Shares subject to an over-allotment option of up to 15% of the number of A Shares initially offered by the Company to the public in the PRC
''Predecessor Operations''	the operations of construction, design and survey, dredging and reclamation, port machinery manufacturing and other businesses carried out by various companies owned or controlled by the CHEC Group and CRBC Group prior to the establishment of CCCG and the Company
''Price Determination Agreement''	the agreement to be entered into among the Company, and the Joint Global Coordinators on behalf of the Underwriters on the Price Determination Date to record and fix the Offer Price
''Price Determination Date''	the date, expected to be on or about December 9, 2006, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than December 13, 2006
''Promoter''	CCCG
''Prospectus''	this prospectus in connection with the Hong Kong Public Offering
''QIBs''	qualified institutional buyers, as defined in Rule 144A under the U.S. Securities Act
''Regulation S''	Regulation S under the U.S. Securities Act, as amended from time to time
''Reorganization Agreement''	the reorganization agreement, as described in the section headed ''The Reorganization'' and in ''Appendix IX Statutory and General Information'' to this Prospectus
''Reorganization''	the reorganization of the group of companies now comprising our Company as described in the section headed ''The Reorganization and Corporate Structure''.
''Retained Operations''	the following assets and liabilities that were not transferred to the Company and were retained by CCCG in connection with the Reorganization: • certain operating assets and liabilities historically associated with the Predecessor Operations; • equity interests of certain companies not strategically complementary to the Company's business; and • auxiliary facilities such as schools, hospitals and printing businesses
''RMB'' or ''Renminbi''	the lawful currency of the PRC
''Rule 144A''	Rule 144A under the U.S. Securities Act

DEFINITIONS

''SAFE'' or ''State Administration of Foreign Exchange''	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
''SAIC'' or ''State Administration for Industry and Commerce''	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
''SASAC'' or ''State-Owned Assets Supervision and Administration Commission''	the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
''SETC'' or ''State Economic and Trade Commission''	the former State Economic and Trade Commission of the PRC (原中華人民共和國國家經濟貿易委員會)
''SFC''	the Securities and Futures Commission of Hong Kong
''SFO''	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended
''Shares''	the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
''Special Distribution''	the distribution we are required to make to CCCG pursuant to relevant rules and regulations. See ''Financial Information — Special Distribution and Special Dividend''
''Special Dividend''	the dividend we resolved that CCCG shall be entitled to at a general meeting held on November 25, 2006. See ''Financial Information — Special Distribution and Special Dividend''
''Special Regulations''	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
''SPMP''	Shanghai Port Machinery Plant Co. Limited, a company incorporated on July 7, 1988 in the PRC and wholly-owned by the Company
''State Council''	the State Council of the PRC (中華人民共和國國務院)
''subsidiary''	has the meaning ascribed thereto in the Hong Kong Listing Rules
''Supervisor(s)''	the member(s) of the Supervisory Committee
''Supervisory Committee''	our supervisory committee established pursuant to the PRC Company Law, as described in the Section headed ''Directors and Supervisors''
''Tenth Five-Year Plan''	the Tenth Five-Year Plan for National Economic and Social Development (2001-2005) promulgated by the State Council on the Ninth National People's Congress in 2001

DEFINITIONS

"UBS"	UBS AG acting through its business group, UBS Investment Bank
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"White Form eIPO"	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website of the eIPO Service Provider, www.eipo.com.hk
"WTO"	World Trade Organization
"World Cargo News"	a publisher of cargo handling news and features and one of the world's leading resources for international cargo professionals
"ZPMC"	Shanghai Zhenhua Port Machinery Company Limited, a company incorporated on February 14, 1992 in the PRC and listed on the Shanghai Stock Exchange in which the Company owns a controlling equity interest of approximately 43.3%

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions of technical terms used in this Prospectus as they relate to us. Some of these definitions may not correspond to standard industry definitions.

''berth''	a place in which a vessel is moored or secured; place alongside a quay where a ship loads or discharges cargo
''BT''	build and transfer
''BOT''	build, operate and transfer
''cable stayed bridge''	a type of bridge. A typical cable stayed bridge is a continuous girder with one or more towers erected above piers in the middle of the span. From these towers, cables stretch down diagonally (usually to both sides) and support the girder
''container''	a cargo transportation storage unit designed for ease of mechanical handling and recurrent use over a long period or a large sized receptacle with considerable strength and rigidity and designated specification for recurrent cargo shipments, as applicable
''deadweight ton'' or ''DWT''	a unit of a vessel's capacity for cargo, fuel oil, stores and crew, measured in tons. A vessel's DWT or total deadweight is the total weight the vessel can carry when loaded to a particular load line
''dock''	for ships, a cargo handling area parallel to the shoreline
''DB''	design and build
''GB'' or ''Guo Biao'' (國標)	national standards of the PRC
''EPC''	engineer, procure and construct
''kw''	kilowatt. One thousand watts
''LPG''	liquefied petroleum gas
''LNG''	liquefied natural gas
''PHC Pipe Pile''	Prestressed high-strength concrete pipe pile
''PMC''	procure, manage and construct
''PPP''	public-private partnership
''RTG''	rubber-tyred gantry
''RMG''	rail-mounted gantry
''suspension bridge''	a type of bridge. A typical suspension bridge is a continuous girder with one or more towers erected above piers in the middle of the span. The girder itself is usually a truss or box girder though in shorter spans, plate girders are not uncommon. At both ends of the bridge large anchors or counter weights are placed to hold the ends of the cables

GLOSSARY OF TECHNICAL TERMS

''terminal''	an assigned area in which containers and cargo are prepared for loading onto a vessel, train, truck or plane or are stacked immediately after discharge from the vessel, train, truck or plane
''TEU''	twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet

You should carefully consider all of the information in this Prospectus including the risks and uncertainties described below before making an investment in our H Shares. You should pay particular attention to the fact that our Company is a PRC company and is governed by a legal and regulatory environment, which in some respects may differ from what prevails in other countries. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see the sections headed ''Regulatory Overview'' and ''Appendix VII — Summary of Principal Legal and Regulatory Provisions''.

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

Our performance largely depends on public spending on transportation infrastructure.

Our business largely depends on the PRC government's public spending to build ports, roads, bridges, tunnels and other transportation infrastructure. Our major customers include PRC government agencies at the national, provincial and local levels, and state owned enterprises. We are therefore exposed to changes in public works budgets. The future growth of the transportation infrastructure industry in China depends primarily upon the continued availability of major transportation infrastructure projects. The nature, extent and timing of these projects will, however, be determined by the interplay of a variety of factors, including the PRC government's spending in the transportation infrastructure industry in China and the general conditions and prospects of China's economy. The PRC government's spending in the transportation infrastructure industry has historically been, and will continue to be, vulnerable to China's economy and is cyclical in nature. In addition, since late 2003, the PRC government has implemented certain measures to prevent the economy from overheating, which has had an impact on public spending on transportation infrastructure projects. Should there be a significant reduction in public spending on transportation infrastructure projects in China and we fail to open up new markets in or outside China, our operations and profits could be adversely affected.

If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may incur lower than anticipated profits or incur losses on the contracts.

Substantially all of our contracts are either fixed-price or fixed unit price in nature. Terms of these contracts require us to complete a project for a fixed-price or a fixed unit price and therefore expose us to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, result in a lower profit or a loss on a project. As a result, we will only realize profits on these contracts if we successfully estimate our project costs and avoid cost overruns. Unforeseen factors, such as changes in job conditions, variations in labor and equipment productivity over the term of a contract and unexpected increases in costs of materials may cause the revenue, cost and gross profit realized from a fixed-price or fixed unit price contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids for increases in labor and materials costs.

Some of our contracts contain an escalation formula to accommodate unexpected increases in raw materials costs. We typically are required to bear some portion of the increase, however, before we can make a claim under the escalation formula. In any event, the escalation formula may not cover the full increase in cost for our materials. If our estimates of the overall risks, revenues or costs prove inaccurate, or circumstances change, or if the escalation formula in our contracts does not cover increase in costs in full, we may experience lower profits or even losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

From time to time, we are required to perform extra or ''change order'' work as directed by a customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project and specifications or, over the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may adversely impact the timely scheduling of other project work and our ability to meet specified contract milestone dates. We cannot assure you that we will be able to invoice or recover the cost for the extra or change order work in full or at all, which may lead to business disputes or may otherwise adversely affect our business, financial condition, results of operations and prospects.

We face risks associated with undertaking BT and BOT projects.

We believe that an increasing number of transportation infrastructure projects will be completed on a BT or BOT basis in the coming years. One of our strategies is to capture growing opportunities for profitable transportation infrastructure BT and BOT projects. The risks associates with BT projects can be substantial, including the risk that the customer may delay, or even be unable to make, payment upon completion of the project. The risks associated with undertaking BOT projects also can be substantial, including the risk of an incorrect forecast concerning turnover to be derived from the use of the constructed facility at the bidding stage and the risk of extended exposure to fluctuating economic conditions. Reduced profitability or losses from BOT projects that do not perform as forecast could have a material adverse effect on our results of operations. In addition, growth in BOT infrastructure projects may require increased private sector participation. Investment by the private sector in these projects depends on the potential returns from these projects and is therefore linked to government policies relating to public-private participation and the sharing of risks and returns from these projects. Any changes in government policies that may lead to a reduction in capital investment in the infrastructure sector by the private sector could have a material adverse impact on our business and our results of operations. Undertaking BT and BOT projects also requires significant outlay of our working capital over extended periods. Moreover, the occurrence of BT and BOT projects in China's infrastructure industry is relatively recent, and we have limited experience in dealing with risks particular to BT and BOT projects. Any inability to execute or handle BT and BOT projects may adversely affect our business.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.

Backlog represents our estimate of the contract value of work that remains to be completed as at a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. As at June 30, 2006, our backlog was approximately RMB140.7 billion. We cannot guarantee that the turnover projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time, which could reduce the dollar amount of our backlog and the turnover and profits that we ultimately earn from the contracts. As a result, you are warned against unduly relying on our backlog information presented in this Prospectus as an indicator of our future earnings.

Our operations may cause substantial harm to persons, property and the environment, which could hurt our reputation and, to the extent they are not covered contractually or by insurance, could cause us to incur substantial costs.

Our operations are subject to hazards inherent in providing dredging, construction and heavy machinery manufacturing services, such as the risk of equipment failure, vessel collision, industrial accidents, fire and explosion. These hazards can cause personal injuries and losses of lives, business interruptions, property and equipment damage, pollution and environmental damage. We may be subject to claims as a result of incidents relating to these and other hazards. We may also be subject to claims resulting from the subsequent use of facilities and products we have constructed by our customers or other third parties.

We normally seek to limit our exposure to these claims and liabilities through contractual limitations of liability, indemnities from clients and sub-contractors, and insurance. These measures, however, may not always be effective because of various reasons outside of our control, including, among other things:

- in some of the jurisdictions in which we operate, including China, environmental and workers' compensation liabilities may be assigned to us as a matter of law and may not be limited through contracts;
- clients and sub-contractors may not have adequate financial resources to meet their indemnity obligations to us;
- losses may derive from risks not addressed in our indemnity agreements; and
- our insurance coverage may not be sufficient because it may not be possible to obtain adequate insurance against some risks on commercially reasonable terms, or at all.

Insurance products, in particular, have become increasingly expensive and sometimes very difficult to obtain. In this regard, consistent with what we believe to be the customary practice in China, we do not carry any business interruption or environmental liability insurance. There may be circumstances in which we would not be fully covered or compensated for losses and liabilities arising from interruptions to our operations, industrial accidents, defects in our products or other manufacturing risks by insurance that we have maintained.

Failure to effectively cover ourselves against these risks for any of the above reasons could expose us to substantial costs and potentially lead to material losses. Additionally, the occurrence of any of these risks may harm our reputation, which may materially inhibit our ability to win more projects.

We are subject to extensive environmental, safety and health regulations, the compliance with which may be difficult or expensive.

The PRC government and the governments of other jurisdictions where we operate have published extensive environmental, safety and health regulations with which we need to comply. Failure to comply with these regulations may result in penalties, fines, suspension or revocation of our licenses or permits to conduct business, and litigation. Given the magnitude and complexity of these regulations, compliance with them may be difficult or involves significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these regulations are constantly evolving. There can be no assurance that the PRC government or the governments of other jurisdictions where we operate will not impose additional or stricter laws or regulations, compliance with which may cause us to incur significant costs, which we may be unable to pass on to our customers. Furthermore, some of the new overseas markets that we are seeking to enter may have more onerous environmental, safety and health regulations than China, compliance with which may be very costly and could hinder our endeavors to enter these new overseas markets.

Our production process and future growth may be impaired by capacity constraints.

Our ability to undertake projects and manufacture products is limited by the capacity of our construction and production facilities and workforce, in particular in our Dredging Business and Port Machinery Manufacturing Business.

As a measure to manage capacity efficiently, we sometimes outsource part of the work process to third parties. Outsourcing, however, may not always be sufficient to relieve our capacity constraints. To expand our capacity we must either upgrade our existing production facilities and equipment or acquire new equipment and hire additional skilled workers. The industries that we operate in are highly specialized and capital intensive, requiring expensive and specialized equipment. Acquisition of new equipment may require significant capital expenditures, which we may not be able to fund. Installation and operation of these equipment may require highly qualified personnel. In addition, many of the specialized equipment may not be readily available in the market, and we may have to allow for a long construction time after we place an order. We cannot assure you that equipment will be available to us in a timely manner or at a reasonable cost or that we will have access to a sufficient number of skilled employees to upgrade, install or operate the equipment. If we are unable to increase our production capacity effectively or in a timely manner, our capability of contracting for and performing new projects will be limited and we may lose projects to our competitors.

We depend on sub-contractors to complete many of our contracts.

In the course of our operations, we engage or outsource to sub-contractors to provide certain services or manpower. Outsourcing supplements our capacity, reduces the need to employ a large workforce, including skilled labor in different specialized areas and semi-skilled labor, and increases flexibility and cost effectiveness in carrying out contracts. We have established a system with respect to the selection and control of sub-contractors, including maintaining a regularly updated list of qualified sub-contractors, and entering into agreements with them to set forth each party's rights and obligations. Nevertheless, we may not be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff. In addition, qualified sub-contractors may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified sub-contractors, our ability to complete projects could be impaired. If the amounts we are required to pay for sub-contractors exceed what we have estimated, especially in fixed-price or fixed unit price type contracts with our customers, we may suffer losses on these contracts. If a sub-contractor fails to provide services as required under a contract for any reason, we may be required to source these services on a delayed basis or at a higher price than anticipated, which could impact contract profitability. If a sub-contractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damage claims.

Our customers pay us by way of progress payments and require retention money, and delay in progress payments or release of retention money may affect our working capital and cash flow.

Most of our contracts provide for progress payments from customers with reference to the value of work completed upon reaching certain milestones. Generally, in our Dredging Business and Infrastructure Construction Business, a third party authorized under the contract, usually a site engineer, issues a progress certificate certifying the work progress in the preceding contract stage. The customers then effect payments with reference to these certificates generally within 30 days. As a result, we are often required to commit resources to projects prior to receiving payment from customers in amounts sufficient to cover expenditures on the projects as they are incurred. In addition, a portion of the contract value, normally between 5% and 10%, is usually withheld by the customers as retention money and will generally be released after the guaranteed maintenance period, which normally ranges from one to two years after completion of a project.

Delays in progress payments or release of retention money from our customers may increase our working capital needs. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts, including those arising from progress payments or release of retention money, based primarily on ageing and other factors such as special circumstances relating to specific customers. There can be no assurance that the progress payments and the retention money will be remitted by our customers to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from such payment practice.

We require substantial capital and any failure to obtain the capital we need on acceptable terms, or at all, may adversely affect our expansion plans and growth prospects.

The transportation infrastructure industry in which we operate is generally capital intensive. We require significant capital to build, maintain and operate our production and operation facilities, resulting in high fixed costs. We also require significant capital to purchase production equipment, develop new services and products and develop and implement new technologies. We incur a substantial portion of our capital expenditures in advance of any additional turnover to be generated by new or upgraded production facilities or technology resulting from the expenditure. Our capital expenditures may increase as a result of our further upgrade of production facilities and expansion of our operation scales, which may result, or have resulted, in increases in our borrowing needs.

Under most of our contracts, we are required to finance the purchase of materials and performance of engineering, construction and other work on projects before we receive progress payments from customers in amounts sufficient to cover our expenditures. We may therefore have significant working capital requirements. Our working capital requirements may further increase if we are required to give our customers more favorable payment terms to compete successfully for certain projects. These terms may include reduced advance payments from customers and payment schedules from customers that are less favorable to us.

To the extent that our funding requirements exceed our financial resources, we will be required to seek additional debt or equity financing or to defer planned expenditures. In the past, we have financed our working capital and capital expenditures through a combination of sources, including cash flow from our operations and bank and other borrowings. If we are unable to obtain financing in a timely manner and at a reasonable cost, our expansion plans may be delayed, our projects may be hindered, and our growth, competitive position and future profitability may be adversely affected.

Our borrowing levels and significant interest payment obligations could limit the funds we have available for various business purposes.

We are subject to a high degree of financial leverage. We have relied on both short-term and long-term borrowings to fund a portion of our capital requirements, and expect to continue to do so in the future. As at June 30, 2006, we had total borrowings of approximately RMB26,281 million and net current liabilities of approximately RMB3,796 million. Our ratio of total borrowings to total assets was 27.8% as at June 30, 2006. As at such date, approximately 77.7%, or RMB20,426 million, of these borrowings was due within one year, which arises primarily from our use of short-term loans from Chinese banks to satisfy our working capital needs. See ''— We have net current liabilities and need to roll over our short-term borrowings on a periodic basis''. In addition, due to extent of our borrowings, our results of operations will be affected by the effective interest rate of these borrowings. For example, based on our total outstanding borrowings of approximately RMB26,281 million as at June 30, 2006, an increase or decrease of the effective interest rate of our borrowings by 50 basis points would increase or decrease, as the case may be, our interest expenses under these borrowings by approximately RMB131 million annually.

In 2003, 2004, 2005 and for the six months ended June 30, 2006, we allocated a significant portion of our cash flow, amounting to approximately RMB497 million, RMB599 million, RMB850 million and RMB509 million, respectively, to pay interest on borrowings. Interest payments reduce funds available for our working capital, capital expenditures, acquisitions and other business purposes. This shortage could limit our ability to respond to changing market conditions or to expand through acquisitions, increase our vulnerability to adverse economic and industry conditions and place us at a competitive disadvantage compared to those of our competitors that have less indebtedness. In addition, we may not have sufficient funds available to pay all of our borrowings upon maturity.

In addition, we are often required to provide performance bonds or bank guarantees in favor of clients to secure obligations under contracts. See ''Business — Operation Process — Contract Process and Contract Terms — Project Bonds''. Availability of performance bonds or bank guarantees depends on various factors, including our capitalization, working capital, our existing level of borrowings, past performance, management expertise and external factors such as the financial institutions' evaluation of our credit, the overall market condition and the overall financial capacity of the financial institutions, some of which we can not control. We may not be able to continue obtaining new performance bonds or bank guarantees in sufficient quantities to meet our business requirements. If our financial condition deteriorates, we may also be required to provide cash collateral or other security to maintain existing performance bonds or bank guarantees. If this occurs, our ability to perform our contracts may be adversely affected.

We have net current liabilities and need to roll over our short-term borrowings on a periodic basis.

Our net cash generated from operating activities amounted to RMB2,551 million, RMB2,154 million, RMB2,914 million and RMB863 million for the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, respectively, and our cash and cash equivalents increased from RMB6,812 million as at December 31, 2003 to RMB11,259 million as at September 30, 2006. As at December 31, 2003, 2004, 2005, June 30, 2006 and September 30, 2006, however, we had net current liabilities of RMB3,292 million, RMB2,996 million, RMB3,365 million, RMB3,796 million and RMB3,098 million, respectively. We had net current liabilities as at each of these balance sheet dates primarily due to our large amounts of borrowings, comprising mainly short-term borrowings from commercial banks in China and which as at December 31, 2003, 2004 and 2005, June 30, 2006 and September 30, 2006 amounted to RMB11,980 million, RMB14,667 million RMB17,470 million, RMB20,426 million and RMB20,684 million, respectively. We have historically repaid a significant portion of these short-term loans by rolling over the loans on an annual basis. We cannot assure you that we will be able to continue to roll over our short-term loans when they become due. We may not have sufficient funds available to pay our borrowings, particularly our short-term borrowings, upon maturity. Failure to service our debt could result in the imposition of penalties, including among other things, increases in rates of interest that we pay on our debt and legal actions against us by our creditors, and may negatively impact our business operations.

Our liquidity depends on cash generated from operations, cash and cash equivalents, and our access to further financial resources to fulfill our short-term payment obligation, which will be affected by our future operating performance, prevailing economic conditions, and financial, business and other factors, many of which are beyond our control.

Our failure to meet schedule requirements of our contracts could require us to pay liquidated damages.

Substantially all of our contracts are subject to specific completion schedule requirements with liquidated damages charged to us if we do not achieve the schedules. Liquidated damages are typically levied at an agreed rate for each day of delay that is deemed to be our responsibility, subject to a maximum liability of 10% of the contract value. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit on the relevant contracts and could adversely affect our liquidity and cash flows and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations depend on the availability of an adequate supply of raw materials at acceptable prices and quality and in a timely manner.

For us to operate successfully, we must obtain from our suppliers sufficient quantities of raw materials and consumables, such as steel, cement, sand, ballast and asphalt, at acceptable prices and quality and in a timely manner. In 2003, 2004, 2005 and for the six months ended June 30, 2006, cost of raw materials and consumables accounted for approximately 38.0%, 39.9%, 40.1% and 42.1% of the aggregate of our total cost of sales, selling and marketing expenses and administrative expenses. With the exception of ZPMC, we generally do not have long-term contracts or guarantees of supply with our suppliers. Raw materials, such as steel, which are critical to our operations, have been subject to substantial price volatility and periodic shortages of supply in the PRC. During times of short supplies, we may have to pay significantly higher prices to obtain sufficient raw materials required for our operations. Most of our contracts are fixed-price or fixed unit price contracts, under which we are responsible for procuring raw materials needed for the projects. As a result, when prices of raw materials increase, we may not be able to pass the price increases on to our customers. Even under contracts with an escalation formula intended to accommodate unexpected increase in raw materials costs, we are typically required to bear some portion of the increase before we can make a claim under the escalation formula. See ''—If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may incur lower than anticipated profits or incur losses on the contracts''. We also require raw materials of high quality. Poor quality of raw materials may directly affect the quality of our work, affect our reputation and increase the chances of potential disputes and liabilities, which may negatively affect our profit. We cannot assure you that we will always be able to obtain sufficient quantities of raw materials with acceptable quality from our suppliers in a timely manner, that shortages of raw materials will not occur in the future, or that we will be able to absorb the price increases or pass them on to our customers. Any failure to obtain adequate raw materials with acceptable quality, or to do so on commercially acceptable terms and in a timely manner, could interfere with our manufacturing operations, and adversely affect the results of our operations.

Our operations are sensitive to adverse weather conditions.

Most of our business activities are conducted outdoors and could be materially and adversely affected by weather, particularly in our Infrastructure Construction Business and Dredging Business. Unfavorable weather conditions may prevent us from conducting work at our work sites or delivering our products to our customers in accordance with contract schedules, or generally reduce our productivity. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses, but our turnover from operations may be delayed or reduced.

We are subject to litigation risks.

In the ordinary course of business, claims involving project owners, customers and sub-contractors are brought against us and by us in connection with our contracts. Claims may be brought against us for back charges for alleged defective or incomplete work, liabilities for defective products, related personal injuries and death, damage to or destruction of property, breaches of warranty and late completion of the project work. The claims and back charges can involve actual damages and contractually agreed upon liquidated sums. If we were found to be liable on any of the project claims against us, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Claims between us and our sub-contractors and vendors may include claims similar to those described above.

Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from project claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project contract. Charges associated with claims brought against us and write downs associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow.

We face risks associated with contracting with public bodies.

Our major customers include PRC government agencies at the national, provincial and local levels. We therefore face risks associated with contracting with public bodies. For example, many of the contracts with public bodies are for large and high profile infrastructure projects, which can result in increased political and public scrutiny of our work. Because these projects are publicly funded, changes in government budget and policy considerations could result in delays or changes to these projects. In addition, disputes with public bodies may last for considerably longer periods of time than for those that occur with private sector counter parties, and payments from the public bodies may be delayed as a result. All these risks may affect our performance of, and collection on, contracts with public bodies, and may have a material adverse effect on our results of operations.

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

We face significant competition in certain markets in which we operate and in particular, in the road and bridge construction and design business. Our competition comes from various sources, including large state-owned enterprises and private companies in China, as well as leading international companies. As a result of China's accession to the WTO, the PRC government has undertaken to reduce tariffs on various products and open up domestic markets to foreign competition, and foreign invested companies are now allowed to participate in various types of infrastructure projects. Consequently, we expect increased participation by foreign competitors in the Chinese transportation infrastructure industry.

Some of our competitors, especially international competitors, may have advantages over us in terms of capacity, access to capital and management experience, while some domestic competitors may have advantages over us in terms of pricing, and in bidding for projects sponsored by local government that may prefer to contract with locally based contractors. Our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved products and services.

There can be no assurance that our current or potential competitors will not offer services or products comparable or superior to those that we offer at the same or lower prices or adapt more quickly than we do to evolving industry trends or changing market conditions. We may lose our customers to our competitors if, among other things, we fail to keep our prices at competitive levels or to sustain and upgrade our capacity and technology. Increased competition may result in price reductions, reduced profit margins and loss of market share.

Our operations require permits or licenses and the loss of these permits or licenses could significantly hinder our business and reduce our expected turnover and profits.

We and each of our operating subsidiaries require operating permits and licenses to conduct our business and we must comply with the restrictions and conditions imposed by various levels of government to maintain our permits and licenses. Such restrictions include maintenance of sufficient number of qualified personnel, maintenance of sufficient project track record and compliance with safety regulations and environment protection regulations. See ''Regulatory Overview'' for more information on the PRC license requirements applicable to us. If any of our subsidiaries fails to comply with any of the regulations required for the maintenance of its licenses, its licenses could be temporarily suspended or even revoked, or the renewal of its licenses upon expiry of their original terms may be delayed, which would directly impact the subsidiary's capability of undertaking relevant work, and reduce our turnover and profit.

We may encounter unexpected difficulties in expanding into new markets.

To increase our competitiveness, we plan to increase our presence in markets such as the railway, airport and other urban civil works market. We also intend to provide integrated solutions to our customers in the form of DB, EPC, PMC and PPP contracts. Furthermore, we plan to expand the geographical coverage of our overseas operations. Expansion into these markets carries with it many associated risks, including risks related to our being relatively new in such markets. Expansion may also stretch our capital, personnel and management resources that are otherwise available for our current business. In addition, there may be many established incumbent players in these markets, who already enjoy significant market share, and it may be difficult for us to win market share from them. Some of the overseas markets that we are targeting may have high barrier of entry to foreign players. There can be no assurance that our expansion plans will be successful.

We have international operations that are subject to foreign economic and political uncertainties.

We conduct part of our operations in foreign countries and regions, especially in less developed areas where political and economic conditions are often subject to instability. As at June 30, 2006, approximately 9.6% of our backlog consisted of sales or services to be provided to parties in foreign countries. Our business is therefore subject to changing international economic and political conditions that are beyond our control.

Operating in the international marketplace exposes us to a number of risks including, among other things:

- expropriation and nationalization of our assets in foreign countries;
- political and economic instability;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- natural disasters, including those related to earthquakes and flooding;
- inflation;
- currency fluctuations, devaluations and conversion restrictions;

- confiscatory taxation or other adverse tax policies;
- governmental activities that limit or disrupt markets, restrict payments or limit the movement of funds;
- government activities that may result in the deprivation of contract rights;
- lack of a well-developed legal system that makes it difficult to enforce our contractual rights; and
- government activities that may result in the inability to obtain or retain licenses required for operations.

In some of the high-risk locations where we have employees or operations, we may incur substantial security costs to maintain the safety of our personnel and assets, and our measures aimed at protecting our personnel and assets may not always be sufficient. Our level of exposure to these risks will vary from project to project, depending on the particular stage of each project. To the extent that our international business is affected by unexpected and adverse foreign economic and political conditions, we may experience project disruptions, losses of assets and personnel, and other losses that could significantly reduce our turnover and profits.

We are exposed to foreign currency fluctuations.

We conduct most of our operations in the PRC and our functional currency is Renminbi. A substantial portion of our turnover and cost of sales were denominated in Renminbi during the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006. However, we conduct part of our Infrastructure Construction Business, Infrastructure Design Business and Dredging Business overseas, and we export most of our port machinery products. Furthermore, we incurred foreign currency denominated borrowings equivalent to of RMB11.0 billion as at June 30, 2006. We are therefore subject to foreign currency fluctuations. Changes in the value of foreign currencies could increase our Renminbi costs for, or reduce our Renminbi turnover from, our foreign operations, or affect the prices of our exported products and the prices of our imported equipment and materials. Any increased costs or reduced turnover as a result of foreign currency fluctuations could affect our profits. We engage in a limited range of hedging activities to protect us against foreign currency fluctuations, but these measures may not always be sufficient.

The value of the Renminbi is subject to changes in China's governmental policies and to international economic and political developments. As of July 21, 2005, the Renminbi is no longer pegged solely to the U.S. dollar. Instead, a managed floating exchange system has been introduced by the PRC government which allows the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the Renminbi was revalued against the U.S. dollar to approximately RMB8.11 to the U.S. dollar, representing an upward revaluation of 2.1% of the Renminbi against the U.S. dollar, as compared to the exchange rate of the previous day. As of November 22, 2006, the Renminbi has appreciated by 3.0% since July 21, 2005. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. In addition, the Renminbi may be permitted to enter into a full float, which may result in a further appreciation of the Renminbi against the U.S. dollar. Further appreciation in the Renminbi against these currencies may lead to an increase in our costs or a decline in our turnover, especially with respect to our Port Machinery Manufacturing Business, the products of which are largely exported. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollars), of our net assets, earnings and any declared dividends.

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

We rely on a combination of patents, copyrights, trademarks and contractual rights to protect our intellectual property. In our Port Machinery Manufacturing Business, our well-established ''ZPMC'' brand name is a highly valuable asset to us and we believe has been critical to our ability to compete and succeed in the past. We have also developed numerous advanced systems, trade secrets, know-how, processes, technologies and other intellectual property rights that have enhanced our operation efficiency and enabled us to contract for more complex projects. There can be no assurance that any of our intellectual property rights will not be challenged, misappropriated or circumvented by third parties, or that our competitors will not independently develop alternative technologies that are equivalent or superior to our proprietary technologies. The legal regime governing intellectual property in China is still evolving and the level of protection of intellectual property rights in China may differ from those in other jurisdictions. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses in profits due to the sales of competing products which exploit our intellectual property rights.

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

Our future success is dependent upon our ability to attract and retain personnel, including executive officers and key qualified personnel, who have the necessary and required experience and expertise. Particularly, for our Infrastructure Design Business, our success is largely attributable to the highly qualified and experienced design personnel that we have been able to attract and retain in the past such as captains and chief engineers for dredgers, civil work engineers, construction-related geology analysts, and computer control program developers. Competition for qualified personnel is intense and we have periodically experienced difficulties in recruiting suitable personnel. We may lose these persons to those competitors who are able to offer more competitive packages, or we may have to significantly increase our related staff costs. If we cannot recruit and retain the employees necessary to execute our contracts or to perform necessary corporate activities, our capabilities may be limited, and our output may decline, which could reduce our profitability and limit our ability to grow.

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

For some of the properties we occupy in the PRC, we, or our landlords, have not yet obtained sufficient title certificates that allow us to use or transfer the properties freely. For our owned properties, as at September 30, 2006, we had defects in the title certificates for 22 parcels of land with a total site area of approximately 1,643,648.50 square meters, and we had not obtained proper building ownership certificates or real estate title certificates for 545 buildings with a total gross floor area of approximately 599,601.35 square meters. For our leased properties, as at September 30, 2006, our landlords had defects in the title certificates for 13 parcels of land with a total site area of approximately 342,837.08 square meters, and had not obtained or produced to us property building ownership certificates or real estate title certificates for 75 buildings with a total gross floor area of approximately 64,280.45 square meters. These properties are used for various purposes, including offices, production facilities and dormitories for employees. We cannot predict how our rights as owner, lessee or occupier of these properties, and our operations carried out on or from these properties, may be adversely affected as a result of the absence of vested legal title in these properties or right to lease these properties. We may be required to relocate our business operations carried out on properties that we do not have unassailable legal rights to use or occupy temporarily or permanently, and such relocation could adversely affect our financial condition and results of operations. See the section headed ''Business — Properties'' in this Prospectus for further details.

Any termination of, or change in, preferential tax treatment in the PRC may have a negative impact on our results of operations.

The rate of income tax chargeable on companies in China may vary depending on the availability of preferential tax treatment or subsidies based on their industry or location. The current maximum corporate income tax rate is 33.0%. See ''Appendix VI — Taxation and Foreign Exchange — Taxation of the Company by the PRC'' and ''Financial Information — Factors Affecting Results of Operations and Financial Condition — Tax'' in this Prospectus for further details. We are currently subject to an income tax rate of 33.0%, while some of our subsidiaries are currently subject to various preferential income tax rates, which has resulted in effective tax rates for us of 24.6%, 16.6% and 25.6% for the years ended December 31, 2004, 2005 and for the six months ended June 30, 2006, respectively. Any termination of or change in the preferential tax treatment in the PRC currently enjoyed by some of our subsidiaries may have a negative impact on our results of operations.

RISKS RELATING TO OUR GROUP STRUCTURE

As a recently restructured company, we face challenges in integrating our operations and we cannot assure you that our business integration plans will be successfully implemented.

Prior to the Reorganization, CCCG and its subsidiaries owned our assets and conducted our businesses. CCCG in turn was formed upon the Merger of CHEC Group and CRBC Group relatively recently in December 2005. In connection with the Reorganization, CCCG transferred to us substantially all of its core operating businesses and related assets and liabilities.

The Merger of CHEC Group and CRBC Group has resulted in a certain degree of overlap in the activities of our different subsidiaries. We intend to ensure that our subsidiaries continue to carry on their activities independently, which will result in certain subsidiaries competing directly in certain areas, including tendering for works. While we believe that this does not have a material adverse impact on our aggregate market share, the effect of such operational duplication and internal competition on the income of subsidiaries is uncertain.

Following the Reorganization, we initiated a series of measures to rationalize, integrate and consolidate our various operations, including operations previously conducted by CHEC Group and CRBC Group, to further realize the synergies among different businesses that the Merger and Reorganization were intended to generate. The planned integration of our various operations could be delayed or adversely affected by legacy issues arising from our personnel associating themselves with the CHEC and CRBC Group, failure to obtain sufficient funding, technical difficulties, constraints in terms of human resources or other resources, or for other reasons. Moreover, the implementation of these plans may be more costly than originally contemplated. As a consequence of cost overruns, changes in market circumstances or other reasons, the operational efficiencies and business growth which these plans are intended to achieve may not materialize. Further, the integration of our businesses into a single entity will present management challenges, and our newly established management structure, financial and management information systems and controls will need further adjustment and development for us to operate more effectively as an integrated entity. To the extent we are not able to successfully implement our integration plans, our business, financial condition, results of operation and prospects may be adversely affected.

Any decline in the ability of our operating subsidiaries to pay dividends to us would adversely affect our cash flows.

We conduct substantially all our operations through our operating subsidiaries. Most of our assets are held by, and substantially all of our earnings and cash flows are attributable to, our operating subsidiaries. If the earnings from our operating subsidiaries were to decline, our earnings and cash flows would be adversely affected. The ability of our operating subsidiaries to pay dividends depends on business considerations and regulatory restrictions, including cash flows and articles of association of these companies, shareholders' agreements and applicable provisions of the PRC Company Law. In particular, under PRC law, our operating subsidiaries incorporated in the PRC may not pay dividends until 10% of their profit for the period has been set aside as a statutory reserve fund (which requirement applies each year until such reserve fund is equal to 50% of their relevant registered capital). In addition, distributions by our subsidiaries to us other than dividends may be subject to governmental approval, approval by other shareholders and taxation. These restrictions could reduce the amount of distributions that we receive from our operating subsidiaries, which would restrict our ability to fund our operations, generate income and pay dividends. We cannot assure you that our operating subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations or declare dividends.

As we do not wholly own some of our subsidiaries, we may not have the ability to cause them to take actions that we believe would be most beneficial to us.

We have, and expect to have in the future, ownership interests and management participation in non-wholly-owned subsidiaries and joint venture entities, in connection with our business operations. Some of these subsidiaries and joint ventures account for a significant portion of our turnover and profits. Our ownership interests in these subsidiaries and joint ventures do not always provide us with the ability to control all their actions. In particular, two of our subsidiaries, ZPMC and CRBC International, are public companies with shares listed on the Shanghai Stock Exchange. They are therefore subject to laws and listing rules applicable to public companies listed on the Shanghai Stock Exchange, including rules designed to protect the interests of public and minority shareholders. As a result, our ability to control the decisions of these non-wholly-owned subsidiaries and joint ventures depends on a number of factors, including reaching agreement with our partners, our rights under the relevant shareholder agreements and the decision making process applicable to those subsidiaries and joint ventures. We may not always have the ability to cause them to take actions that we believe would be most beneficial to us.

Our Controlling Shareholder has the ability to exercise substantial control over us, which allows it to influence our businesses in ways that may not be in the interests of other shareholders.

Our Controlling Shareholder is CCCG, a state-owned enterprise, which will hold approximately 73.1% of our issued share capital upon completion of the Global Offering assuming no exercise of the Over-allotment Option (or approximately 70.1% if the Over-allotment Option is exercised in full). Accordingly, as our largest shareholder, subject to our Articles of Association and applicable laws and regulations, CCCG will be able to influence our major policy decisions, including our overall strategic and investment decisions, dividend plans, issuances of securities and adjustments to our capital structure and other actions that require the approval of our shareholders. In addition, it will be able to control the election of our Directors and, in turn, to indirectly control the selection of our senior management. The interests of CCCG may conflict with our or your best interests. CCCG will have the ability to require us to take actions in relation to our business or dividend policy that may not be in the best interest of our Group or our other shareholders.

Our historical results may not be indicative of our future results.

Prior to completion of the Merger, our businesses were operated by the CHEC Group and the CRBC Group. We were only incorporated as a separate entity on October 8, 2006. Accordingly, we were not operating as one group before our incorporation and the historical financial information for the years ended December 31, 2003, 2004 and 2005 and the six months ended

June 30, 2006 included in this Prospectus may not necessarily be indicative of the Group's future results of operations, financial position and cash flows or what our results of operations, financial condition and cash flows would have been had we been a combined group during the periods presented.

Our Special Distribution and Special Dividend are not an indication of our future dividend policy.

Pursuant to the ''Provisional Regulations Relating to Corporate Reorganization of Enterprise and Related Management of State-owned Capital and Financial Treatment'' issued by the Ministry of Finance, we are required to make a Special Distribution to CCCG, our sole shareholder prior to the Global Offering, of approximately RMB1,556 million, which represents a surplus between the value of our net assets as at our incorporation date over the value of net assets as at the valuation date of December 31, 2005. See the section headed ''Financial Information — Special Distribution and Special Dividend'' for details.

In addition, at our general meeting held on November 25, 2006, we resolved that CCCG, being our then sole shareholder, is entitled to the Special Dividend representing the distributable profits generated from October 8, 2006 to November 30, 2006, currently estimated to amount to approximately RMB374 million. The actual amount will be determined by the outcome of a special audit. We will only pay the Special Dividend to CCCG after completing that special audit, which is currently expected to be by April 30, 2007. See the section headed ''Financial Information — Special Distribution and Special Dividend'' for details.

Neither the Special Distribution nor the Special Dividend was determined in accordance with our dividend policy as described in the section headed ''Financial Information — Dividend Policy''. Purchasers of H Shares in the Global Offering will not be entitled to participate in the Special Distribution or the Special Dividend.

In addition, as stipulated under PRC law, our dividends may be paid only out of distributable profits, as determined in accordance with PRC GAAP and IFRS, whichever is lower, less allocations to our statutory and discretionary common reserve funds. The Special Distribution will be determined solely under PRC GAAP. The Special Dividend will be determined by taking into account the lower of net profit determined under PRC GAAP and IFRS and after making allocations for the required statutory reserves. Accordingly the amount of the Special Distribution and the Special Dividend are not indicative of the dividends that our Company may declare or pay in the future.

Furthermore, the calculation of profit after tax under PRC GAAP differs in several aspects from the calculation under IFRS. As a result, we may not be able to pay any dividends in any given year if we do not have distributable profits as calculated under PRC GAAP, even if we have profits in that year under IFRS, or vice versa.

RISKS RELATING TO THE PRC

The political and economic policies of the PRC government could affect our businesses and results of operations.

The economy of the PRC differs from the economies of most developed countries in a number of respects, including the degree of government involvement, control of capital investment, and the overall level of development. Before its adoption of reform and open door policies in 1978, China was primarily a planned economy. In recent years the PRC government has been reforming the PRC economic system and the government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

PRC government control of foreign currency conversion may limit our foreign exchange transactions.

Currently, the RMB still cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirement. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the State Administration of Foreign Exchange. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange requirements. If we fail to obtain the approval from the State Administration of Foreign Exchange to convert RMB into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business results and financial conditions, may be materially adversely affected.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you.

There are uncertainties regarding interpretation and enforcement of PRC laws and regulations that could limit the legal protections available to you.

We are organized under the laws of the PRC and are governed by our Articles of Association, which have been amended to comply with the Listing Rules. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited weight as precedents. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited number and non-binding nature of published cases, the interpretation and enforcement of these laws and regulations involve uncertainties.

The PRC Company Law differs from similar laws in certain other jurisdictions and may afford less protection to our minority shareholders.

The PRC Company Law is different in certain important aspects from company laws in Hong Kong, the United States and other common law countries and regions, particularly with respect to investor protection, including derivative actions by shareholders and other measures protecting minority shareholders, restrictions on directors, disclosure obligations, variations of class rights, procedures at general meetings and payments of dividends.

The limited protection of investor under the PRC Company Law is compensated for, to a certain extent, by the introduction of the Mandatory Provisions and certain additional requirements that are imposed by the Hong Kong Listing Rules with a view to reducing the scope of differences between Hong Kong company law and the PRC Company Law. The Mandatory Provisions and those additional requirements must be included in the articles of association of all PRC companies applying to be listed in Hong Kong. Our Articles of Association have incorporated the provisions required by the Mandatory Provisions and the Hong Kong Listing Rules. Despite the incorporation of those provisions, there is no assurance that you will enjoy a level of protection equal to that you may be entitled to when investing in companies incorporated in other jurisdictions. Also, claims arising from these protective provisions would likely be novel and require arbitration.

The effect of amendment to the PRC Company Law and PRC Securities Law may be uncertain.

Substantial amendments to the PRC Company Law and the PRC Securities Law came into effect on January 1, 2006. As a result, the State Council and the CSRC may revise the Special Regulations and the Mandatory Provisions and adopt new rules and regulations, to implement and to take into consideration the amendments to the PRC Company Law and the PRC Securities Law. There can be no assurance that the revision of the existing rules and regulations, and the adoption of new rules and regulations by the State Council and the CSRC will not have a material adverse impact on the rights of holders of H Shares.

Our Articles of Association require you to resolve disputes with us, our Directors, Supervisors, senior management and holders of our Domestic Shares only through arbitration in Hong Kong or China.

In accordance with the rules applicable to companies that are listed in Hong Kong and incorporated in China, our Articles of Association provide that disputes or claims between holders of H Shares and us, our Directors, Supervisors, senior management or holders of Domestic Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law and other relevant rules and regulations concerning the affairs of our company, including the transfer of our Shares, are to be resolved through arbitration by arbitration organizations in Hong Kong or China, rather than by a court of law. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance (Chapter 341 of the Laws of Hong Kong) can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China. We cannot give assurance as to the outcome of any action brought in China to enforce an arbitral award made in favor of holders of H Shares in Hong Kong. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H Shares of their rights under a company's articles of association or the PRC Company Law. See ''Appendix VII — Summary of Principal Legal and Regulatory Provisions — The Arbitration Law'' and ''Appendix VII — Summary of Principal Legal and Regulatory Provisions — Compliance with the PRC Company Law, the Special Regulations and the Articles of Association — Securities Arbitration Rules.''

It may be difficult to effect service of process upon us or our Directors or executive officers that reside in the PRC, or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.

Substantially all of our Directors, Supervisors and executive officers reside within the PRC. Substantially all of our assets and substantially all of the assets of our Directors, Supervisors and executive officers are located within the PRC. 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 may not be possible for investors to effect service of process upon us or those persons in the PRC or to enforce against them or us in the PRC, any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Holders of our H Shares may become subject to PRC taxation.

Under the current PRC tax laws, regulations and rulings, dividends paid by us to holders of our H Shares outside the PRC are exempted from PRC income tax. In addition, gains realized by individuals or companies upon the sale or other disposition of H Shares are currently exempted from PRC income tax. If the PRC government withdraws these exemptions in the future, holders of our H Shares may be required to pay PRC income tax or we may be required to withhold such tax from dividend payments. PRC income tax and withholding tax on dividends is currently imposed at the rate of 20% unless there is an applicable tax treaty between the PRC and the jurisdiction in which the relevant overseas holder of H Shares resides that reduces or exempts the relevant tax. See ''Appendix VI — Taxation and Foreign Exchange'' to this Prospectus for further details.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares.

Prior to the Global Offering, there was no public market for our H Shares. The initial offer price range to the public for our H Shares was the result of negotiations among us, and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied to list and deal in our H Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active liquid public trading market for our H Shares will develop following the Global Offering or in the future.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future PRC Public Offering, sale of our H Shares by NSSF or re-registration of Shares held on our domestic share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

We are in the process of preparing for a PRC Public Offering and intend to undertake this offering as soon as practicable after completion of the Global Offering. We expect that the PRC Public Offering will initially comprise not more than 3,500,000,000 A Shares subject to an over-allotment option of up to 15% of the number of A Shares initially offered under the PRC Public Offering, which may result in a substantial increase in the number of our Shares in issue following the completion of the PRC Public Offering and could have a material adverse effect on the prevailing market price of our H Shares and may result in dilution of your shareholding in the our share capital.

Certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the section headed ''Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings'' for details. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales, by CCCG could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

In addition, the H Shares to be held by NSSF after the Global Offering will amount to 350,000,000 H Shares, representing approximately 2.4% of our total issued share capital assuming no exercise of the Over-allotment Option (or 402,500,000 H Shares, representing approximately 2.7% of our total issued share capital assuming full exercise of the Over-allotment Option). NSSF has not entered into any undertaking restricting its disposal or resale of these H Shares. In addition, according to Jia Yuan Law Firm, our PRC legal advisers, these H Shares held by NSSF are not subject to any legal restrictions on resale under relevant PRC laws. Details of arrangements pertaining to the transfer of these H Shares to NSSF are set out in the section headed ''Share Capital — Transfer of State-owned Shares.'' Any transfer or disposal of these H Shares by NSSF will result in an increase of the number of H Shares available on the market and may affect the share price of our H Shares.

Subject to the approval of the State Council securities regulatory authority, Shares held on our domestic share register may be transferred to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the transferred Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, potential re-registration of substantial amounts of Shares of our Company held on our domestic share register into H Shares after one year of the Global Offering could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

The market price of our H Shares following this Global Offering may be volatile.

The price and trading volume of our H Shares may be volatile. Factors such as variations in our turnover, earnings and cash flows, announcements of new investments, strategic alliances and/or acquisitions and fluctuations in market prices for our services and products may affect the volume and the market price at which our H Shares will be traded. There can be no assurance that these developments will not occur in the future.

Because the initial public Offer Price per H Share is higher than the net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.

The Offer Price of our H Shares is higher than our net tangible book value per Share of our H Shares immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible book value of HK$2.42 per H Share (assuming an Offer Price of HK$4.00, being the mid-point of our Offer Price range of HK$3.40 to HK$4.60 per H Share) and existing shareholders will receive an increase in the net tangible book value per share of their H Shares. If we issue additional H Shares in the future, purchasers of our H Shares may experience further dilution.

Forward-looking information contained in this Prospectus may prove inaccurate.

This Prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Company that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words ''anticipate,'' ''believe,'' ''could,'' ''estimate,'' ''expect,'' ''going forward,'' ''intend,'' ''may,'' ''ought to,'' ''plan,'' ''project,'' ''seek,'' ''should,'' ''will'' ''would'' and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategy, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- projects under construction or planning;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in ''Financial Information'' with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

The industry statistics contained in this Prospectus are derived from various publicly available official government publications and may not be reliable.

Statistical and other information relating to the PRC and the industries in which we operate contained in the section headed ''Industry Overview'' and the subsections headed ''Industry Trends and Our Competitive Position'' under the section headed ''Business'' in this Prospectus have been compiled partly from various publicly available PRC official government publications. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Underwriters nor any of their affiliates or advisers, nor we or any of our affiliates or advisers has verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus contains particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to us. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading.

APPLICATION FOR LISTING FOR OUR H SHARES

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued or sold pursuant to the Global Offering (including any additional H Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option) and any H Shares, converted from Domestic Shares, which are to be held by NSSF in connection with the Global Offering. Save as disclosed in this Prospectus, no part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

CSRC APPROVAL

The CSRC has given its approval to the Global Offering and the making of an application to list the H Shares on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this Prospectus or the Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Global Offering comprises the Hong Kong Public Offering of initially 175,000,000 H Shares and the International Offering of initially 3,325,000,000 H Shares (subject, in each case, to reallocation on the basis described in ''Structure of the Global Offering'' and without taking into account the exercise of the Over-allotment Option).

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed ''Underwriting''.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price, which is expected to be determined by the Joint Global Coordinators (on behalf of the Underwriters) and us on or before Saturday, December 9, 2006.

If the Joint Global Coordinators (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Wednesday, December 13, 2006, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFERS AND SALES OF H SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC.

H SHARES REGISTER AND STAMP DUTY

All of the H Shares issued and sold pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Shares register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

We recommend applicants for the Offer Shares to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the H Shares. It is emphasised that none of us, the Joint Sponsors, the Underwriters, any of their respective directors, or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the H Shares resulting from the subscription, purchase, holding or disposal of the H Shares.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF OUR H SHARES

We have instructed our H Share Registrar, Computershare Hong Kong, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to the share registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of the shareholders, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations, and the Articles of Association;

(ii) agrees with us, each of our shareholders, Directors, Supervisors, our managers and officers, and we acting for ourselves and for each of the Directors, the Supervisors, our managers and officers agree with our shareholders to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See ''Appendix VII — Summary of Principal Legal and Regulatory Provisions'' and ''Appendix VIII — Summary of Articles of Association of the Company'';

(iii) agrees with us and each of our shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of the Directors and our officers whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities.

In connection with the Global Offering, UBS AG, as stabilizing manager, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. This stabilizing activity may include exercising the Over-allotment Option, stock borrowing, making market purchases of H Shares in the secondary market or selling H Shares to liquidate a position held as a result of those purchases. Any such stabilizing activity will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the stabilizing manager or any person acting for it to conduct any such stabilizing activity, which if taken, will be done at the absolute discretion of the stabilizing manager and may be discontinued at any time. Any primary stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares which can be over-allocated will not exceed the number of H Shares that may be issued under the Over-allotment Option, namely 525,000,000 H Shares, which is 15% of the number of H Shares initially available under the Global Offering.

The stabilizing manager, or any person acting for it, may, in connection with a stabilizing action, maintain a long position in the H Shares. The size of the long position, and the period for which the stabilizing manager, or any person acting for it, will maintain the long position is at the discretion of the stabilizing manager and is uncertain. In the event that the stabilizing manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Primary stabilizing action to support the price of the H Shares is not permitted after the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on or before January 5, 2007. After the stabilizing period, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the market price of the H Shares, may fall.

Any stabilizing action taken by the stabilizing manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids may be made on transactions effected in the course of the stabilizing action at or below the Offer Price and therefore at or below the price paid by subscribers or purchasers for the H Shares.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules is made within seven days of the expiration of the stabilizing period.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set out in the section headed ''How to apply for Hong Kong Offer Shares'' and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in ''Structure of the Global Offering''.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any amounts of Hong Kong dollars at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars have been made at the rate of RMB1.01007 to HK$1.00, the PBOC Rate prevailing on November 22, 2006.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
ZHOU Jichang (*Chairman*)	Apartment 801, Unit 2, Building 412 Hui Zhong Bei Li Road Chaoyang District Beijing, China	Chinese
MENG Fengchao (*Vice Chairman and President*)	Apartment 401, Unit 6, Building 1 Ma Lian Dao Zhong Li Road Xuanwu District Beijing, China	Chinese
FU Junyuan (*Chief Financial Officer*)	Apartment 301, Building 3 No. 96, En Ji Zhuang Haidian District Beijing, China	Chinese
Independent non-executive Directors		
LU Hongjun	Apartment 76 Hai Tian Hua Yuan Die Cui No. 1481, Hu Qing Ping Road Shanghai, China	Chinese
YUAN Yaohui	Apartment 313, Building 8 No. 8, Jiqing Li Road Chaoyang District Beijing, China	Chinese
CHAO Tien Yo	E3 Flamingo Gardens 12 Fei Ngo Shan Road Kowloon, Hong Kong	British
KOO Fook Sun, Louis	Flat A, 20/F, Block 2 Grand Garden 61 South Bay Road, Hong Kong	British

SUPERVISORS

Name	Address	Nationality
LIU Xiangdong	Apartment 801, Building 3 Xi Ji Yuan Garden, Wan Liu Zhong Road Haidian District Beijing, China	Chinese
XU Sanhao	Apartment 1207, Building 22 Yi Yuan, An Hui Bei Li Road Chaoyang District Beijing, China	Chinese
WANG Yongbin	Apartment 402 Unit 1, Building 4 Zone 3, An Hua Xi Li Road Chaoyang District Beijing, China	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Joint Global Coordinators, Joint Bookrunners, Joint Sponsors and Joint Lead Managers	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong
	Merrill Lynch Far East Limited 17th Floor, ICBC Tower 3 Garden Road Hong Kong
	UBS AG 52nd Floor, Two International Finance Center 8 Finance Street Hong Kong
Our Legal advisers	***As to Hong Kong Law and U.S. Law*** Freshfields Bruckhaus Deringer 11th Floor Exchange Square Two Hong Kong
	As to PRC Law Jia Yuan Law Firm F407, Ocean Plaza 158 Fuxing Men Nei Avenue Beijing 100031 China
Legal advisers to the Underwriters	***As to Hong Kong Law and U.S. Law*** Simmons & Simmons 35th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
	As to PRC Law Jingtian & Gongcheng Attorneys at Law 15th Floor, the Union Plaza 20 Chaoyangmenwai Plaza Beijing 100020 China
Reporting Accountants	PricewaterhouseCoopers *Certified Public Accountants* 22nd Floor Prince's Building Central Hong Kong
Auditors	PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company 11th Floor, PricewaterhouseCoopers Center 202 Hu Bin Road Shanghai 200021 China

PARTIES INVOLVED IN THE GLOBAL OFFERING

Property valuers	Sallmanns (Far East) Limited 22nd Floor, Siu On Centre 188 Lockhart Road Hong Kong
Receiving bankers	Bank of China (Hong Kong) Limited 1 Garden Road, Central Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central, Hong Kong
	The Bank of East Asia, Limited 10 Des Voeux Road, Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road, Central Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor, ICBC Tower 3 Garden Road Central, Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong Hong Kong

CORPORATE INFORMATION

Registered office	No. 88C, An Ding Men Wai Street, Dongcheng District, Beijing 100011 China
Principal place of business in Hong Kong	19th Flour, China Harbour Building 370-374 King's Road North Point, Hong Kong
Website address	www.ccccltd.com.cn
Joint company secretaries	LIU Wensheng LUU Yeu Khiem (FCCA, CPA)
Qualified accountant	LUU Yeu Khiem (FCCA, CPA)
Authorized representatives	FU Junyuan Apartment 301, Building 3 No. 96, En Ji Zhuang Haidian District Beijing, China LUU Yeu Khiem Block 11, 11F, RmA Sceneway Garden Lamtin, Kowloon Hong Kong
Compliance advisers	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Hong Kong Merrill Lynch Far East Limited 17th Floor, ICBC Tower 3 Garden Road Hong Kong UBS AG 52nd Floor, Two International Finance Center 8 Finance Street Hong Kong
Principal bankers	Bank of China Limited 1 Fuxingmennei Street Xicheng District Beijing, China Industrial and Commercial Bank of China Limited 55 Fuxingmennei Street Xicheng District Beijing, China

CORPORATE INFORMATION

	China Construction Bank 25 Financial Street Xicheng District Beijing, China
	Agricultural Bank of China A23 Fuxing Street Haidian District Beijing, China
H Share Registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Hong Kong legal adviser to CCCG	Li & Partners 22nd Floor, World Wide House Central, Hong Kong

INDUSTRY OVERVIEW

This section contains information and statistics relating to the industry that we operate in and related industry sectors. We have derived such information and data partly from official government publications which have not been independently verified by us, the Joint Sponsors, the Underwriters or any of their respective affiliates or advisors. The information in such sources may not be consistent with other information compiled within or outside China. We make no representation as to the correctness or accuracy of such information and accordingly such information should not be unduly relied on. The Joint Sponsors and us have taken such care as we consider reasonable in the reproduction of such information.

CHINA'S ECONOMIC GROWTH AND TRADE ACTIVITY

China's economy has grown significantly since it began its economic reforms in 1978. Between 1996 and 2005, China's GDP increased from approximately RMB6.1 trillion to approximately RMB18.2 trillion, representing a compound annual growth rate of 11.6%. This growth has continued since China became a member of the WTO in December 2001.

Driven by its strong economic growth, China has increased its international trade significantly. To support its growing economy, China has continued to import bulk commodities and energy sources such as iron ore, gas, coal, crude oil and oil products. In 2003, 2004 and 2005, the aggregate value of China's foreign trade grew by 37.1%, 35.7% and 23.2%, respectively. In 2004, China overtook Japan to become the world's third largest foreign trading nation, and its annual foreign trade surpassed for the first time the US$1 trillion mark, reaching approximately US$1.2 trillion. In 2005, China's total foreign trade reached US$1.4 trillion, among which the value of China's foreign export accounted for 7.3% of the value of all international exports in the world and the value of China's foreign imports accounted for 6.2% of all international imports in the world.

Domestic trade has also continued to grow in China as a result of its economic growth and also its geographically uneven growth pattern and distribution of natural resources. Iron ore and coal are primarily located in Northern China and transported to faster developing regions in Eastern and Southern China. Roads, bridges and tunnels, as well as marine transportation, play an important role in domestic trade.

The following table illustrates China's GDP and foreign and domestic trade growth for the periods indicated.

Year	GDP growth (%)	Foreign trade (US$ billion)	Growth in value of foreign trade (%)	Domestic trade (US$ billion)	Growth in value of domestic trade (%)
2001	8.3	509.8	7.5	520.2	10.1
2002	9.1	620.8	21.8	581.6	11.8
2003	10.0	851.2	37.1	634.5	9.1
2004	10.1	1,154.8	35.7	718.9	13.3
2005	9.9	1,422.1	23.2	819.8	14.0

Source: National Bureau of Statistics of China

DEVELOPMENT OF TRANSPORTATION INFRASTRUCTURE IN CHINA

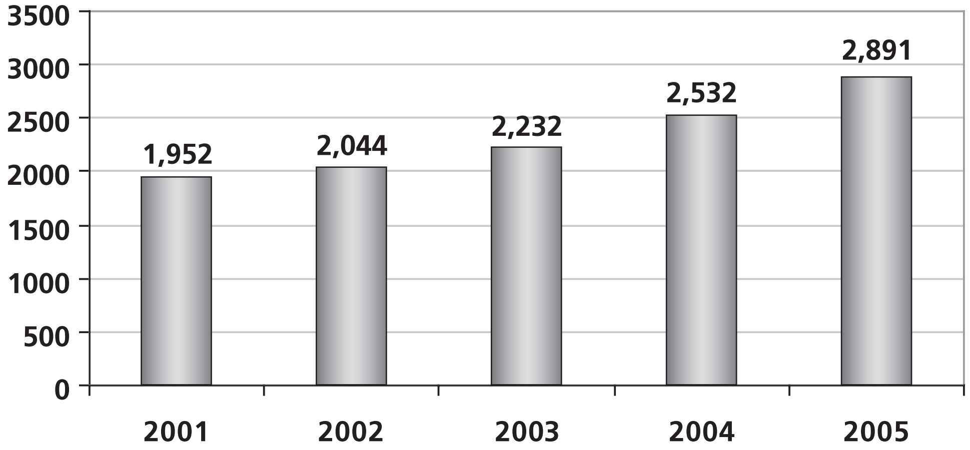
Overview

A fast growing economy and trade growth require more advanced transportation systems to move goods and people around the country. Having realized the importance of transportation infrastructure to the continued growth of its economy, the PRC government is in the midst of a comprehensive upgrade of China's existing transportation infrastructure. During the five years from 2001 through 2005, under the country's Tenth Five-Year Plan, cumulative investment in transportation infrastructure was approximately RMB2.2 trillion and a compound annual growth rate of 21.4%, representing a 117% increase from the previous five-year period. In its Eleventh Five Year Plan, the PRC government has earmarked a total amount of RMB3.8 trillion for investment in transportation infrastructure. Continued massive infrastructure investment by the PRC government and high economic growth rates promise to foster continued growth in transportation infrastructure construction for years to come.

Port Construction

The continued growth of the economy has necessitated the growth in port construction. In particular, the acceleration of heavy industrialization and the growth in international trade, which requires speedier and higher volumes of transport of goods, have led to a rapid increase in China's port throughput. Between 2001 and 2005, China's overall port throughput increased from approximately 2.4 billion tons to approximately 4.9 billion tons, a compound annual growth rate of 19.2%. During the same period, China's coastal port handling capacity increased from approximately 2.0 billion tons to approximately 2.9 billion tons, a compound annual growth rate of 10.3%. Many major ports along China's coastline are operating at full or above capacity. The following chart shows the growth of China's coastal port handling capacity during 2001 and 2005.

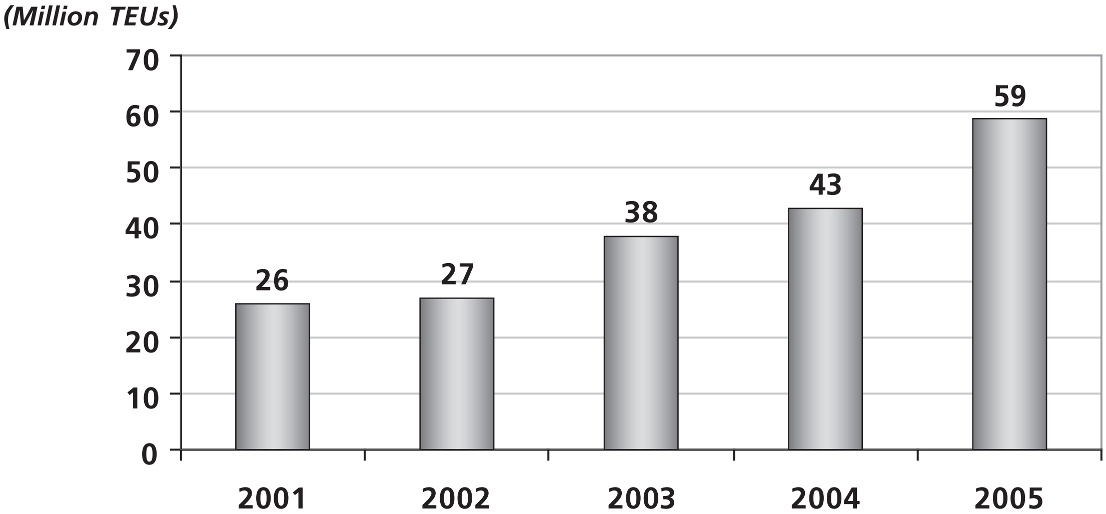
(Million tons)



Source: The Ministry of Communications

Growth in China's container port throughput in recent years has been particularly significant. According to the Ministry of Communications, from 2001 to 2005, container throughput in China has grown at a compound annual growth rate of about 28.8%. Between 2001 and 2005, container throughput increased from approximately 27.5 million TEUs to approximately 75.6 million TEUs per year, making China the country with the largest container throughput in the world.

The following chart shows the growth of China's coastal annual container terminal capacity during 2001 and 2005, which represented a compound annual growth rate of approximately 22.6%.



Source: The Ministry of Communications

In 2003, 2004 and 2005, capital spending for port and inland waterway construction works in China amounted to approximately RMB29.5 billion, RMB40.8 billion and RMB68.9 billion, respectively. Although the PRC government has invested substantially in upgrading and expanding port facilities, many major ports are operating at full or above capacity, in particular for ports located in the Bohai Bay, Yangtze River Delta and Pearl River Delta regions, the three regions where port handling activities in China are concentrated.

The PRC government has identified the need for increased port infrastructure, particularly for large deepwater container and specialised cargo ports. According to ''Construction Plan for Coastline Ports in the Yangtze River Delta Region, Pearl River Delta Region and Bohai Bay'' published by the State Council in 2004, by 2010, ports in the Yangtze River Delta region, the Bohai Bay area, and the Pearl River Delta region are expected to increase throughput by 700 million tons, 740 million tons and 400 million tons, respectively. By 2010, the overall port throughput handled by Chinese ports is predicted to reach 7.5 billion tons, an increase of 54.5% from 2005, while the overall container throughput handled by Chinese ports is predicted to reach 150 million TEUs, an increase of 98.3% from 2005. We expect that growth in port construction will boost the growth of our port construction, dredging and port machinery manufacturing businesses.

Roads and Bridges Construction

According to the Ministry of Communications, the total length of the road network in China as at the end of 2005 was approximately 1,930,500 kilometers, approximately 59,900 kilometers longer than as at the end of 2004 and approximately 250,700 kilometers longer than as at the end of 2000. China's total expressway length now ranks the second in the world, after the U.S.

As at the end of 2005, China had a total of approximately 336,600 bridges with a total bridge length of approximately 14,748 kilometers, up by approximately 15,000 bridges and a length of approximately 1,371 kilometers from the year before. As at the end of 2005, China had a total of 2,889 road tunnels with a total tunnel length of approximately 1,527 kilometers, up by 394 tunnels and a length of approximately 282 kilometers from the year before. During the five-year period from 2001 to 2005, China saw the completion of a number of world class bridges such as Runyang Yangtze River Bridge, the Third Nanjing Yangtze River Bridge and Jiangyin Yangtze River Bridge.

In 2004, the State Council announced a new expressway construction project. Known as the 7918 Network, the project comprises seven expressways radiating from Beijing, and nine North-South and 18 East-West arteries. When completed, currently estimated to be in 2034, the network will total approximately 85,000 kilometers and connect all cities with a population of more than 200,000. The estimated budget for the project is approximately RMB2.0 trillion, with approximately RMB140 billion to be spent per year through 2010 and approximately RMB100 billion per year thereafter. Taking into account road construction already in progress, this plan implies the construction of at least an additional 40,000 kilometers of new expressways.

According to the Ministry of Communications, as part of the Eleventh Five-Year Plan, between 2006 and 2010, China will

- complete the ''Five Year RMB100 billion'' program to develop road systems for China's countryside. Under this program, the government plans to invest an aggregate of RMB100 billion to upgrade substandard roads in rural areas and to build more roads to reach rural towns and villages currently inaccessible by roads; and
- as part of the 7918 Network, establish and complete the national expressway network connecting the provincial highways, completing the backbone network consisting of five North-South highways and seven East-West highways to connect all major cities (population of one million and above) and 83% of the large cities (population of half million and above) with high-grade arteries, and complete the eight provincial highways connecting western provinces.

We expect that growth in road, bridge construction in the country will boost the growth of our road and bridge construction business.

Dredging

Dredging is the removal of sediments from harbors, lakes, rivers and water treatment settling ponds to permit the passage of ships and barges, to increase the capacity of water storage reservoirs, to improve waterways and to build and maintain beaches. Depending on its purposes, dredging can be largely classified into dredging for navigation, for reclamation and for environmental protection. Dredging for navigation can be further classified into capital dredging, which refers to the initial dredging works necessary for the construction of ports and navigation channels, and maintenance dredging, which refers to the dredging works later required of ports and navigation to ensure that they continue to provide adequate dimensions to permit the passage of ships.

The dredging industry is related to the port construction and marine transportation industries and is driven by general growth in population, trade and the economy as a whole. In particular, the capital dredging market is subject to the general economic fluctuation and the impact of government control over investment in construction of water transportation infrastructure in particular. The maintenance dredging market, on the other hand, is more stable as all ports and navigation channels require periodic maintenance dredging. Reclamation dredging is driven by the demand for land and the application of dredged materials in construction, while environmental dredging is driven by the demand for environmental protection to improve water quality and restore the health of aquatic ecosystems.

The dredging industry is important for China, a country with a long coastline and abundant marine resources. With the growth in international trade, container transportation has developed, involving the use of increasingly larger size vessels. Larger vessels require deeper and wider waterways, giving rise to the need for more capital and maintenance dredging. In addition, with the development of industrial areas surrounding the ports and coastal cities, the increasing need to enhance water conversancy, improve flood control and enhance environmental protection, we expect demand for reclamation dredging and environmental protection dredging to grow as well.

We expect the international dredging market to be prosperous in the coming few years driven by global economic recovery and accelerated globalization of trade. Only about half of the global dredging market is currently open to foreign dredging companies, and these open markets are currently dominated by a few leading dredging companies from the Netherlands and Belgium. The North American dredging market remains closed to foreign competition. We expect the Middle East, South America, Asia and Africa, with increasing port construction and dredging projects being undertaken, to represent growing market opportunities for dredging companies like us.

PORT MACHINERY MANUFACTURING INDUSTRY

The development of the port machinery manufacturing industry is linked to the growth of international trade, as approximately 90% of the volume of international trade involves marine transportation. The operation of more ports with higher throughput usually requires increased volumes of more advanced port machinery. In particular, the growth of containerized trade since the 1990s has outpaced the growth of overall international trade. From 1981 to 2003, the containerized share of general cargo increased from 20% to 65%. With the growth in containerization, the size of container ships has also increased, which requires ports to constantly upgrade container handling equipment.

In response to the growth in international trade and containerized trade, the international port machinery manufacturing market has been growing in the past few years. According to World Cargo News Statistics, as of December 2005, there were 10,389 large-scale container cranes in use worldwide, consisting of 4,035 quayside cranes and 6,354 gantry cranes. According to an annual survey by Cargo Systems, aggregate purchase orders for quayside cranes as at March 2006 amounted to 339 units, a 22% increase over the 278 cranes on order at the same time in 2005, which was in turn up 11% on the 2004 order book; while aggregate purchase orders for gantry cranes as at April 2006 amounted to 967 units, a 20% increase over the 804 cranes on order at the same time in 2005, which was in turn up 70% on the 2004 order book. In China, the rapid growth in international trade in general and containerized trade in particular has resulted in increasing investment in port construction, generating an increasing demand for port machinery.

The construction, survey and design of water transport works, highway works, and other construction engineering works, as well as the manufacture of port machinery in the PRC are all subject to the supervision of the relevant government authorities, primarily in areas such as qualification of the entities undertaking the relevant construction, survey and design work, project tendering, construction, quality, acceptance and inspection for the completion of engineering works, contracting of overseas engineering works and export of labor force in connection therewith, and issuance of industrial products manufacturing licenses for the production of port machinery products. In addition, construction, reconnaissance, design and supervision of engineering works and the manufacture of port machinery are also subject to environmental protection and work safety regulations by relevant government authorities.

WATER TRANSPORT ENGINEERING WORKS, HIGHWAY ENGINEERING WORKS AND OTHER CONSTRUCTION ENGINEERING WORKS

PRINCIPAL REGULATORY AUTHORITIES

The Ministry of Communications is responsible for the administration of ports and highways construction at the national level.

The Ministry of Construction implements centralized supervision and administration on construction works throughout the country.

The Development and Planning Commission, either at the state or local level, is responsible for the investment plan of transportation construction works.

The construction administration authorities and communication administration authorities, either at the state or local level, are responsible for the construction plan of transportation construction works.

The communication administration authorities, either at the state or local level, are responsible for the examination and approval of transportation of transportation construction works.

MAIN REGULATORY REQUIREMENTS

Administration of Qualification

Competent Authorities on the Qualification

Under the provisions of the Port Law of the PRC (the ''Port Law''), which took effect on January 1, 2004, Highway Law of the PRC (the ''Highway Law''), which took effect on January 1, 1998, and Construction Law of the PRC (the ''Construction Law''), which took effect on March 1, 1998, and other relevant laws and regulations, an enterprise engaged in construction, reconnaissance, design and supervision activities for water transport, highway and other construction engineering works may only contract for those construction works that fill within the ambit of its qualifications. The Ministry of Construction and the provincial level administrative authorities responsible for construction works oversee issues relating to the qualification application and issuance. The Ministry of Communications and the provincial level administrative authorities responsible for communications coordinate with the Ministry of Construction and provincial level administrative authorities responsible for construction in the administration of the qualification issues.

Qualification of the Entities Engaged in the Construction, Reconnaissance, Design and Supervisory Businesses

a. *Qualification of Construction Enterprises*

Qualification of construction enterprises can be divided into three categories: main contractors, professional services contractors and labor services sub-contractors.

- a main contractor can contract for the overall works for, or the main body of, a project.
- a main contractor can perform all works that it contracted for by itself, or subcontract non-core construction works or labor services to qualified professional services contractors or qualified labor services sub-contractors.
- a qualified professional service contractor may enter into a contract to provide professional services subcontracted out by a main contractor, or by the Ministry of Construction under relevant provisions. Under such contracts, a professional services contractor may undertake all of the contracted work by itself, or subcontract out the labor services to qualified labor services sub-contractors.
- A qualified labor services sub-contractor may enter into a contract to provide labor services contracted out by a main contractor or a professional services contractor.

The above three categories of qualifications can be further divided into certain sub-categories and grades of qualifications.

b. Qualification of Reconnaissance and Design Firms

Qualification for construction project reconnaissance and design works is classified into project reconnaissance qualification and project design qualification. Project reconnaissance qualification is further classified into three categories: all-inclusive qualification, professional qualification and labor service qualification. The all-inclusive qualification has only one grade, Grade A, and allows the provision of reconnaissance services for any contracted work. The Professional qualification is divided into various categories and grades based on the nature of the project and technology involved. Enterprises with professional qualifications may only provide professional survey services that fall within their qualification grade. There is no grading system for labor services qualification and enterprises with labor service qualification may provide labor services in connection with geotechnical works, boring and engineering surveys of well digging.

Project design qualification is also further classified into three categories: all-inclusive qualification, sector qualification and special qualification. The all-inclusive qualification only has one grade, Grade A, and allows the provision of design services for any contracted work. Sector qualifications and special qualifications have classifications and grades based on the nature of the project and technology involved. Sector qualification allows for the provision of design services within the sector corresponding to a qualification grade. Special qualification allows for the provision of design services for special projects with the same grade. Enterprises with sector qualifications are allowed to provide design services for any special projects contracted by the same sector of the same grade without having to obtain a special qualification for the project design.

c. Qualifications of Supervisory Enterprises

Qualifications for project supervisory enterprises are classified into Grade A, B and C, and are divided further into various classes based on the nature of the projects and technologies involved. Supervisory enterprises with a Grade A qualification may supervise projects with Grade 1, 2 or 3 as set out in the approved project classifications. Supervisory enterprises with a Grade B qualification may supervise projects with a Grade of 2 or 3 as set out in the approved project classifications. Supervisory enterprises with a Grade C qualification may supervise Grade 3 projects as set out in the approved project classifications.

Administration of Call for Tender and Submission of Bids

Projects that require a call for tender and submission of bids

In accordance with The Tender Law of the PRC (the ''Tender Law'') which took effect on January 1, 2000, a call for tender is required for all aspects (including construction, reconnaissance, design and supervision) of projects relating to social and public benefits and public security, such as large-scale infrastructure and public utilities projects in the PRC, projects financed wholly or partly with state-owned funds or by state financing and projects financed with funds from an international organization or loans or aiding funds from foreign governments.

Submission of Bids

Pursuant to the Tender Law, a construction, reconnaissance, design or supervisory enterprise may submit a bid individually or as a consortium consisting of two or more legal persons or organizations for the construction, reconnaissance, design and supervisory works. All enterprises in the consortium should possess the relevant capacity necessary for contracting for the project. When a consortium consists of enterprises specializing in the same fields, the consortium will be deemed to have the same qualification as the enterprise with the lowest qualification level in the consortium. In the event that a bid is won, all parties in the consortium will jointly enter into a contract with the party that called for the tender and will assume joint and several obligations with such party in respect of the tendered project.

Winning a tender

The party that calls for the tender may determine the winner of the tender based on the written report prepared and the recommendation made by a bid evaluation commission, or authorize the bid evaluation commission to determine the winner directly. The winner shall be able to satisfy the standards of comprehensive evaluation provided in the tender documents to the best extent, or be able to meet the essential requirements in the tender documents at the lowest bid price among the bidders evaluated, except that the bid price shall not be lower than the capital costs.

Supervision of Quality

Under the Regulations on the Quality Management of Construction Projects issued by the State Council which took effect on January 30, 2000, sponsoring enterprises, reconnaissance firms, design firms, construction enterprises and project supervisory enterprises will all be responsible for the quality of construction projects. For construction projects the entire works of which are governed by a main contract, the main contractor shall be responsible for the quality of the whole construction project and, where it subcontracts part of the project works, the sub-contractors will be jointly and severally responsible for the quality of the construction works. Contracting parties should present quality guarantee and maintenance certificate to the sponsoring enterprises when tendering the project completion report to the sponsoring enterprises.

Administration of Acceptance and Inspection for Completion

Pursuant to the Measures for Acceptance and Inspection for the Completion of Port Projects which took effect on June 1, 2005, and the Measures for Acceptance and Inspection for the Completion (Delivery) of Highway Projects which took effect on October 1, 2004, upon completion of a port or highway project, the project will be put into operation only after acceptance and inspection by the relevant communications authorities.

In accordance with the Provisional Measures for Administration of Acceptance, Inspection and Filing of Completion of Building Construction Projects and Municipal Infrastructure Projects promulgated by the Ministry of Construction on April 7, 2000, the records of inspection and acceptance for building construction projects and municipal infrastructure projects at completion must be lodged with the administrative construction authorities by the sponsoring enterprises, design firms, construction enterprises and supervisory enterprises.

Administration of Foreign Contracted Projects and Labor- Service Cooperation

The Foreign Trade Law and other applicable laws and regulations provide that enterprises that undertake foreign contracted projects or enter into foreign labor service cooperation must possess relevant authorizations or qualifications. The Ministry of Commerce is responsible for reviewing and approving these qualifications. The Measures for the Administration of the Qualifications for the Provision of Labor Services in Foreign-Cooperation Projects of the Ministry of Commerce, which took effect on July 26, 2004, require enterprises providing labor services to pay reserve funds for labor services to the relevant commercial authorities.

MANUFACTURING OF PORT MACHINERY

According to the PRC Regulations on Industrial Product Manufacture License (''Regulations on Manufacture License'') issued by the State Council, which took effect on September 1, 2005, the General Administration of Quality Supervision, Inspection and Quarantine exercises centralized administration of the manufacturing licenses for industrial products nationwide. The competent authorities responsible for the issuance of manufacturing licenses for industrial products at the county level or above are in charge of the administration of matters relating to the manufacturing licenses for industrial products in their jurisdiction, including penalizing conducts in breach of the administration according to the relevant regulations.

According to the Regulations on Manufacturing License, enterprises manufacturing industrial products that affect work safety and public security are subject to the manufacture license regulations. The General Administration of Quality Supervision, Inspection and Quarantine prepares the catalog of industrial products covered by the manufacture license regulations in cooperation with other relevant departments under the State Council for approval by the State Council. No enterprise is allowed to manufacture any products covered by the catalog without a manufacturing license, and no enterprise or individual is allowed to sell or, in their operating activities, use the products covered by the catalog manufactured without a manufacturing license. According to the current Catalog of Products Requiring the Industrial Product Manufacture License, port machinery are industrial products requiring a manufacturing license.

ENVIRONMENTAL PROTECTION RULES AND REGULATIONS

The Environmental Protection Law of the PRC (the ''Environmental Protection Law''), which took effect on December 26, 1989, and the Marine Environmental Protection Law (the ''Marine Environmental Protection Law'') of the PRC, which took effect on April 1, 2000, provide that the State Environmental Protection Administration and the State Oceanic Administration oversee land and ocean environmental protection.

Pursuant to the Environmental Protection Law, the State Environmental Protection Administration sets the national discharge standards for pollutants. The government of provinces, autonomous regions and directly administered municipalities may issue local standards that are stricter, but not more lenient, than the national standards. An entity discharging pollutants in a region that has local standards must comply with the local standard for the discharge of pollutants. Entities discharging pollutants must report and register with the environmental protection authorities. Entities discharging pollutants in excess of the standards must pay a charge for the excessive discharge and assume responsibility for the remediation of the pollution.

The Marine Environmental Protection Law prohibits the discharge of any pollutants into the sea under the jurisdiction of the People's Republic of China. An entity discharging pollutants or wastes into the sea directly should pay a discharge fee according to relevant regulations.

Pursuant to the ''Law of the People's Republic of China on the Prevention and Control of Water Pollution'' that took effect on May 15, 1996, any entity that disposes of pollutants into the body of water directly or indirectly must register with the local environmental protection authorities and pay a fee for the disposal according to relevant regulations. To the extent that the volume of pollutant disposed exceeds the state or local standards, the entity must pay an additional charge for the excess pollutant in accordance with relevant provisions.

WORK SAFETY RULES AND REGULATIONS

According to the ''Work Safety Law of the PRC'' that took effect on November 1, 2002 (''Work Safety Law''), the State Administration of Work Safety of the PRC is in charge of the overall administration of work safety nationwide. The Ministry of Construction and the Ministry of Communications are also responsible for the administration of work safety of the relevant industries.

The Work Safety Law provides that a production entity must meet the state's legal standard or industrial standard on work safety and provide work conditions set out in relevant laws, administrative rules and State or industry standards. An entity that cannot provide required work conditions may not engage in production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production entity must install prominent warning signs at relevant dangerous operation sites, facilities and equipment.

According to the ''Regulations on Licenses for Work Safety'' promulgated by the State Council that took effect on January 13, 2004, a construction entity with no License for Work Safety should not engage in construction activities.

According to the ''Regulations on Administration of Work Safety of Construction Projects'' promulgated by the State Council that took effect on February 1, 2004, an entity responsible for the work safety of a construction project will assume the liabilities of the work safety of the construction project. In the case of a project covered by a main contract, the main contractor will be liable for the general work safety of the construction site, and assume joint and several obligations for the sub-contracted portions of the project together with the sub-contractors. A construction entity must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case of a construction work covered by a main contract, the insurance premium will be paid by the main contractor. The period covered by the insurance policies should commence on the starting date of the construction project and terminate on the date of the acceptance and inspection upon the completion of the project.

According to the ''Safety Administration Regulation on Above-water and Under-water Construction Works and Navigation'' promulgated by the Ministry of Communications that took effect on January 1, 2000, an entity engaged in above-water or under-water construction work must apply to the local maritime affairs authorities for inspection of safe navigation and construction, and may not commence any construction works until it has obtained the permit for above-water or under-water construction work upon inspection.

REORGANIZATION AND CORPORATE STRUCTURE

THE REORGANIZATION

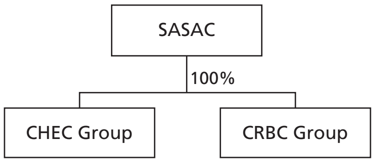
The Merger

We were established as a joint stock company with limited liability under PRC law on October 8, 2006 following the restructuring of our controlling shareholder, CCCG, in anticipation of the Global Offering. CCCG is wholly-owned by SASAC and was established in December 2005 through the Merger of SASAC's two wholly-owned enterprise groups in the transportation infrastructure industry, namely the CHEC Group and the CRBC Group. Prior to the Merger, the CHEC Group was a leading state-owned enterprise primarily engaged in port design, construction, dredging and port machinery manufacturing, while the CRBC Group was a leading state-owned enterprise primarily engaged in road and bridge design and construction. Each of them had an operating history in excess of 50 years and had developed advanced technology, accumulated extensive expertise and built up a comprehensive fleet of advanced equipment in their respective areas of operation.

The following chart sets out the corporate organization and ownership structure of our predecessors before and after the Merger.

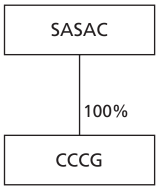
Before the Merger

CHEC Group and CRBC Group were wholly-owned by SASAC as two separate enterprise groups before the Merger.



Immediately after the Merger

CHEC Group and CRBC Group no longer exist as separate enterprise groups and they form the CCCG group immediately after the Merger.



Reorganization Agreement

Pursuant to the Reorganization Agreement entered into between CCCG and us on October 8, 2006, CCCG transferred to us substantially all of its businesses and assets in exchange for Shares in our Company.

The major assets and liabilities CCCG transferred to us include:

- all of the core assets and liabilities relating to the infrastructure construction operations, including, among others, CCCG's equity interests in 16 key direct subsidiaries;
- all of the core assets and liabilities relating to the infrastructure design operations, including, among others, CCCG's equity interests in 10 key direct subsidiaries;
- all of the core assets and liabilities relating to the dredging operations, including, among others, CCCG's equity interests in three key direct subsidiaries;

- all of the core assets and liabilities relating to the port machinery manufacturing operations, including, among others, CCCG's equity interests in two key direct subsidiaries;
- other businesses including road and bridge construction machinery manufacturing, logistics services and trading of construction related materials and equipment;
- contractual rights and obligations relating to the businesses, assets and liabilities transferred to us;
- employees associated with the businesses transferred to us;
- qualifications, licenses and approvals related to the businesses transferred to us; and
- business and financial records, books and data and technological data and know-how related to the businesses transferred to us.

Pursuant to the Reorganization, CCCG retains its equity interest in some of its subsidiaries and associates, namely the Retained Operations, the businesses of which are clearly delineated from those of our Company and are intended to be discontinued over time. The Retained Operations carry out property leasing, property management, trade agency, travel agency, journal publication, and other businesses, which are not inherently related to and do not compete with our business operations. Among the Retained Operations, there are China Transportation Materials General Company, Beijing Lutong Travel Agency, CRBC Group Zhongshan Zhongqiao Property Management Company, Zhangzhou Yihe Shipping Company Limited, China Highway Periodical House, CRBC (Hong Kong) Co. Ltd, Bonding Development Limited, Shanghai Zhen An Real Estate Development Co. Ltd., CHEC Mi Er Wa La Company, and Shanghai CRBC Industrial Company. The Retained Operations also include:

- Guangzhou Port Machinery Industrial General Company and Xi'an Road Construction Machinery Plant, which notwithstanding their names, are no longer engaged in any construction machinery manufacturing related business.
- Chenzhou Road Construction Machinery Plant (''Chenzhou Plant'') does not fit within our business strategy and our market positioning and, as a result, was not transferred to us by CCCG pursuant to the Reorganization. Chenzhou Plant manufactures, on a small scale, certain types of road construction machinery. The machines manufactured by Chenzhou Plant have a much lower working capacity compared with our products and also lag behind our products in terms of technology. As a result, the machines manufactured by Chenzhou Plant are only intended to serve county-level road construction projects while our products target the high-end nationwide road construction projects. In addition, as part of CCCG's transition to a holding company which only owns our Shares, CCCG has decided to dispose of its entire equity interest in Chenzhou Plant by allocating its equity interest in Chenzhou Plant for no cash consideration to all of the current employees of Chenzhou Plant, based on their years of service at Chenzhou plant. The disposal plan has been approved by SASAC and CCCG is now in the process of the disposal and expects to complete it by September 2007. After the completion of the disposal, CCCG will have no equity interest in Chenzhou Plant and Chenzhou Plant and its current employees will be completely separate from CCCG and will no longer form part of the Retained Operations.
- Xinjin Road Construction Machinery Plant, which notwithstanding its name, is no longer engaged in any construction machinery manufacturing related business and is only processing small and auxiliary parts, such as expansion joints and rubber abutments relating to bridge construction. CCCG is in discussion with an independent third party to sell this plant and expects to complete the sale by September 30, 2007. After the disposal, Xinjin Road Construction Machinery Plant will be completely separate from CCCG and no longer form part of the Retained Operations.

Certain businesses within the Retained Operations may be considered similar to our businesses especially before these operations are fully wound up or disposed by CCCG. We believe that these retained businesses are of negligible size, as indicated by the financial information below, in comparison with our businesses. We do not believe that any competition exists between the Retained Operations and us.

(i) Financial position of certain operations retained by CCCG.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	RMB millions	RMB millions	RMB millions	RMB millions
Non-current assets	227	190	179	177
Current assets	127	127	165	145
Non-current liabilities	(78)	(73)	(70)	(68)
Current liabilities	(301)	(302)	(352)	(334)
Net liabilities	(25)	(58)	(78)	(80)

(ii) Results of certain operations retained by CCCG

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	RMB millions	RMB millions	RMB millions	RMB millions (Unaudited)	RMB millions
Turnover	235	209	204	90	114
(Loss)/profit for the year/period	84	(33)	(20)	(9)	(2)

We and CCCG agreed that as of December 31, 2005 we were deemed to have legally assumed the rights and obligations of the businesses, assets and liabilities transferred to us by CCCG. We have, however, agreed to make a distribution to CCCG for the profit for the period generated during the period from January 1, 2006 to the date immediately prior to our incorporation. See details in the section headed ''Financial Information — Special Distribution and Special Dividend''.

Pursuant to the Reorganization Agreement, as consideration of the transfer of the assets to us, we issued 10,800,000,000 Domestic Shares to CCCG upon our incorporation on October 8, 2006. The number of Shares issued in connection with the reorganization was determined by reference to the net assets valued at RMB16,172 million as at December 31, 2005 by DeveChina International Appraisal Co., Ltd, an independent appraiser registered in China. The nominal value per share is RMB1.00.

CCCG has provided certain representations and warranties in favour of the Company in respect of the Reorganization, including:

- full compliance with its articles of association, bylaws and other internal regulations;
- receipt of all the government approvals and third party consents;
- no breach of any laws, regulations, court judgments, arbitral awards and administrative rulings;
- all the information provided by CCCG to us and the intermediaries hired for the reorganization being complete, true and accurate in all material aspects;
- no material and adverse change in the financial status of the Company during the period from January 1, 2006 to the day when the Company was established as compared with the financial status as at December 31, 2005 as reflected in the accountants' report;

- except as disclosed in the Prospectus, no litigation, arbitration or other proceedings against CCCG that may have a material adverse effect on the Company's operation or the assets or equity interests to be transferred to the Company pursuant to the Reorganization Agreement.

Pursuant to the Reorganization Agreement, CCCG has agreed to indemnify us against, among other things:

- tax liabilities on the assets transferred to us which arose prior to the incorporation of the Company except those assumed by us since December 31, 2005;
- tax liabilities and related claims arising from CCCG's transferring assets and interests to us;
- tax liabilities on all the assets and interests retained by CCCG;
- tax liabilities due to the increase in asset value arising from the asset valuation of the assets transferred to us;
- claims incurred in connection with the assets transferred to us which arose before December 31, 2005 unless estimates of such expenditure has been disclosed and provision has been made in the accountants' report; and
- claims incurred by CCCG for breach of any clause of the Reorganization Agreement.

Non-competition Agreement and Undertaking

In connection with the Reorganization, we entered into a Non-competition Agreement with CCCG on October 18, 2006 and received a Non-competition Undertaking from CCCG on November 20, 2006. Pursuant to the Non-competition Agreement and Non-competition Undertaking, CCCG:

(i) has confirmed that CCCG and its other subsidiaries and associates do not currently, in any form, engage in or participate in businesses that directly or indirectly compete, or are likely to compete, with our principal businesses;

(ii) has undertaken that CCCG will not directly or indirectly, alone or with other people, in any form, engage in, assist or support a third party in the operation of, or participate in, businesses that compete, or are likely to compete with us in our principal businesses and will also procure that its subsidiaries and associates do not do so.

However, the foregoing restrictions do not apply in the following circumstances, including:

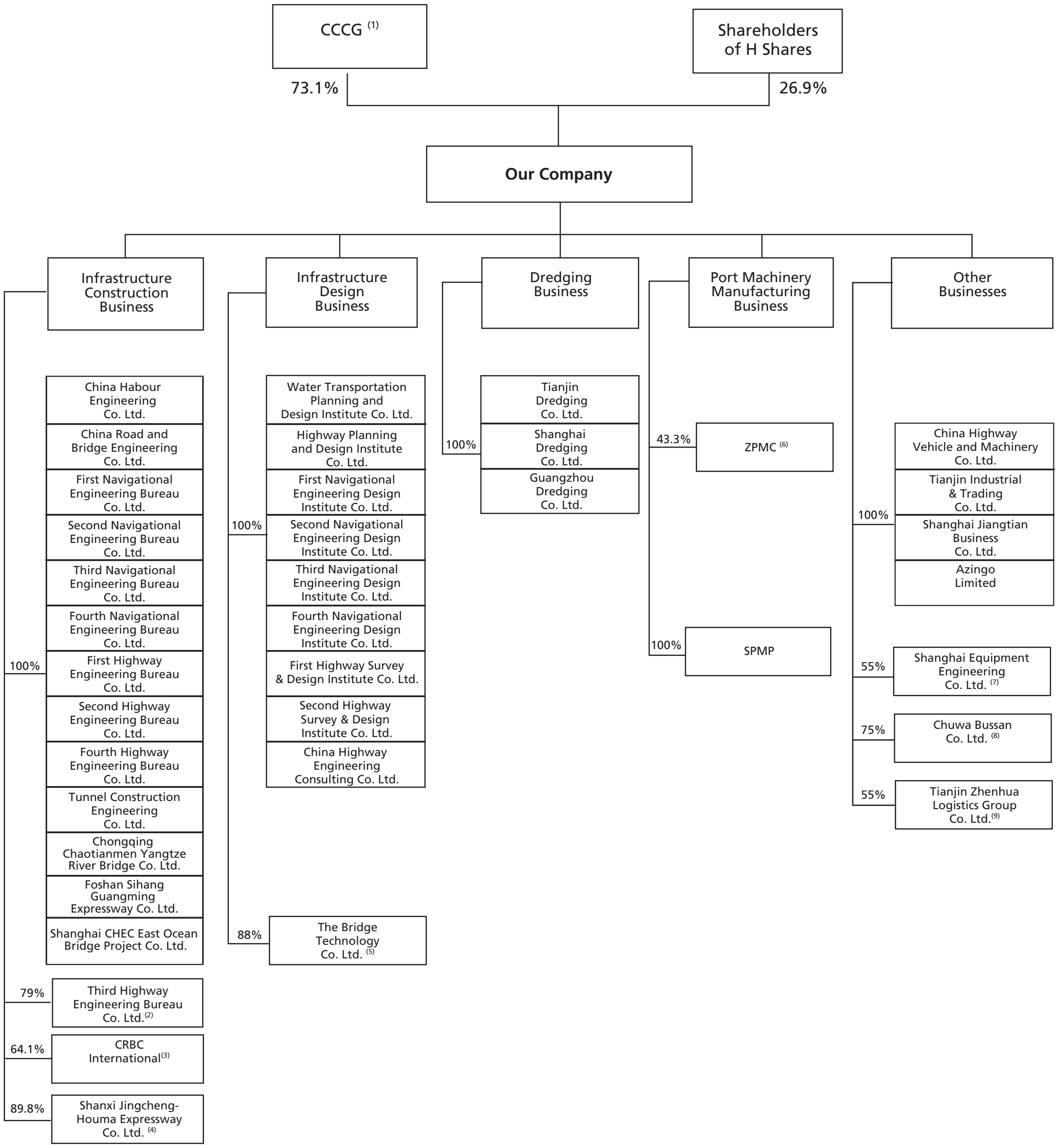
- CCCG or its subsidiaries and associates for the purposes of investment, acquiring or holding equity interests of 5% or less in a listed company competing or likely to compete with us in our principal business; and
- where, subject to all applicable laws and regulations, the independent non-executive Directors of the Company, when they think it is in the interest of the Company and the shareholders as a whole, may agree to waive the foregoing restrictions on such conditions the independent non-executive Directors may think fit to impose.

The agreement will remain valid until (i) such time, if any, as our Shares are no longer listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange or (ii) CCCG directly or indirectly owns less than 30% of our issued share capital, whichever occurs earlier.

The Reorganization required approvals from relevant PRC government authorities, including, among others, the State Council and SASAC. The SASAC, with the approval from the State Council, approved our Reorganization on August 16, 2006. Jia Yuan Law Firm, our PRC legal advisors, confirmed that we have obtained the necessary approvals from relevant PRC government authorities.

REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out our ownership structure and direct subsidiaries following the Reorganization and after giving effect to the Global Offering assuming that the Over-allotment Option is not exercised.



(1) A wholly state-owned enterprise.
(2) The remaining 21% equity interest in this company is owned by three individuals.
(3) The A shares of CRBC International are listed on the Shanghai Stock Exchange. The remaining equity interest in this company is owned by public shareholders.
(4) The remaining equity interest in this company is owned by Shanxi Zhongchang (Group) Co. Ltd.
(5) The remaining 12% equity interest in this company is owned by individuals being Messrs Yang Gaozhong and Li Wengi.
(6) The A shares and B shares of ZPMC are listed on the Shanghai Stock Exchange. The remaining equity interest in this company is owned by public shareholders.
(7) The remaining equity interest in this company is owned by nine individuals.
(8) The remaining equity interest in this company is owned by Wako Koeki Co. Ltd. as to 10% and Bridgestone Corporation as to 15%.
(9) The remaining 45% equity interest in this company is owned by Speedic Enterprise Corp.

The Corporate Placing

We have entered into placing agreements with three corporate investors (the ''Corporate Investors'') who in aggregate have agreed to subscribe for approximately HK$1,950 million of our H Shares at the Offer Price. Assuming an Offer Price of HK$4.00 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Corporate Investors would be approximately 487,500,000, which is approximately 3.4% of the Shares outstanding, upon completion of the Global Offering and 13.9% of the Offer Shares (assuming the Over-Allotment Option is not exercised), respectively. Each of the Corporate Investors is an independent third party not connected with the Company.

The Offer Shares to be subscribed by the Corporate Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described ''Underwriting — Hong Kong Public Offering''.

Our Corporate Investors

We set out below a brief description of our Corporate Investors:

China Life Insurance (Group) Company

China Life Insurance (Group) Company has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased for HK$650 million at the Offer Price. Assuming an Offer Price of HK$4.00 (being the mid-point of the Offer Price range set out in this Prospectus), the total number of H Shares that China Life Insurance (Group) Company would subscribe for would be approximately 162,500,000, which is approximately 1.1% of the Shares outstanding upon completion of the Global Offering and 4.6% of the Offer Shares (assuming the Over-Allotment Option is not exercised), respectively.

China Life Insurance (Group) Company, headquartered in Beijing, is a large state-owned financial and insurance enterprise. The subsidiaries of China Life Insurance (Group) Company include China Life Insurance Company Limited (a company listed on the Hong Kong Stock Exchange and the New York Stock Exchange), China Life Insurance Asset Management Company Limited and China Life Insurance (Overseas) Company Limited. China Life Insurance (Group) Company and its subsidiaries constitute one of the largest commercial insurance groups in Mainland China. China Life Insurance (Group) Company has been a Global Fortune 500 company since 2003. Apart from strengthening and developing life insurance and related asset management business through its subsidiaries, China Life Insurance (Group) Company focuses on capital management and new business development.

Chow Tai Fook Nominee Limited

Chow Tai Fook Nominee Limited has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased for HK$650 million at the Offer Price. Assuming an Offer Price of HK$4.00 per H Share (being the mid-point of the Offer Price range set out in this Prospectus), the total number of H Shares that Chow Tai Fook Nominee Limited would subscribe for would be approximately 162,500,000, which is approximately 1.1% of the Shares outstanding upon completion of the Global Offering and 4.6% of the Offer Shares (assuming the Over-Allotment Option is not exercised), respectively.

Chow Tai Fook Nominee Limited is a company incorporated in Hong Kong and is principally engaged in investment holding business. It is wholly and beneficially owned by Dato Dr. Cheng Yu-Tung.

OUR CORPORATE INVESTORS

Government of Singapore Investment Corporation Pte Ltd.

The Government of Singapore Investment Corporation Pte Ltd., or GIC, has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased for HK$650 million at the Offer Price. Assuming an Offer Price of HK$4.00 per H Share (being the mid-point of the Offer Price range set out in this Prospectus), the total number of H Shares that GIC would subscribe for would be approximately 162,500,000, which is approximately 1.1% of the Shares outstanding upon completion of the Global Offering and 4.6% of the Offer Shares (assuming the Over-Allotment Option is not exercised), respectively.

GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

The Corporate Investors' Rights and Obligations under the Corporate Placing Agreements

The sale of our Offer Shares to the Corporate Investors will be underwritten by the Joint Global Coordinators as part of the International Offering and will not be subject to any reallocation between the International Offering and the Hong Kong Public Offering.

Conditions Precedent

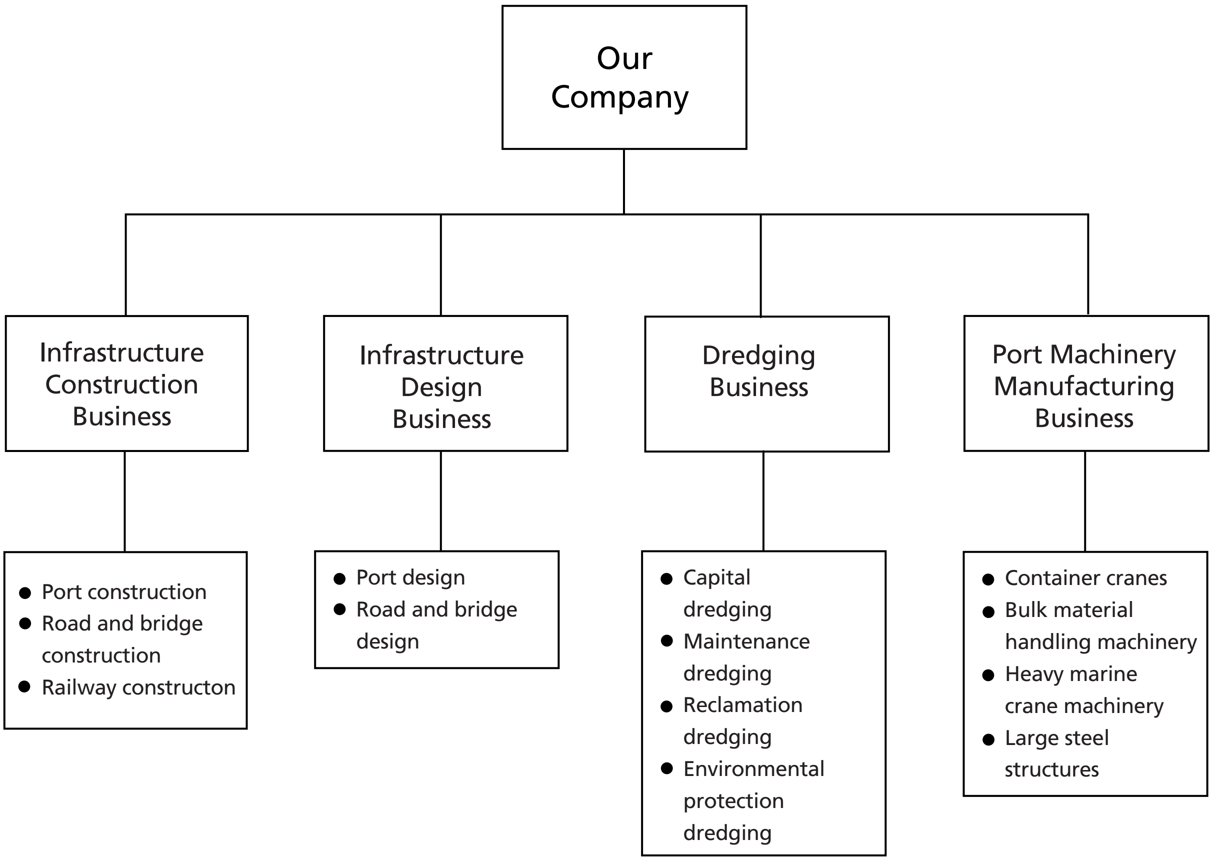
The subscription obligation of each Corporate Investors is conditional only upon (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional by the Listing Date; and (ii) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, our H Shares.

Restriction on the Corporate Investors' Investment

Each of the Corporate Investors has agreed that, without the prior written consent of the Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of twelve months following the Listing Date, dispose of any H Shares subscribed pursuant to the International Offering (or any interest in any company or entity holding any of the H Shares), other than transfers to any of its wholly-owned subsidiaries (and in the case of GIC, to any direct or indirect wholly-owned subsidiary of GIC or of GIC's ultimate holding company), and such transfer can only be made when the transferee agrees to be subject to the restrictions on disposals imposed on the Corporate Investor.

OVERVIEW

We are a leading transportation infrastructure group in China primarily engaged in the infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses. With more than 50 years' experience gained from a diverse range of projects, we are able to provide our clients with integrated solutions across different phases of an infrastructure project. In addition to our Chinese operations, we have extensive international operations in approximately 40 countries and regions around the world. In 2005, our total turnover was approximately RMB83.3 billion and for the six months ended June 30, 2006, our total turnover was approximately RMB47.2 billion. The table below summarizes our four core businesses and their key services and products.



Infrastructure Construction Business. We are the largest port construction company and a leader in road and bridge construction in China, in terms of total construction contracting revenues. Our Infrastructure Construction Business provides services relating to the construction of transportation infrastructures, including ports, roads, bridges, tunnels and other facilities both domestically and internationally. We hold the only three top-tier qualification certificates granted by the Ministry of Construction for conducting port construction work in China. We also provide construction services in the form of BT and BOT projects. We operate our Infrastructure Construction Business through 16 direct subsidiaries and their respective subsidiaries and associates. For the six months ended June 30, 2006, the Infrastructure Construction Business accounted for approximately RMB28.8 billion, or 60.4%, of our turnover before elimination of inter-segment transactions.

Infrastructure Design Business. We are the leading port, road and bridge design company in China in terms of design revenue with 10 top-tier design institutes. Our Infrastructure Design Business provides a complete range of design services, including consulting and planning services, feasibility studies, designs, engineering consulting, engineering surveys and technical studies, project management, project supervision, construction and other services. These services support our customers in the transportation infrastructure market both domestically and internationally. We operate our Infrastructure Design Business through 10 direct subsidiaries and their respective subsidiaries and associates. For the six months ended June 30, 2006, the Infrastructure Design Business accounted for approximately RMB2.4 billion, or 4.9%, of our turnover before elimination of inter-segment transactions.

Dredging Business. We are the largest dredging company in China and were ranked the third largest globally based on dredging capacity in 2005, according to the latest report by the Chinese Dredging Industry Association. We have been involved in most of the major dredging and reclamation works along China's coastline. We operate our Dredging Business through three direct subsidiaries and their respective subsidiaries and associates, and provide a comprehensive range of dredging and reclamation services both domestically and internationally. For the six months ended June 30, 2006, the Dredging Business accounted for approximately RMB5.0 billion, or 10.5%, of our turnover before elimination of inter-segment transactions.

Port Machinery Manufacturing Business. We are the largest manufacturer of container cranes in the world in terms of units ordered according to the latest annual survey by World Cargo News. Our products primarily include container cranes and bulk material handling machinery. We also produce heavy marine crane machines and large steel structures. ZPMC and SPMP are our two major subsidiaries that conduct our Port Machinery Manufacturing Business. ZPMC is an internationally well-known port machinery manufacturer that accounted for approximately 74% of the global market share of quayside container cranes in terms of units ordered during the 12 months ended June 2006. It is a public company in which we own a controlling equity interest of approximately 43.3%, with A shares and B shares listed on the Shanghai Stock Exchange. For the six months ended June 30, 2006, the Port Machinery Manufacturing Business accounted for approximately RMB9.0 billion, or 19.0%, of our turnover before elimination of inter-segment transactions.

Leveraging on our established platforms of the above four core businesses, we are also engaged in a variety of other businesses, including road and bridge construction machinery manufacturing, logistics services and trading of construction related materials and equipment. For the six months ended June 30, 2006, our other businesses accounted for approximately RMB2.5 billion, or 5.2%, of our turnover before elimination of inter-segment transactions.

In China, we operate throughout the country. In particular, we have major subsidiaries located in the Bohai Bay region, Yangtze River Delta region and Pearl River Delta region, which are among China's fastest developing and most economically active regions, with growth in GDP and foreign trade activities significantly above the national average. Although certain measures implemented by the PRC government since late 2003 to prevent the economy from overheating may impact public spending on transportation infrastructure projects, which may in turn have an adverse impact on our operations, our profit for the year increased in each of the three years ended December 31, 2005. Internationally, we operate in approximately 40 countries and regions, primarily in Southeast Asia, the Middle East and Africa.

Our Company was established on October 8, 2006 as part of the Reorganization, during which our parent group, CCCG, transferred to us all of its core operating businesses and related assets and liabilities. CCCG, which was formed upon the Merger of the CHEC Group and CRBC Group in December 2005, is one of the largest groups in the transportation infrastructure industry in China. Prior to the Merger, the CHEC Group was a leading state-owned enterprise primarily engaged in port design and construction, dredging and port machinery manufacturing and the CRBC Group was a leading state-owned enterprise primarily engaged in road and bridge design and construction. Each of them had an operating history in excess of 50 years and had developed and accumulated extensive expertise, advanced technology, equipment and assets in their respective areas of operation. Following the Merger and the Reorganization, we have inherited from CCCG the core businesses and assets of the CHEC Group and the CRBC Group, and are well positioned to further expand operations and increase profitability through consolidating the different businesses and realizing synergies created through the Merger and the Reorganization.

In 2003, 2004 and 2005, our turnover was approximately RMB48.5 billion, RMB65.9 billion and RMB83.3 billion, respectively, representing a compound annual growth rate of 31.1%; and our profit attributable to equity holders of the Company was approximately RMB435 million, RMB1.1 billion and RMB2.2 billion, respectively. For the six months ended June 30, 2006, our turnover was approximately RMB47.2 billion and our profit attributable to equity holders of the Company was approximately RMB1.1 billion. The following table sets forth the amount and percentage of our total turnover for each of our four core businesses and our other businesses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2003		2004		2005		2005		2006	
	RMB	%	RMB	%	RMB	%	RMB (unaudited)	%	RMB	%
	(in millions, except for percentages)									
Infrastructure Construction Business	33,119	*67.6*	44,863	*67.5*	54,723	*64.9*	21,150	*61.3*	28,845	*60.4*
Infrastructure Design Business	2,150	*4.4*	3,416	*5.1*	4,441	*5.3*	1,616	*4.7*	2,360	*4.9*
Dredging Business	4,134	*8.4*	5,051	*7.6*	6,823	*8.1*	3,211	*9.3*	5,017	*10.5*
Port Machinery Manufacturing Business	5,982	*12.2*	8,778	*13.2*	13,947	*16.5*	6,477	*18.8*	9,041	*19.0*
Other Businesses	3,609	*7.4*	4,344	*6.6*	4,409	*5.2*	2,034	*5.9*	2,494	*5.2*
Subtotal	48,994	*100.0*	66,452	*100.0*	84,343	*100.0*	34,488	*100.0*	47,757	*100.0*
Inter-segment Elimination	(512)		(540)		(1,078)		(480)		(570)	
Total	48,482		65,912		83,265		34,008		47,187	

COMPETITIVE STRENGTHS

We believe that our historical success and future prospects are underpinned by our competitive strengths, including:

We are a recognized leader in China's transportation infrastructure industry and a global leader in the dredging industry and in the port machinery manufacturing industry.

We are a leading transportation infrastructure group in China with a proven operating history and established brand recognition. Our extensive operational experience over a diverse range of projects over the last 50 years has provided us with in-depth industry knowledge and strong technical capabilities. We have developed a diversified and loyal customer base through our track record of providing high quality products and services on time and within budget.

We are a leader in each of our four core business areas.

- We are the largest port design and construction company and a leader in road and bridge design and construction in China. We have designed and constructed nearly all of China's existing major coastal port works and participated in a number of China's road, bridge and tunnel design and construction works.
- We are the largest dredging company in China and were ranked the third largest globally based on dredging capacity in 2005, according to the latest report by the Chinese Dredging Industry Association. We have been involved in most of the major dredging and reclamation works along China's coastline.
- We are the largest manufacturer of port container cranes in the world, and our subsidiary, ZPMC, has established a well-recognized brand in the global port machinery industry over its 14 years history. According to an annual survey by World Cargo News.

ZPMC accounted for approximately 74% of the global quayside container crane market share in terms of units ordered in the 12 months ended June 2006.

In addition, we have gained operating experience and established a footprint internationally from our participation in many port, road and bridge construction and dredging projects outside China over the past 20 years. We believe our leading market position in China and our established international presence will continue to support our future growth.

We are well positioned to capture attractive opportunities in China's rapidly growing transportation infrastructure industry.

China's transportation infrastructure industry has been growing at a rapid pace and the growth is expected to continue in the near future, driven primarily by three factors:

- strong economic growth in China: China has one of the fastest growing economies in the world, having experienced a compound annual growth rate of 9.8% in its GDP between 2001 and 2005;
- high growth in China's import and export trade; and
- accelerated urbanization in China and continued development of the less economically developed regions, which further enhances the level of infrastructure, transportation and trade activities.

Realizing the importance of developing transportation infrastructure in order to sustain the country's economic growth, the PRC government has announced a budget of RMB3.8 trillion for transportation infrastructure projects, including roads, bridges, ports and railways, in its Eleventh Five Year Plan. According to the plan, during 2006-2010, China will:

- build 639 new deepwater berths and 101 intermediate berths in coastal ports to increase total throughput by approximately 2.1 billion tons;
- construct 380,000 kilometers of roads including 24,000 kilometers of expressways;
- improve 5,200 kilometers of navigation channels; and
- invest approximately RMB1,250 billion in 19,800 kilometers of new railway construction.

These planned projects represent significant market opportunities for us. As a leading national transportation infrastructure group, we are well positioned to capture the opportunities presented by the high growth of China's transportation infrastructure market. As at June 30, 2006, we had a strong backlog amounting to approximately RMB140.7 billion.

Our integrated business and economies of scale allow us to realize synergies across our businesses to achieve enhanced market share and profitability.

We are able to provide a full range of integrated services and products across different phases of a project from design to construction. We also provide complementary services and products such as dredging and port machinery. Our business creates an operating scale that represents one of the largest in China, enabling us to maximize our economies of scale. Our integrated business allows us to coordinate marketing efforts across our different operations and provide customers with integrated solutions from initial planning and design, feasibility studies and surveys to project management, construction, construction supervision and maintenance and repair services, as well as provisions of dredging and reclamation services and port machinery required for port operations, at competitive prices. We believe our integrated business model and scale have well positioned us to capture the recent industry trend that larger and more complex projects tend to favor integrated service providers. As a result, our business model and scale not only reinforces our ability to win contracts for large and complex infrastructure projects, but also enhances our profitability. Our coordinated efforts in procuring advanced vessels and other equipment also allow us to increase our bargaining power with suppliers. Following the Reorganization, we have initiated a series of measures aimed at rationalizing and consolidating management functions across different businesses, which we believe, when completed, will allow us to better realize synergies among different businesses. We believe the combination of our intra-group synergies and the scale and scope of our operations enables us to further solidify our leading market position, expand our market share and increase our profitability.

We have advanced technologies, research and development capabilities and equipment.

We have advanced technologies, research and development capabilities and equipment that are superior to most of our competitors in China. Examples of our technologies, research and development capabilities and advanced equipment include the following:

- *Technologies.* Many of our subsidiaries in our Infrastructure Construction Business and Infrastructure Design Business have been appointed by the PRC government to draft national standards which we believe represents a recognition of our advanced technologies and leading industry position. In our Infrastructure Design Business, we have developed advanced technologies such as our GPS Aerial Survey and Highway CAD Integrated system. In our Dredging Business, we have developed an advanced Intelligent Dredging Monitoring and Control and Computer-aided Decision Making System and have applied this system on all of our major dredgers. ZPMC has also developed many technologies, collectively known as the New Generation Container Crane Critical Technologies, which can significantly increase container handling capacity.

- *Research and development capabilities.* We have 10 state-level design institutes, two state-level research and development centers, one state-level key research laboratory specializing in dredging technologies and four key design laboratories that we believe possess leading design capabilities for transportation infrastructure in China. In our Infrastructure Construction Business and Infrastructure Design Business, we have won more than 120 national prizes in the field of engineering construction, research and design, including ''National Prize for Technical Progress'', ''China Construction Project Luban Award'', ''China Civil Engineering Zhantianyou Award'', ''National High Quality Prize''. In our Port Machinery Manufacturing Business, we have a team of approximately 1,200 engineers engaged in mechanical, electrical and hydraulic design which is one of the most experienced designing teams in the global crane manufacturing industry.

- *Advanced equipment.* Our Dredging Business owns the largest and the most advanced dredger in China, which is a trailing suction hopper dredger with a capacity of approximately 13,000 cubic meters. In addition, our Dredging Business owns 21 trailing suction hopper dredgers with individual hull capacity of over 4,500 cubic meters, including five with individual hull capacity of over 10,000 cubic meters, and 10 cutter suction dredgers with individual capacity of over 7,000 kw, including three with individual capacity of over 10,000 kw. In our Port Machinery Manufacturing Business, ZPMC is the only port machinery manufacturer in the world that owns a fleet of 14 ships specially designed for shipping port machinery in a fully assembled state. In addition, our Infrastructure Construction Business owns large-scale advanced port, road and bridge, and railway construction equipment.

In general, we believe our advanced technologies, research and development capabilities and equipment will continue to serve as a strong basis for us to win and perform contracts for the largest and most challenging projects.

Our management and technical teams have extensive experience in the transportation infrastructure industry.

Our senior management team and key technical personnel have extensive management skills, operating experience and industry expertise. With an average of over 15 years industry experience, our management team has extensive knowledge of the transportation infrastructure industry. Many of our senior managers sit on the executive council of their respective industry associations. Our workforce includes a number of the most distinguished scientists and engineers, including three members of the Chinese Academy of Engineering, one National Reconnaissance Master and 12 National Design Masters. We believe that the combination of our management and technical teams' collective experience and knowledge of the transportation infrastructure industry, together with our highly qualified employees, have been, and will continue to be, a solid foundation to our success.

BUSINESS STRATEGIES

We aim to become one of the world's leading transportation infrastructure groups. To achieve this, we intend to implement the following strategies:

Enhance our leading position in China's transportation infrastructure market.

We are a leader in China's transportation infrastructure industry. We plan to maintain and enhance this leading position through various measures, including, among other measures:

- *Further integrating and consolidating our businesses.* We intend to continue to integrate and consolidate our business and enhance the scale and scope of our operations, which we believe will enable us to further solidify our leading market position, expand our market share and increase our profitability.
- *Purchasing high-capacity and high-efficiency operating equipment.* The transportation infrastructure industry that we operate in is capital intensive and most projects are time critical, and our growth and success depend to a large extent on the specialized equipment that we own. We plan to continue to purchase high-capacity and high-efficiency equipment. See ''Future Plans and Use of Proceeds''.
- *Further expanding port machinery production capacity and strengthening our world dominant market position.* We intend to exploit ZPMC's highly successful platform to further strengthen our market position in this business. We plan to further invest in expanding our production facilities. We also intend to invest further in advanced manufacturing equipment to increase our market shares in large steel structure and other heavy marine machinery markets, beyond our primary container crane market.

Further expand offerings of high-margin and high-value added products and services and selectively enter into new markets.

In addition to our existing businesses, we intend to expand our products and services offerings by further penetrating high margin and complementary markets in the transportation infrastructure industry. We plan to focus on large scale and complex projects, which we believe will provide higher profit margins than smaller projects and will allow us to better deploy our advanced technologies and provide integrated solutions across different phases of a project. We also intend to extend our services value chain by providing integrated solutions to our customers in the form of DB, EPC, PMC and PPP contracts. In addition, we plan to further penetrate complementary markets including the design and construction of railways, airports and other urban civil works. We believe that these markets present significant growth potential in China and that our existing expertise, equipment and technology are readily applicable to these markets. Furthermore, we plan to selectively expand our overseas businesses by utilizing the combined overseas capacity, experience and presence of the CHEC Group and CRBC Group to participate in larger and more complex international projects.

Capture growing opportunities for profitable transportation infrastructure BT and BOT projects.

We believe that an increasing number of transportation infrastructure projects will be completed on a BT or BOT basis in the coming years. BT and BOT projects generally provide better returns because of the contractor's increased ability to control project costs. BOT projects also offer the possibility of attractive return on investment and stable cash flows to the contractor. We intend to selectively undertake BT and BOT projects and expand our operating know-how in this area accordingly.

Continue to focus on and improve productivity and operational efficiency.

We believe the merger between CHEC Group and CRBC Group will lead to greater competitive advantages for our merged company. Our operations will continue to benefit from management's ongoing initiatives designed to improve productivity and operational efficiency. We intend to optimize our asset mix, allocation and utilization to achieve better returns on our assets. We also plan to improve employee productivity through well-planned training programs specially designed for employees with different roles and responsibilities, and link employee performance with career development and compensation. We plan to invest in state-of-the-art management information systems across our various businesses to manage our domestic and international operations and facilitate the sharing of expertise and information among all of our operating entities more efficiently. We also intend to dedicate additional financial and other resources to our research and development activities to maintain our leading position in technology and production innovations.

Enhance profitability by implementing effective and on-going cost reduction initiatives.

We plan to further increase our profitability through the following on-going cost reduction initiatives:

- *Improving cost structure from continued focus on technology upgrade and maintenance programs.* We intend to continue to focus on improving and upgrading our operating facilities and technologies and streamlining our operational processes to achieve savings in fuel cost, repair and maintenance costs and other operating costs.

- *Minimizing exposure to raw material price volatility through various measures.* To minimize our exposure to raw material price volatility, we plan to proactively seek ways to secure stable supply of raw materials as well as manage rising costs. We may enter into favorable long-term supply contracts for key raw materials with certain suppliers that offer acceptable prices. We also intend to leverage our size and purchasing power to ensure that we have access to key materials at the best pricing and delivery schedule.

- *Improving capital structure to reduce financing cost.* We plan to continue to improve our capital structure to fund our operations and capital expenditures in order to achieve additional cost efficiency and financial flexibility.

OUR BUSINESSES

Infrastructure Construction Business

Overview

We are the largest port construction company and a leader in road and bridge construction in China, in terms of total construction contracting revenues. Through our Infrastructure Construction Business, we are engaged in:

- *port construction*: we have designed and constructed nearly all of China's existing major coastal port works. We also construct other marine facilities such as waterways and shipyards; and
- *road and bridge construction*: we are a leading road and bridge constructor in China having participated in many of the most complex and largest road and bridge construction projects in China. We also construct tunnels and roadside facilities.

In addition to ports, roads and bridges, we also construct airport runways, elevated light rails, subways and other infrastructure projects. We have built runways at various major airports, including the Beijing Capital International Airport, the Shanghai Pudong International Airport, the Shanghai Hongqiao Airport, the Jinan Yaoqiang Airport and the Xi'an Flight Test Center. We have also participated in the construction of a subway system in Guangzhou and an elevated rail system in Tianjin.

We conduct infrastructure construction work both within China and in a number of foreign countries. Our overseas infrastructure construction work is primarily conducted through two of our subsidiaries, China Harbour Engineering Company Limited and China Road and Bridge Company Limited. See ''— Overseas Operations'' for more information on our overseas infrastructure construction operations.

For the six months ended June 30, 2006, our Infrastructure Construction Business generated turnover of RMB28.8 billion, accounting for approximately 60.4% of our total turnover before elimination of inter-segment transactions. In addition, as at June 30, 2006, we had a backlog of RMB94.0 billion of infrastructure construction contracts. During the three years ended December 31, 2005 and the six months ended June 30, 2006, we experienced certain project cancellations or scope adjustments due to our clients' change of plan, which is not uncommon in the construction industry. We did not experience, however, any material adverse financial impact from these project cancellations or adjustments. See ''Risk Factors — Risks relating to our business and the industries in which we operate — If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may incur lower than anticipated profits or incur losses on the contracts''. The table below summarizes key financial information for the Infrastructure Construction Business for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
Turnover (RMB millions)	33,119	44,863	54,723	28,845
Turnover as a percentage of Group turnover before elimination of inter-segment transactions	67.6%	67.5%	64.9%	60.4%
Segment result (RMB millions)	708	766	941	624
Segment result as a percentage of operating profit before elimination of inter-segment transactions and unallocated cost	38.4%	28.9%	24.1%	24.6%

We believe that an increasing number of transportation infrastructure projects in China have been executed on a BT or BOT basis. BT or BOT contracts normally involve the construction of an assets as required by the client, with partial or total financing arrangements provided by the contractors. BOT contracts also require the contractor to construct, operate and maintain the assets over a pre-defined period (known as the ''Concession Period'') at its own expense. In return for financing the cost of constructing the project the contractor is granted a right to collect revenues from the end users of the assets during the Concession Period through a pre-defined mechanism. BT and BOT projects generally provide better returns because of the contractor's enhanced ability to control project costs. BOT projects also offer the possibility of attractive return on investment and stable cash flows to the contractor. We intend to selectively undertake BT and BOT projects and expand our operating know-how in this area accordingly. We have won a number of BT and BOT contracts. All of these projects are currently at the construction phase.

Our Infrastructure Construction Operation

Port Construction

We are the largest port construction contractor in China. We hold each of the only three top-tier qualification certificates granted by the Ministry of Construction for conducting port construction work in China. In the past 50 years, we have designed and constructed nearly all major port works along China's coastline, including:

- container ports such as Shanghai Container Port, Shenzhen Container Port, Qingdao Container Port, Ningbo Container Port, Tianjin Container Port and Guangzhou Container Port, which are China's largest container ports and were among the world's top 25 container ports in throughput, with rankings up to the third quarter of 2005 of 3rd, 4th, 13th, 14th, 15th and 16th, respectively;
- bulk cargo ports such as the Shanghai Port, the Ningbo Port, the Guangzhou Port, the Tianjin Port, the Qingdao Port, the Qinhuangdao Port, the Dalian Port and the Shenzhen Port; and
- special cargo ports (for commodities including oil, gas, chemicals, coal, minerals and grain) such as Caofeidian Mineral Port, Shanghai LNG port, Shenzhen LPG Port, Rizhao Mineral Port, Weihai Oil Port, Qinhuangdao Coal Port, Dalian Grain Port, Shanghai Luojing Port, Huanghua Coal Port, and Guangdong Shantou LPG Port.

In addition to ports, we also build other marine facilities such as inland and coastal waterways, docks and offshore structures.

The table below shows some of the port construction projects that we were engaged in as at June 30, 2006.

Project	Project Commencement Date	Expected Project Completion Date	Aggregate Contract Value[(1)] (RMB millions)	Description[(2)]
Shenzhen Yantian Port Construction	September 2002	February 2010	3,451.7	The construction of an international container terminal for Shenzhen Yantian Port.
The Second Phase of Shanghai Yangshan Deepwater Port Construction	June 2004	December 2009	1,316.0	The construction of a large container terminal for Shanghai Yangshan Deepwater Port.
Yingkou Bayuquan Port Construction	May 2003	December 2009	1,040.6	The construction of an all purpose terminal, a coal terminal, five container terminals and five bulk terminals for Yingkou Bayuquan Port.

Project	Project Commencement Date	Expected Project Completion Date	Aggregate Contract Value(1)	Description(2)
			(RMB millions)	
The Second Phase of Shanghai Luojing Port Construction	June 2005	February 2007	652.6	The construction of nine large bulk terminals with an expected annual throughput of approximately 49.1 million tons.
Jialingjiang Caojie Navigation-Power Junction Construction	November 2005	May 2009	532.7	Ship lock construction and the metal work installation of the Jialingjiang Caojie navigation-power junction.

(1) Aggregate contract values stated herein relate to the actual contract values as stated in the respective contract(s) we have entered into.

(2) Project descriptions set out herein are general in nature, are for information purposes only and, in some instances, refer to a project in respect of which we are only involved for certain parts thereof.

Road and Bridge Construction

We are one of the largest road and bridge contractors in China, having participated in many of the most complex and largest road and bridge construction projects in China. We hold six top-tier main contractor qualifications in road construction and specialize in high-grade road construction, including expressways and first class highways. In bridge construction, we have extensive experience in building cable stayed bridges, suspension bridges and bridges that span across seas, particularly in bridges with a main span of over 1,000 meters. We have completed seven suspension bridges and cable stayed bridges with a main span of over 1,000 meters, including the two longest suspension bridges in China. We also build tunnels and roadside facilities. Examples of our past road and bridge projects in which we participated include:

- **Beijing Capital Airport Expressway.** This is a 18.7 kilometer, dual three-lane expressway. It was completed in December 1993.

- **Ningxia Expressway.** This 182-kilometer expressway is the first expressway in the southern mountainous region in the Ningxia Autonomous Region, and the main south-to-north transport line of the Ningxia Autonomous Region. It was completed in December 2005.

- **Donghai Bridge.** This 31-kilometer bridge is China's first completed sea bridge. It is a critical link to the strategic Shanghai Yangshan Deepwater Container Port and serves as a major transport line in the developed Yangtze River Delta area. It was completed in May 2005.

- **Runyang Yangtze River Bridge.** This 35.7-kilometer bridge is the first bridge across the Yangtze River that consists of cable-stayed and suspension sections, with a main span of 1,490 meters. At the time of completion in April 2005, this bridge was the longest in China and the third longest in the world.

- **The Third Yangtze River Bridge of Nanjing.** This 15.6-kilometer bridge is a twin-pylon double plane cable-stayed bridge with a main span of 648 meters. It was completed in October 2005.

The table below shows some of the road and bridge construction projects that we were engaged in as at June 30, 2006.

Project	Project Commencement Date	Expected Project Completion Date	Aggregate Contract Value[(1)]	Description[(2)]
			(RMB millions)	
The IIIA,IV-VII sections of Hangzhou Bay Sea Bridge	March 2004	December 2007	2,813.1	With a total length of 36 kilometers, it will be China's longest sea bridge and also the largest of its kind in the world when completed.
Guangxi Majiang-Wuzhou Expressway	August 2005	January 2009	2,553.8	With a total length of 71.2 kilometers, it includes four bridges and 7 tunnels.
Enshi (Jixin)-Lichuan (Yuquankou), Yichang Enshi and Fenshuiling-Zhong County Section of Hurong National Trunk Expressway	July 2004	May 2008	2,322.3	Involves the construction of 44.6 kilometers of the expressway including 30 bridges and three culverts.
Sutong Bridge	October 2003	March 2008	2,227.5	With 1,088 meters' main span, it is expected to be the longest cable-stayed bridge in the world when completed.
Section B2, B5, B7 of Yangtze River Crossing in Shanghai Chongming	August 2005	May 2009	1,862.4	With a total length of 25.5 kilometers, Chongming Yangtze River Crossing is a combination of a 15.2 kilometers tunnel and a 10.3 kilometers bridge, which is the largest of its kind in the world.

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(2) Project descriptions set out herein are general in nature, are for information purposes only and, in some instances, refer to a project in respect of which we are only involved for certain parts thereof.

Railway Construction

We commenced our railway construction business in 2005 when the PRC government granted certain approved construction companies with top-tier qualifications access to the railway construction market. By leveraging on our experience in infrastructure construction and also by acquiring talented railway technical staff, we have been developing our expertise in railway construction accordingly. Currently, among our other railway construction projects, we are engaged to construct a 166-kilometer section of a railway from Taiyuan to Zhongwei, which has a contract value of approximately RMB5.7 billion.

Given the PRC government's significant amount of planned investment in railway network construction for the coming years, we plan to further commit our resources to the railway construction business to further develop our presence in that market, which we believe represents attractive revenue and profit generation opportunities.

Facilities and Equipment

We have the following prefabrication plants for the manufacturing of various prefabricated components commonly used in our construction work, including pre-cast piles, pre-cast concrete components and PHC pipe piles. These prefabrication plants are strategically located in the Yangtze River Delta region and the Pearl River Delta region, two of the most economically active regions in China. We are able to quickly and cost-efficiently deliver prefabricated components from these plants to our construction sites within the vicinity of these plants.

Location	Total Floor Area (square meters)	Main Products
Jiangmen, Guangdong Province	320,823	concrete pipe pile, PHC pipe pile, concrete beam-slabs and steel structures
Ningbo, Zhejiang Province	180,000	concrete and steel components
Nanjing, Jiangsu Province	150,588	cement or concrete components, steel structures and components
Dongguan, Guangdong Province	143,415	pre-cast concrete and prestressed or non-prestressed reinforced concrete components
Shanghai Pudong Area, Shanghai	113,666	prestressed square pipe, PHC pipe pile and precast concrete components

In addition, we utilize the following key equipment for our infrastructure construction work.

Categories	Quantity	Designed capacity
Floating cranes	38	25 – 2,600 tons
Piling vessels	33	31 – 93 meters (the range for the height of pile frame)
Floating mixers	28	12 – 160 cubic meters per hour
Levelling vessels	2	16 meters leveling width

Once every five years we formulate a purchasing blueprint setting out our overall purchasing strategy for our Infrastructure Construction Business. We also prepare a detailed purchasing plan on an annual basis. In developing and implementing our purchasing blueprints and annual purchasing plans, we consider a number of factors, such as our projected work profile, the existing utilization rate of our equipment and vessels, the compatibility of the equipment and vessels with our work methods, and the existing and estimated cost of repairs and renovations.

Industry Trend and Our Competitive Position

The PRC construction industry is highly fragmented. Industry participants primarily include state-owned enterprises. There are also a small number of private companies and international market participants. The number of state-owned enterprises is declining rapidly as a result of the PRC government's plan of privatizing small and medium size state-owned enterprises. In addition, the industry is currently experiencing a trend of consolidation whereby smaller enterprises with less advanced technology and less capital resources tend to be acquired by larger companies. Meanwhile, a few major international market participants have recently started to develop a presence in China. However, due to regulatory restrictions against foreign companies' participating in certain types of construction projects, competition posed by international market participants is not yet significant.

The development of the construction industry involves larger and more complicated projects. As a result, the types of construction project contracts are also evolving. Rather than traditional construction contracts, more projects are now offered through DB, EPC, PMC, PPP, BT and BOT contracts. These new types of contracts favor large companies with integrated service capabilities and often offer higher returns than traditional construction work contracts.

We face intense competition in our Infrastructure Construction Business. In the port construction business, we are the largest port constructor in China, having constructed nearly all major ports along China's coastline, and we hold the only three top-tier qualification certificates granted by the Ministry of Construction for conducting port construction work. In the road and bridge construction business, however, competition is more intense, and our competitors primarily include national-level state-owned enterprises that have large capacities and advanced technologies, while there are also municipal-level state owned companies and various privately owned enterprises in the market.

Competitive factors in the infrastructure construction market include ability to deliver on time, experience, technology, work quality and equipment resources. Compared with our domestic competitors, we believe we have competitive advantages over most of them on virtually all these factors.

Infrastructure Design Business

Overview

We are the leading port, road and bridge design company in China in terms of design revenue. We provide consulting and planning services, feasibility studies, designs, engineering consulting and technical studies, project management, project supervision, construction and other services. The PRC government has also designated us to draft infrastructure development related plans, technical standards and engineering specifications, and to conduct inspection on infrastructure projects. In addition to ports, roads and bridges, we also design other infrastructure projects including civil work projects, airports, and sewage and water treatment facilities. We conduct infrastructure design work both within China and in a number of foreign countries and regions.

For the six months ended June 30, 2006, our Infrastructure Design Business generated turnover of approximately RMB2.4 billion, accounting for approximately 4.9% of our total turnover before elimination of inter-segment transactions. In addition, as at June 30, 2006, we had a backlog of approximately RMB8.3 billion of infrastructure design contracts. The table below summarizes key financial information for the Infrastructure Design Business for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
Turnover (RMB millions)	2,150	3,416	4,441	2,360
Turnover as a percentage of Group turnover before eliminations for inter-segment transactions	4.4%	5.1%	5.3%	4.9%
Segment results (RMB millions)	329	587	716	343
Segment results as a percentage of operating profits before elimination of inter-segment transactions and unallocated cost	17.9%	22.2%	18.4%	13.5%

Our Infrastructure Design Operation

Port Design

We are the largest provider of port design services in China. Over the past 50 years, our Infrastructure Design Business has designed nearly all of the existing major ports along China's coastline.

Because of our leading technical capacity and proven project track record, the Ministry of Communications has appointed us to prepare a number of national waterway development plans and port feasibility studies, including the ''National Major Hydro-junction Layout Plan of Water Transportation'', the ''National Main Artery Layout Plan of Water Transportation'', the ''National Main Port Junctions Overall Layout Plan'' and the ''National Coastal Ports Overall Layout Plan''. We have also drafted approximately 40 national port construction and engineering standards and specifications, including the ''Design Code of General Layout for Sea Ports'', the ''Code of

Earthquake Resistant Design for Water Transport Engineering'', the ''Design Code for Hydro-junction General Layout of Civilization Works'', the ''Unified Standards for Structural Reliability Design for Port Engineering'' and the ''Code for Soil Foundation of Port Engineering''.

The table below shows some of the port design projects that we were engaged in as at June 30, 2006.

Project	Project Commencement Date	Expected Project Completion Date	Aggregate Contract Value(1)	Description(2)
			(RMB millions)	
Guangzhou Crude Oil & Petrochemical Product Terminal	June 2005	January 2007	270.0	An EPC project. We are responsible for the design, material procurement, construction and overall project management.
Wuhan WuGang Port Terminal Renovation	December 2005	March 2007	140.0	An EPC Project. We are responsible for the design, material procurement, construction and overall project management.
The Second Phase of Shanghai Luojing Port	December 2005	April 2007	84.8	We provide design services for the bulk terminals of this port.
The Second Phase of Shanghai Yangshan Deepwater Port	April 2005	December 2009	56.6	We are designing a terminal with a total length of 1,600 meters that includes five container berths.
Shenzhen Dachan Bay Terminal	December 2005	2010	26.7	We provide a package of design, construction and project management services.

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Road and Bridge Design

We are a leading provider of design services for roads and bridges in China. We specialize in the design of expressways, first class highways and large bridges. Representative highways and bridges in respect of which we had participated in the design of in the past include:

- **The Second Yangtze River Bridge of Nanjing.** Completed in March 2001, this project won the China Civil Engineering Zhantianyou Prize and the National Gold Prize for Excellent Engineering Project Design.
- **Jiangyin Yangtze River Bridge in Jiangsu Province.** Completed in August 1999, this project won the China Civil Engineering Prize and National Gold Prize for Excellent Engineering Project Design.
- **Tongling Yangtze River Bridge in Anhui Province.** At the time of its completion in December 1995, it was the longest twin-pylon double-plane cable-stayed bridge in China and the third in the world.
- **Beijing-Tianjin-Tanggu Expressway.** Completed in September 1993, this project won the China Civil Engineering Zhantianyou Prize, and China National Engineering Luban Prize.
- **Ge'ermu-Tanggula Mountain section, Qinghai-Tibet Highway.** This is a 602-kilometer highway of which 560 kilometers crosses frozen areas. Due to the high altitude, inclement weather and complicated geologic condition of the areas that it goes through,

the design and construction of this highway presented significant technical challenges. Completed in 1990, this project won the First Prize for Road Survey Excellence and the First Prize for Design Excellence in China.

The Ministry of Communications has appointed us to draft numerous national highway development plans and highway feasibility studies, including the ''Master Plan for the Development of Major Highway Transport Hubs in China'' and the ''Master Plan for the Layout of the National Trunk Highway System''. We have also drafted, at the request of the Ministry of Communications, a number of national specifications for the design and construction of highways and bridges, including the ''Specifications for the Design of Highway Asphalt Pavements'', the ''Specifications for the Design of Highway Cement Concrete Pavements'' and the ''Uniform Standard for the Reliability Design of Highway Works and Structures''.

The table below shows some of the road and bridge design projects that we were engaged in as at June 30, 2006.

Project	Project Commencement Date	Expected Project Completion Date	Aggregate Contract Value(1)	Description(2)
			(RMB millions)	
Hangzhou Bay Sea Bridge	December 2001	December 2007	98.7	The bridge, with a total length of 36 kilometers, is expected to be the longest sea bridge in the world when completed.
Qingyuan-Lianzhou Road Reconstruction	September 2005	September 2008	89.2	Involves two sections of the Qingyuan-Lianzhou Road reconstruction and upgrade from first class highway to expressway.
Luoyang-Nanyang Expressway	June 2005	June 2010	75.5	We are responsible for the design of two sections of the Luoyang-Nanyang Expressway. One section is 59.0 kilometers long, while the other section is 97.6 kilometers long.
Zhoushan Islands Ningbo Coastal Link: Xihoumen Bridge	May 2003	May 2007	36.9	This suspension bridge, with a main span of 1,650 meters, is expected to have the second longest main span in the world when completed.
Nanjing Raoyue Highway (Southeast part)	February 2004	September 2007	23.6	Nanjing Raoyue Highway (Southeast part) is an important part of Shanghai-Chengdu national highway trunk line. It is 49.9 kilometers long and 35 meters wide.

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(2) Project descriptions set out herein are general in nature, are for information purposes only and, in some instances, refer to a project in respect of which we are only involved for certain parts thereof.

Technical Personnel and Laboratories

We believe we have the strongest design capabilities among all transportation infrastructure design service providers in China, based on our highly qualified personnel, key research laboratories and systems, and technologies. We have 10 top-tier design institutes, and four key research laboratories specializing in geotechnical engineering, bridge and tunnel construction technique, structural engineering and construction materials. We also employ three members of the Chinese Academy of Engineering, one National Reconnaissance Master and 12 National Design Masters. Our design staff specialize in a wide range of engineering areas, including marine structure design, civil structure design, mechanical and electrical engineering, control system design and water supply and drainage engineering. The skills and diversity of our design team allow us to cater to the needs of our clients efficiently.

Industry Trend and Our Competitive Position

We believe there is a trend towards consolidation of services in the transportation infrastructure design market in China. Increasingly sophisticated projects require a combination of specialized skills and experiences which smaller, non-diversified firms may not be able to provide individually. In addition, the requirements of large projects often favor larger firms or groups of firms that can offer a wide range of services and have greater financial resources. As a result, acquisitions, joint ventures, consortia and other forms of alliances have become more common.

In the port design sector, we believe we are the dominant player in China. In the road and bridge design sector, however, the competition is more intense and the market is more fragmented with substantially more participants in this sector, and our main competitors are the design and engineering arms of state-owned contractors. Key competitive factors in the transportation infrastructure design market include qualified personnel, technologies, experience and price. We believe that our high level of qualification certification, our technical capabilities and our experienced design staff allow us to win transportation infrastructure design projects in China over our competitors, particularly for large-scale or complex projects.

Dredging Business

Overview

We are the largest dredging company in China and were ranked the third largest globally based on dredging capacity in 2005 according to the latest report by the Chinese Dredging Industry Association. According to the same report, our fleet had an annual dredging capacity of 265 million cubic meters in 2005, which accounted for approximately 50% of the total dredging capacity in China during the same period.

Through our three wholly-owned subsidiaries, Tianjin Dredging Co. Ltd., Shanghai Dredging Co. Ltd. and Guangzhou Dredging Co. Ltd., we are primarily engaged in providing the following four types of dredging services:

- capital dredging, which refers to the initial dredging work required in the construction of ports to establish appropriate water dimensions for navigation channels;
- maintenance dredging, which refers to the regular removal of sediments that have accumulated at the bottom of the dredged channels to ensure that the channels continue to provide adequate dimensions for large vessels;
- reclamation dredging, which involves pumping or otherwise transferring sand and gravel onto the sea shore or river bed nearby in order to raise the level of sea shore or river bed so as to increase the availability of land; and
- environmental protection dredging, which refers to the removal of contaminated sediments in order to improve water quality and restore the health of aquatic ecosystems.

We have been involved in most of the major dredging and reclamation works along China's coastline. Past dredging projects that we have completed include:

- **Yangtze River Mouth Deepwater Navigation Channel Regulation Project**. From 1998 to 2005, we have been involved in the capital and maintenance dredging of the deep waterway in the Yangtze River. The work we performed includes constructing dikes of a total of 100 kilometers in length, dredging the channel from a depth of 7 meters to 10 meters, and enlarging the width of the channel bottom to 350 to 400 meters. The channel as dredged is capable of providing all-weather two-way navigation for the third and fourth generation of container vessels and 100,000 DWT vessels;
- **Tangshan Caofeidian Steel Terminal Project**. A reclamation dredging project;

- **Pearl River Estuary Project.** A capital dredging for the estuary regulation; and
- **Hangzhou West Lake Project.** An environmental protection dredging project for the Hangzhou West Lake including silt removing and conduit dredging.

We have also completed numerous dredging and reclamation projects in various countries and regions. See ''— Overseas Operations'' for more information.

For the six months ended June 30, 2006, our Dredging Business generated turnover of approximately RMB5.0 billion, accounting for approximately 10.5% of our total turnover before elimination of inter-segment transactions. The table below summarizes key financial information for the Dredging Business for the periods indicated.

Dredging

	For the year ended December 31,			For the six months ended June 30
	2003	2004	2005	2006
Turnover (RMB millions)	4,134	5,051	6,823	5,017
Turnover as a percentage of Group turnover before elimination of intersegment transactions	8.4%	7.6%	8.1%	10.5%
Segment results (RMB millions)	341	458	540	453
Segment results as a percentage of operating profits before elimination of inter-segment transactions and unallocated cost	18.5%	17.3%	13.9%	17.8%

As at June 30, 2006, we had a backlog of approximately RMB11.8 billion of dredging contracts. The table below shows some of the dredging projects that we were engaged in as at June 30, 2006.

Project	Project Commencement Date	Expected Project Completion Date	Aggregate Contract Value[(1)]	Description[(2)]
			(RMB millions)	
Shanghai Yangshan Deepwater Port	April 2005	April 2009	2,159.4	Reclamation dredging.
Rizhao Port Oil Terminal	December 2005	June 2007	737.8	Port and waterway capital dredging.
Shenzhen Port Tonggu Waterway (Section III)	December 2004	June 2007	417.0	Waterway capital dredging.
Dalian Dayaowan Port (Phase III)	July 2004	June 2007	343.5	Port and waterway capital dredging.
Qingdao Qianwan Container Terminal	April 2005	December 2007	239.1	Port capital dredging.

(1) Contract values stated herein relate to the actual contract values as stated in the respective contract(s) we have entered into.

(2) Project descriptions set out herein are general in nature, are for information purposes only and, in some instances, refer to a project in respect of which we are only involved for certain parts thereof.

Facilities and Equipment

The dredging industry is highly specialized and capital intensive. A dredging company's operation depends heavily on its dredging equipment. Our fleet of dredgers, material barges and other specialized equipment is the largest and the most diverse in China. There are three principal types of dredging equipment: trailing suction hopper dredgers, cutter suction dredgers and mechanical dredgers.

- ***Trailing Suction Hopper Dredgers.*** Trailing suction hopper dredgers are typically self-propelled and have the general appearance of an ocean-going vessel. The dredger has hollow hulls, or ''hoppers'', into which material is suctioned hydraulically through drag-arms and deposited. Once the hoppers are filled, the dredger sails to the designated disposal site and either bottom-dumps the material or pumps the material from the hoppers through a pipeline to the designated site. Hopper dredgers can operate in rough waters, are less likely to interfere with ship traffic than other types of dredgers and can move quickly from one project to another. Our fleet of dredgers include 38 hopper dredgers with a total hopper capacity of approximately 180,000 cubic meters, of which five have individual hopper capacity exceeding 10,000 cubic meters and 21 have individual capacity of over 4,500 cubic meters.

- ***Cutter Suction Dredgers.*** Cutter suction dredgers remove material using a revolving cutterhead which cuts and churns the sediment on the ocean floor and hydraulically pumps the material by pipe to the disposal location. These dredgers are very powerful and can dredge some types of rock. Certain materials can be directly pumped as far as seven miles with the aid of a booster pump. Cutter suction dredgers work with an assortment of support equipment, which help with the positioning and movement of the dredger, handling of the pipelines, and the placement of the dredged material. Our fleet of dredgers include 29 cutter suction dredgers with a total capacity of over 149,500 kw, of which three have individual capacity of over 10,000 kw and 10 have individual capacity exceeding 7,000 kw.

- ***Mechanical Dredgers.*** We have three types of mechanical dredgers: grab dredgers, dipper dredgers and bucket dredgers. In all cases, the dredger uses a grab or bucket to excavate material from the ocean floor. The dredged material is placed by the bucket into material barges, or ''scows'', for transport to the designated disposal area. The scows are emptied by bottom-dumping, direct pump-out or removal by a crane with a bucket. Mechanical dredgers are capable of removing hardpacked sediments and debris and can work in tight areas such as areas along docks or terminals. Mechanical dredgers with specialized buckets are ideally suited to handle material requiring controlled disposal. Our fleet of dredgers includes 20 mechanical dredgers.

Combined, our fleet had an annual dredging capacity of 265 million cubic meters in 2005, making it the largest fleet in China and which accounted for approximately 50% of the total dredging capacity in China during the same period according to the Chinese Dredging Industry Association. We are able to deploy our fleet in response to changes in demand in different markets.

We have a state-level key research laboratory specializing in dredging technologies. We have developed a series of advanced dredging technologies, including the Intelligent Dredging Monitoring and Control and Computer-aided Decision Making System, which have been applied on all of our major dredgers. These systems enable us to dredge precisely and have significantly increased our dredging operation efficiency.

As at June 30, 2006, the average age of our trailing suction hopper dredgers was 23 years, and the average age of our cutter suction dredgers was 19 years and the average age of our mechanical dredgers was 22 years. We have established a repair and maintenance system involving monthly inspection to ensure safe and efficient use of our dredgers and thereby also reduce unscheduled downtime. We are also committed to regular maintenance, which we believe is reflected in the long lives of most of our equipment and our low level of unscheduled downtime on jobs. Under this system, we conduct an inspection of our vessels on a monthly basis and prepare a monthly repair and maintenance plan based on the inspection.

We continuously seek to upgrade and expand our dredging fleet through new purchases and conversion and renovation of our existing vessels so as to optimise our overall fleet structure to better respond to the demand of the Chinese dredging market. We also lease dredgers from third parties from time to time when we experience capacity constraints. In the next five years, we plan to add to our fleet four trailing suction hopper dredgers with a total hopper capacity of 72,000 to 77,000 cubic meters, and three cutter suction dredgers with a total capacity of approximately 47,000 kw.

Industry Trend and Our Competitive Position

The dredging industry is capital intensive, requires highly specialized equipment, and has high barriers of entry. Dredging service providers in China include primarily two groups. The first group, including us, is primarily engaged in the dredging of marine navigation channels along the coastline and accounts for approximately 60% of the total domestic dredging capacity. The other group is primarily engaged in the dredging of inland lakes and rivers. In addition to state owned dredging companies, there are also a number of privately-owned enterprises that currently possess limited dredging capacity but are growing rapidly. Together, there are close to 100 dredging companies in China, but a few large companies, including us, dominate the market.

Due to a tight capacity in the Chinese dredging industry, domestic dredging companies are seeking to expand capacity and upgrade technologies. We expect the on-going investment in port construction in China to generate an increasing demand for capital and maintenance dredging along the coastline. In addition, with the development of industrial areas surrounding the ports and coastal cities, the increasing requirement for water conservancy, flood control and environmental protection, we expect the demand for reclamation dredging and environmental protection dredging to grow as well. The international dredging market has been developing rapidly in recent years, especially in the Middle East, driven by the global economic recovery and infrastructure development.

We face competition from both domestic and international market participants. Domestically, we face competition primarily from other domestic dredging companies. Internationally, we face competition from the four leading dredging companies in the world, namely Boskalis and Van Oord of the Netherlands and Deme and Jan De Nul of Belgium.

The competitive factors in the dredging industry include ability to deliver on time, capacity, technology, experience and price. Compared with our domestic competitors, we enjoy competitive strengths in capacity, technology, experience and reputation. Some of the privately owned dredging companies may have more flexible operating structures that allow them to respond quickly to changing market conditions. However, due to their lack of scale, we believe they currently pose limited competition to us. While some of our international competitors may have advantages over us in terms of management systems and resources, we compete favorably on price.

Port Machinery Manufacturing Business

Overview

We are the largest manufacturer of container cranes in the world in terms of units ordered. We also manufacture other types of port machinery including bulk material handling machinery, heavy marine crane machinery and large-scale steel structures. We conduct our Port Machinery Manufacturing Business primarily through ZPMC and SPMP.

ZPMC has established a well-recognized brand in the global port machinery industry over its 14 years of history. It is now the largest container crane manufacturer in the world. According to a survey by World Cargo News, ZPMC accounted for approximately 74% of the global quayside container crane market share in terms of units ordered in the 12 months ended June 2006. Its port machinery products are widely used in over 100 ports in 53 countries and regions around the world. ZPMC is a full service provider from designing to manufacturing to shipping and after-sale services. It is the only container crane manufacturer in the world that owns a fleet of specialized vessels capable of shipping fully assembled cranes. This enhances our competitive edge by lowering our manufacturing costs as we are able to utilize our own manufacturing base and also contributes to more timely delivery. ZPMC is a public company with A shares and B shares listed on the Shanghai Stock Exchange. As at September 30, 2006, ZPMC had a total market capitalization of approximately RMB24.6 billion and net assets of approximately RMB5.3 billion. We own an approximately 43.3% controlling equity interest in ZMPC.

SPMP is our wholly-owned subsidiary, which focuses on manufacturing container cranes and bulk material handling machinery for the domestic market.

For the six months ended June 30, 2006, our Port Machinery Manufacturing Business generated turnover of approximately RMB9.0 billion, accounting for approximately 19.0% of our total turnover before elimination of inter-segment transactions in those periods. In addition, as at June 30, 2006, we had a backlog of approximately RMB26.3 billion of port machinery manufacturing contracts. The table below summarizes key financial information for the Port Machinery Manufacturing Business for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
Turnover (RMB millions)	5,982	8,778	13,947	9,041
Turnover as a percentage of Group turnover before eliminations for inter-segment transactions	12.2%	13.2%	16.5%	19.0%
Segment Result (RMB millions)	314	780	1,577	1,005
Segment result as a percentage of operating profits before elimination of inter-segment transactions and unallocated cost	17.0%	29.5%	40.4%	39.6%

Key Products and Services

Our Port Machinery Manufacturing Business designs, manufactures and sells the following key products, and provides shipping and after sales services relating to these products:

- ***Container cranes***: We offer quayside container cranes and gantry container cranes. Port terminals use quayside container cranes to load and unload containers to and from shipping vessels. Port terminals and container storage yards use gantry container cranes to stack and transfer cargo within the terminal or yard. Gantry container cranes are further classified into RTG cranes and RMG cranes. Ports require different types of cranes depending on the nature of the tasks, the size and type of vessels calling at the port, the kinds of cargo handled and the level of port throughput handled. We offer a comprehensive range of port cranes based on individual specifications and requirements of our customers. In particular, container crane products of ZPMC are among the most advanced in the world in terms of technical features such as hoist speed, crane boom outreach, lift height and load capacity. ZPMC designed and manufactured the world's first set of dual hoist quayside container crane that can handle twin 40 feet containers, and double trolley quayside container cranes that represent worldwide leading technology. In 2005, the sale of container cranes accounted for a substantial portion of the turnover from our Port Machinery Manufacturing Business.

- ***Bulk material handling machinery***: Our bulk material handling machinery products include primarily bulk material ship loaders and unloaders, as well as stackers and stacker-reclaimers. Bulk material ship loaders and unloaders are used for loading and unloading bulk cargo such as coal and grain on to and from shipping vessels. ZPMC is a leading manufacturer of bulk-material ship loaders and unloaders in China and is focused on the manufacturing of large and technologically sophisticated ship loaders and unloaders. Its bulk material handling machinery products have been sold to a number of countries and regions including Brazil, the United States, Morocco and France. SPMP's bulk material handling machinery include ship loaders and unloaders.

- ***Heavy marine crane machinery:*** Our heavy marine crane machinery products include floating cranes and structural components of oil and gas platforms. Floating cranes consist of engineering cranes fixed to specially designed vessels and are used in bridge and port construction as well as for loading and unloading cargo and equipment on to and off shipping vessels. ZPMC is currently manufacturing a 7,000 ton floating crane and has signed a contract to manufacture a 4,400 ton multiple-purpose fall-pipe vessel. We believe this is a market with significant potential.
- ***Large steel structures:*** ZPMC has exported large bridge structures to the United States and Canada, and supplied them for the Donghai Bridge in Shanghai, China. ZPMC holds the American Institute of Steel Construction (AISC) Certificate, which enables us to serve the U.S. steel structure market. It has recently entered into a contract to supply steel structures to be used in the San Francisco Bay Bridge in the United States. SPMP also manufactures large steel structures.

Operation Process

The operation process of our Port Machinery Manufacturing Business is largely as follows: first, we enter into a contract, primarily through public bidding. We then prepare resources, conduct technical design, procure raw materials and components and organize manufacturing. After the manufacturing process is completed, we install cranes, paint and conduct in-house testing and inspection. We then ship the cranes in fully-assembled form to our client's site, where we unload and install the cranes. The cranes will undergo a test run and then be put into formal operation after the client's initial testing and inspection. There is generally a retention period of approximately 12 to 24 months, during which we provide repair and maintenance services. It normally takes approximately 12 months from signing a contract to delivery, and another 12 to 28 months from installation at clients' sites to the expiration of the retention period.

Facilities and Equipment

The table below sets forth information on the production bases of our Port Machinery Manufacturing Business:

Production base	Approximate area as at June 30, 2006	Primary function
ZPMC		
Changxing Island Base, Shanghai	983,000 square meters, including 310,000 square meters of workshop area and 3,500 meters of shoreline	Primary base for manufacturing, erecting and exporting port cranes and for manufacturing steel structures
Changxing Industrial Park Base, Shanghai	210,000 square meters	Specialized in manufacturing gantry traveling mechanisms, operator's cabs and accuracy founding components
Zhangjiang Base, Shanghai	80,000 square meters	Specialized in fabricating hard gear reduction boxes
Changzhou Base, Jiangsu	53,000 square meters	Specialized in fabricating crane spreaders, headblock RTG
Jiangyin Base, Jiangsu	59,000 square meters	Specialized in the manufacturing of steel structures, container cranes, bulk material handling machines
SPMP		
Zhangjiagang Base, Jiangsu	175,000 square meters, including 28,000 square meters of workshop area and 190 meters of dock	Primary base for manufacturing of quayside container cranes and gantry container cranes

We intend to expand our production capacity in order to enhance our ability to handle continued growth in demand for our products.

We believe ZPMC's Changxing Island Base is one of the largest dedicated port machinery production bases in the world. The construction of this production base consists in total of three phases. The first phase was completed in June 2002 while the second phase is expected to be completed by the end of 2006. Construction of the final follow-up phase has yet to commence. The second and follow-up phases are designed to cover additional areas of approximately 0.95 million square meters and 0.98 million square meters (with another 0.3 million square meters pending government approvals), respectively. When completed, we expect this production base to cover a total area of 2.45 million square meters. ZPMC's Changxing Island base has allowed ZPMC to reduce its production bottleneck, significantly increase its production capabilities and reduce production time. In addition, ZPMC plans to construct a new production base in Nantong, Jiangsu Province.

SPMP plans to commence construction of a production base on the Changxing Island, which is designed to cover an area of 491,200 square meters.

ZPMC currently owns 14 specialized vessels for transporting large cranes and steel structures to our customers. These vessels, with capacities ranging from 6,200 to 54,000 tons, are specially designed to carry fully-assembled cranes in ocean conditions. ZPMC is the only large crane manufacturer that has its own fleet of crane transportation vessels in the world. This gives it maximum control over its product delivery timetable. ZPMC has ordered three additional shipping vessels that are being converted into vessels for shipping container cranes in fully assembled status, in order to satisfy the demands of its expanding production scale.

Technology, Research and Development

Our Port Machinery Manufacturing Business has a team of approximately 1,200 engineers engaged in mechanical, electrical and hydraulic design, which is one of the most experienced designing teams in the global crane manufacturing industry. Our strong design capabilities enable us to complete high quality designs of standard and non-standard products within a short period of time in order to satisfy our annual production of approximately 300 quayside container cranes, 600 gantry container cranes and 200,000 tons of large steel structures.

Our research and development department, independently and in cooperation with scientific research institutes and universities in Shanghai and nationwide, has developed numerous advanced products and technologies. Our project of the Development and Application of New Generation Container Crane Critical Technologies won the First Prize for National Scientific Progress in 2005. The technologies developed under this project have been applied in various products, including the twin 40 feet container cranes, the fully automated double trolley quayside container cranes, and the RTGs steered with GPS systems that are capable of auto skew adjustment, auto positioning and auto container position management. We have also developed high-efficiency, economical and automated terminal handling systems and civil electric powered RTGs.

Sales and Marketing

ZPMC's major clients include port authorities and port operators in China and around the world, including PSA International in Singapore, A. P. Moller Maersk Group in Denmark, Dubai Port International in the United Arab Emirates and Hutchison Whampoa in Hong Kong. Since 1992, ZPMC has sold products to port terminals in the following 53 countries and regions.

Americas:	United States, Canada, Argentina, Brazil, Chile, Colombia, Dominican Republic, Jamaica, Mexico, Venezuela, Panama
Europe:	Germany, Netherlands, France, Italy, Malta, Romania, Spain, United Kingdom, Belgium, Denmark, Sweden, Poland, Russia, Ukraine
Middle East:	United Arab Emirates, Saudi Arabia, Lebanon, Iraq, Iran, Oman, Jordan
Asia Pacific:	China, Korea, Hong Kong, Indonesia, Japan, Malaysia, Myanmar, Pakistan, Singapore, Taiwan, Thailand, Australia, New Zealand, India, Bangladesh
Africa:	Djibouti, Egypt, Ghana, Kenya, Sudan, Morocco

SPMP's products are primarily sold in the domestic market, and its major customers include many of the major ports in China.

We obtain our port machinery purchase orders principally through open tenders. Our direct sales and marketing teams are responsible for researching tender information and securing purchase orders. We have established and maintained long-term relationships with most of our clients, and we often receive information on tenders directly from them. In addition, we also obtain purchase orders through direct negotiations with our customers, particularly in the case of repeat customers.

We price our products based on our estimated production and transportation costs, taking into account raw materials costs, component costs and fuel costs, and a profit. Usually ZPMC collects 10% down payment upon signing of a contract, approximately 40% upon testing and inspection by its customers, another 35% after the products are shipped and installed and tested at its customers' sites, and 15% when the products are put into operation. With respect to SPMP's customers, payment terms vary depending on the type of products and relationship with customers. Sometimes the customers pay a lump sum in advance or after delivery and inspection, other times the customers pay in installments including a 10% to 20% down payment at signing of a contract, and require a maintenance bond of approximately 10% of the contract value.

Industry Trend and Our Competitive Position

The port machinery manufacturing industry is capital intensive. Port machinery products require a high level of technology and highly qualified technical personnel for both manufacturing and after-sale services. Port machinery customers are concentrated and normally place their purchase orders through global tenders. These characteristics form a high barrier of entry. Consequently the market is concentrated, with 18 market participants in the world in 2005 capable of supplying quayside container cranes according to World Cargo News. In addition, the world-wide port machinery manufacturing industry is going through a trend under which the design of quayside container cranes and gantry container cranes are becoming increasingly standardized, and the orders are increasingly concentrated with a few large manufacturers, including ZPMC.

We are the world leader in the manufacture of container cranes. According to annual surveys by World Cargo News, ZPMC had the largest amount of orders for quayside container cranes in the world in terms of units ordered during each of the 12-month periods from July 2001 to June 2006 and accounted for a dominant share of approximately 74% of the global quayside container crane market in terms of units ordered during the 12 months ended June 2006.

Competitive factors in the port machinery manufacturing industry include service, technology, quality and price. We believe service, including on-time delivery and efficient after-sale service, is becoming increasingly important under the current trend of standardization in the industry. We believe our own fleet of shipping vessels, combined with our strategic location along the coastline with large load-bearing ports, gives us better control over our manufacturing and delivery timetable and enables us to deliver products to our customers in a timely fashion. Our advanced technologies and strong research and development capabilities also ensure the quality and technology level of our products. In addition, given our dominant market position, we believe we are a price leader in the industry.

OTHER BUSINESSES

Leveraging on the established platforms of our four main businesses, we are also engaged in other businesses, including road and bridge construction machinery manufacturing, logistics services and trading of construction related materials and equipment.

In 2003, 2004, 2005 and for the six months ended June 30, 2006, our Other Businesses generated turnover of approximately RMB3.6 billion, RMB4.3 billion, RMB4.4 billion and RMB2.5 billion, respectively, accounting for approximately 7.4%, 6.6%, 5.2% and 5.2%, respectively, of our total turnover before elimination of inter-segment transactions in those periods.

OVERSEAS OPERATIONS

We entered into the international market in 1980. We hold various overseas operation licenses granted by the Ministry of Commerce to conduct various operations overseas including construction of ports, roads, bridges, and other infrastructure and urban civil works, and construction project management. We conduct our overseas construction and dredging operations primarily through two direct subsidiaries, China Harbor Engineering Company Limited and China Road and Bridge Company Limited, and their respective subsidiaries, branches and representative offices. Our overseas entities also cooperate with our domestic subsidiaries in undertaking large projects. We conduct our overseas infrastructure design business through the same subsidiaries that are engaged in domestic operations. Our Port Machinery Manufacturing Business is primarily operated onshore in China.

We actively participate in foreign aid projects as the designated contractor by the PRC government. These projects are normally conducted on commercial terms. We also independently bid for other international projects.

Over the past 26 years, we have operated in approximately 40 countries and regions, primarily in Southeast Asia, Middle East and Africa. Representative overseas projects that we have participated in include:

- **Ports:** Panama Bolboa Port, Pakistan Gwadar Deepwater Port, Mexico LNG Terminal, Kuwait Shuaiba Oil port and Bangladesh Chittagong Port.
- **Roads and bridges:** Indonesia Madura Bridge, Tajikistan-Uzbekistan Highway, Southern Sri Lanka Expressway, Macau International Airport South-North Bridge, and Hong Kong Route 8 Ngong Shuen Chau Viaduct.
- **Dredging projects:** Macau International Airport Reclamation Dredging Project, Pakistan Gwadar Port Channel Deepening Dredging Project, Thailand Rayong RBT Port Capital Dredging Project, Sudan Port Capital Dredging Project and Nigeria Calabar Channel Capital Dredging Project.

Considering the complex nature of overseas operations, with such factors as varied local legal systems, different geological features for construction work and established local market participants, we adopt a conservative manner and selectively enter into new overseas markets. Through our two direct subsidiaries, namely, China Harbor Engineering Company Limited and China Road and Bridge Company Limited, we maintain a centralized management system which implements project coordination and risk control for our operations in the approximately 40 foreign jurisdictions in which we operate.

As at June 30, 2006, we had a backlog of RMB13.6 billion of overseas contracts. The table below shows some of the overseas projects that we were engaged in as at June 30, 2006.

Project	Contract Date	Expected Completion Date	Aggregate Contract Value	Description
			(U.S. dollars millions)	
Road Rehabilitation Kifangon Do-Caxitouige Negage in Angola	February 2005	July 2008	211.7	Rehabilitation of 371-kilometers road, including culverts and bridges.
Route 8-Ngong Shuen Chau Viaduct Project in Hong Kong	April 2002	July 2007	197.2	The construction of the Ngong Shuen Chau Viaduct and Northbound and Southbound link road to the Route 9 (Shatin) section.

Project	Contract Date	Expected Completion Date	Aggregate Contract Value	Description
			(U.S. dollars millions)	
Suramadu Bridge Project in Indonesia	September 2004	October 2008	195.8	The 5,438-meter long and 30-meter wide bridge connects Surabaya with Madura. We are responsible for the construction of the approach bridge and main bridge with a total length of 2,162 meters.
Breakwater for Costa Azul LNG Terminal in Mexico	December 2004	November 2007	161.3	The design of a 648-meter offshore breakwater 21 kilometers away from the coastline with an average water depth of approximately 24 meters.
Southern Transportation Development Project in Sri Lanka	September 2005	September 2007	92.8	The rehabilitation of 34.5 kilometers road.

(1) Aggregate contract values stated herein, however, relate to the actual contract value as stated in the respective contract we have entered into.

(2) Project descriptions set out herein are general in nature, are for information purposes only and, in some instances, refer to a project in respect of which we are only involved for certain parts thereof.

BACKLOG

Backlog represents our estimate of the contract value of work that remains to be completed as at a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog. Backlog may not be indicative of future operating results. Not all of our turnover is recorded in backlog for a variety of reasons, including the fact that some projects begin and end within a short-term period. Many contracts do not provide for a fixed amount of work to be performed and are subject to modification or termination by the customer. The termination or modification of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on backlog. See ''Risk Factors — Risks relating to our business and the industries in which we operate — our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings''.

The following table sets out the aggregate value of projects in our backlog as at the dates specified.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Infrastructure Construction Business	68,497	69,984	83,178	94,017
Infrastructure Design Business	3,905	5,507	6,641	8,318
Dredging Business	4,412	7,469	10,625	11,827
Port Machinery Manufacturing Business	9,604	15,238	22,921	26,332
Other Businesses	1,495	1,062	2,284	170
Total:	87,913	99,260	125,649	140,664

NEW CONTRACT VALUE

New contract value represents the aggregate value of the contracts we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms.

The following table sets out the aggregate value of new contracts entered into for the period specified.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
	(RMB millions)			
Infrastructure Construction Business	39,723	47,807	68,382	42,304
Infrastructure Design Business	3,619	5,090	5,418	3,600
Dredging Business	5,341	7,810	9,890	6,168
Port Machinery Manufacturing Business	10,354	14,383	21,600	12,428
Other Businesses	1,255	373	1,551	—
Total:	60,292	75,463	106,841	64,500

OPERATION PROCESS

Our operations principally involve identifying potential projects, preparing tenders, carrying out the contract work and handing the project over to our clients on completion. We have developed a comprehensive project management system covering the entire contract process, including tender preparation, project planning, contract management, contract performance, project control and project completion and handover.

Contract Process and Contract Terms

Identification of Projects

We identify potential projects from a variety of sources, including advertisements by governmental agencies, through the efforts of our business development personnel and through meetings with other industry participants such as architects and engineers. After determining which projects are available, we make a decision on which projects to pursue based on factors including project size, duration, availability of personnel, current backlog, competitive advantages and disadvantages, prior experience, the identity of the contracting agency or owner's source of project funding, geographic location and type of contract.

Pre-Qualification

After deciding which contracts to pursue, we are generally required to complete a pre-qualification process with the applicable owner. Project owners generally require that we meet certain qualification requirements before negotiating or accepting our bid for a project. The pre-qualification process may require that we submit information concerning our financial condition, past experience and the availability of our personnel and equipment before the submission of our bid.

Bidding

If we pre-qualify for a project, the next step is to submit a bid. Prior to submitting a bid, we carry out a detailed study of the proposed project, including performing a detailed study of the technical and commercial conditions and requirements of the tender followed by a site visit. Our tendering departments also invite quotations from suppliers and sub-contractors for various items or activities in respect of the tender. The gathered information is then analysed to arrive at the cost of items included in our bill of quantities and then marked up to arrive at the bidding price to the client.

Most of our contracts are awarded and carried out on a fixed-price basis with a pre-determined timetable for project completion. Our bids are therefore prepared on this basis. This type of contracts generally commits the contractor to provide all of the resources required to complete a project for a fixed sum or at fixed unit prices. Some contracts contain escalation clauses to cover increased costs of raw materials, mostly steel and fuel. In general, an escalation clause requires that we bear the increased costs up to a certain level before the project owner will cover the excess costs. For contracts that do not provide for an escalation clause, we typically build in a contingency amount to cover any potential increases in costs. The amount of the contingency is typically greater for projects of a longer duration.

Estimating the costs involved in a fixed-price contract is crucial to our profitability. We carefully estimate the costs of a project prior to submission of our bid. Our estimates rely on both the project owners' estimates of required materials and our own experience in estimating project costs. There are a number of factors that can influence the final project costs as compared to the original bidding price. The most important factors include site and environmental conditions that differ from those assumed in the original bid, the geographic location of the project, the availability and pricing of fuel and raw materials, the accuracy of the bidding price and inclement weather conditions.

The design and construction portion of an infrastructure project in China are often tendered out separately. In addition, tenders for large or complex road and bridge construction projects in China are often divided into sections whereby the section contracts are tendered out separately. In general, our subsidiaries separately submit tenders to act as designer or as constructor for the entire project or for one or more sections of the project. It is quite often that our different subsidiaries are respectively awarded the design portion and the construction portion of different sections of the same project. Our capacity of providing full range services gives us an advantage in acting as a main contractor for large and complex projects.

Change Orders

During the normal course of most projects, the owner and sometimes the contractor initiate modifications or changes to the original contract to reflect, among other things, changes in specifications or design, method or manner of performance, facilities, equipment, materials, site conditions and period for completion of the work. Generally the scope and price of these modifications are documented in a ''change order'' to the original contract and reviewed, approved and paid for in accordance with the normal change order provisions of the contract. Many times, we are required to perform extra or change order work as directed by the customer even if the customer has not agreed in advance on the scope or price of the work to be performed. See ''Risk Factors — Risks relating to our business and the industries in which we operate — If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may incur lower than anticipated profits or incur losses on the contracts''.

Payment Terms

Most contracts provide for an advance payment and monthly or periodic progress payments, and each stage of the project is certified to be completed by a site engineer and accepted by the project owner. Our projects usually provide for an advance payment from our clients ranging from 10% to 30% of the overall contract sum and are normally completed in six months to three years. We carefully monitor costs throughout the life of a project to protect us against or minimize significant cost overruns.

A majority of our revenues is generated through construction projects and settlement of the invoices is made in accordance with the terms specified in the contracts governing the relevant transactions, which generally require payment within 30 to 45 days.

For sales of products and provision of services, a credit period ranging from 30 to 90 days may be granted to large or long-established customers with good payment histories. Payments from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

Project Bonds

Contracts normally require that we provide the project owner with various bonds throughout the term of the project. When we bid for a project, a bid bond (which is a form of letter of guarantee or cash) is usually required to be delivered with the bid. The bid bond is generally for a fixed amount, or a percentage of the bid price. If we are awarded the project but decide not to enter into the contract, the project owner can call on the bid bond.

After a successful bid and upon the signing of a contract, the bid bond is returned to us and a performance bond is procured by us and delivered to the project owner. The performance bond is traditionally in an amount equal to 5% to 10% of the contract sum and can be presented for payment to the issuing bank or finance company by the project owner if we default. The performance bond is returned to us after the project owner confirms completion of the contract through a completion certificate.

Upon completion of the project, the customers usually withhold an amount equal to 5% to 10% of the contract sum as retention moneys. At times, the customers may be willing to accept maintenance bonds from us in lieu of the whole or part of the retention moneys. The maintenance bond will be held by the customer for the duration of the maintenance period, which usually lasts for 12 to 24 months after the issue of the completion certificate.

We typically provide these bonds in the form of letters of guarantee issued by commercial banks.

Liquidated Damages

Pursuant to our contracts, if a project is delayed through no fault of ours, we will normally be granted an extension equal to such delay, while if the delay is due to our fault, then we are normally required to pay liquidated damages, typically at an agreed rate per day and up to a maximum of 10% of the contract sum. In case of delay due to our fault or defective work, the customer may also have the right to appoint a third party to complete the work and to deduct additional costs or charges incurred for completion of the work from the contract sum. We believe we have a reputation for completing projects on schedule, and to date we have paid no material claims for defective work or for losses resulting from negligence on our part.

Maintenance

Generally, our contracts provide for a contractual maintenance period of 12 to 24 months from the date of issuance of the completion certificate for the project. During this maintenance period, we are liable in accordance with the terms of the contract for any defects in our work.

Project Implementation

We appoint a project manager to be responsible for all project activities. We divide work on a project into distinct components and assign each component to a responsible unit based upon the nature of such work. Our project managers typically prepare a detailed plan for the project as follows:

- working schedule in line with the conditions and payment schedule;
- labor deployment in line with the skill level and the estimated number of workers for each type of work;
- provision of temporary office and public utilities, for example, water, electricity and telephone; and
- working programs detailed for each phase of the project.

The implementation process includes devising detailed manufacturing or construction plan, procuring materials, delegating works to sub-contractors, coordinating with customers or their consultants, coordinating with our sub-contractors and suppliers, and taking charge in the overall management of these works.

Sub-contractors and Joint Ventures

We act as the main contractor, a member of a consortium or joint venture, or a sub-contractor, in any given project, depending upon the requirements of the project and the terms of the awarded contract. For projects within China, we generally submit tenders on our own to act as the main contractor rather than as part of a joint venture or consortium, because as a leading infrastructure design and construction company, we are able to carry out such projects with our own resources. For international projects, we submit tenders both on an individual basis and as a member of a joint venture or a consortium. Where we act as a member of a consortium or joint venture, we share the scope of work and responsibilities with the consortium members or joint venture partners as defined in the consortium or joint venture agreement, respectively. We normally bear joint and several liabilities to the client with the members of the consortium or joint venture, as provided for in the consortium or joint venture agreement.

In most projects, we act as the main contractor. When necessary, we engage or outsource to sub-contractors to provide certain services that we are unable to or do not generally provide, where we require additional labor as a result of a shortage of manpower or to accelerate the rate of work on a project. We typically reflect the terms of the main contract in the contracts with our sub-contractors. We select sub-contractors based on a number of strict parameters including previous cooperation experience and our valuation of their performance, and we maintain a list of preferred sub-contractors that is regularly reviewed and updated. Project owners also typically require us to obtain their consent before we subcontract. We exercise close supervision over the work quality of our sub-contractors because, pursuant to either the contract or applicable laws, we remain liable to the project owners for our sub-contractors' performance. We also maintain long and close relationships with reliable sub-contractors through training programs and technical cooperation arrangements. We plan to increase the amount of work that we subcontract, thus enabling us to focus our resources on higher value-added tasks, to promote efficiency in our work and to better manage the total project.

CLIENTS AND CUSTOMERS

Most of the clients of our Infrastructure Construction Business, Infrastructure Design Business and Dredging Business are PRC government agencies at the national, provincial and local levels, and state owned enterprises. For customers of our Port Machinery Manufacturing Business, see ''— Our Businesses — Port Machinery Manufacturing Business — Sales and Marketing''.

Payments from customers for contract works performed and sales transacted in China are settled in Renminbi while payments derived from contract works performed overseas or sales generated from export are settled in various local currencies and U.S. dollars.

For the six months ended June 30, 2006, our five largest customers accounted for approximately 2.3%, 2.1%, 1.4%, 1.1% and 0.9%, respectively, of our turnover. In 2005, our five largest customers accounted for approximately 3.1%, 1.2%, 1.0%, 0.8% and 0.8%, respectively, of our turnover. In 2004, our five largest customers accounted for approximately 2.2%, 2.1%, 1.4%, 1.1% and 1.0%, respectively, of our turnover. In 2003, our five largest customers accounted for approximately 3.5%, 2.8%, 2.4%, 2.0% and 1.7%, respectively, of our turnover. We have established relationships of between three and 32 years with these clients and customers. All of the above five largest customers are independent third parties and none of the Directors or Supervisors of the Company or their respective associates or any shareholders of our Company who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of the above five largest customers.

RAW MATERIALS AND SUPPLIERS

The principal raw materials we use are steel, cement, sand, ballast and asphalt. Raw materials and consumables constituted approximately 38.0%, 39.9%, 40.1% and 42.1% of the aggregate of total cost of sales, selling and marketing expenses and administrative expenses in 2003, 2004, 2005, and for the six months ended June 30, 2006, respectively.

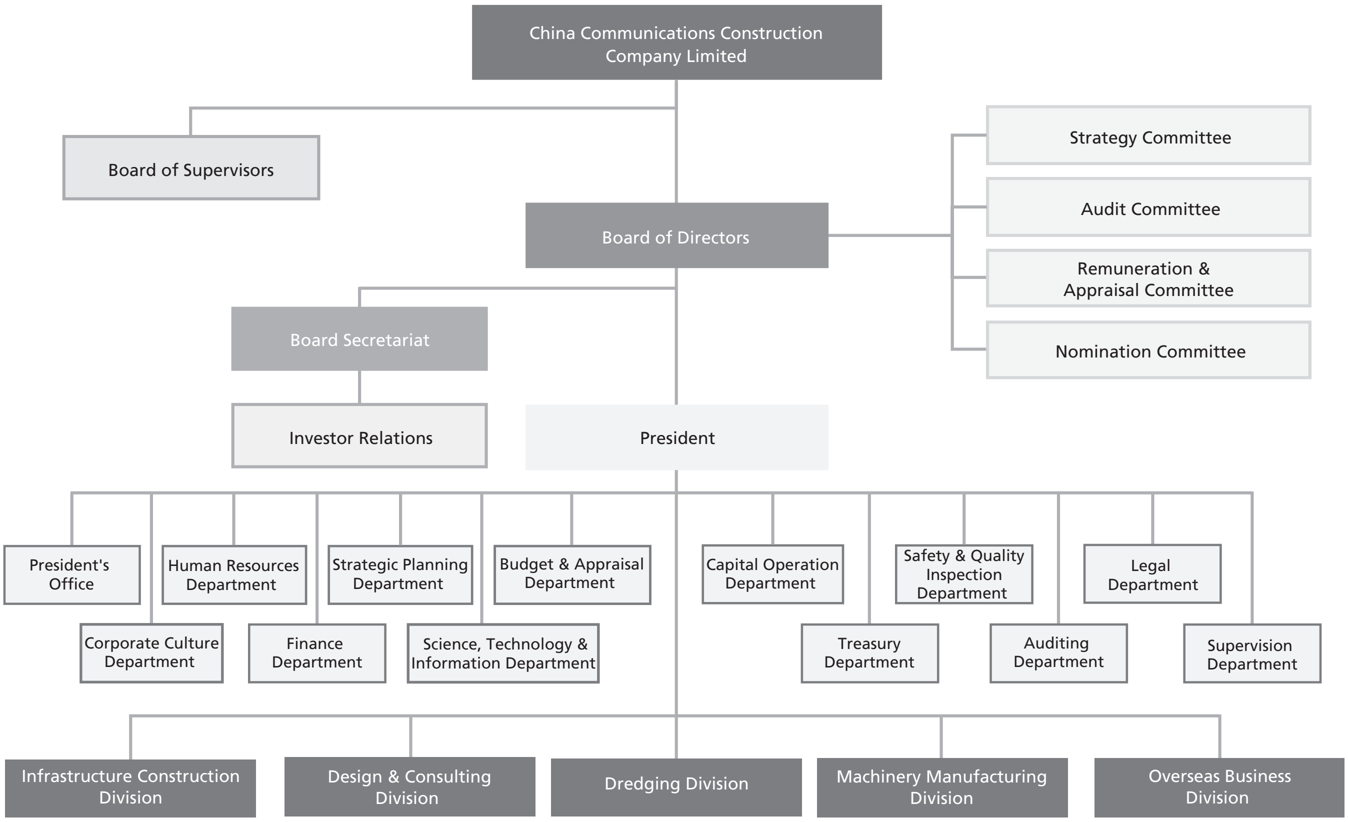
The principal raw materials we use are generally widely available and sourced from local sources. The PRC government sets a guiding price for fuel, a key raw material for us, which provides a certain level of price stability. We generally purchase raw materials on a project or per purchase order basis. Our suppliers may grant us credit terms of up to three months. We have maintained a long term relationship with most of our major suppliers.

Most of our contracts are fixed-price contracts under which we are responsible for procuring raw materials and bear the risk of raw material price fluctuation, as well as the responsibility for material quality control. See ''— Operation Process — Contract Process and Contract Terms — Bidding'' and ''Risk Factors — Risks relating to our business and the industries in which we operate — If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may incur lower than anticipated profits or incur losses on the contracts''. To control the quality of our raw materials, we require our suppliers to produce a certificate of quality and expert's analysis certificate for each delivery of raw materials. We also conduct our own inspection of the raw materials after delivery.

For the six months ended June 30, 2006, our five largest suppliers accounted for approximately 3.3%, 3.2%, 2.6%, 2.4% and 2.1%, respectively, of our raw materials and consumables. In 2005, our five largest suppliers accounted for approximately 3.9%, 3.2%, 3.2%, 1.2% and 1.0%, respectively, of our raw materials and consumables. In 2004, our five largest suppliers accounted for approximately 2.4%, 2.3%, 2.0%, 1.8% and 1.3%, respectively, of our raw materials and consumables. In 2003, our five largest suppliers accounted for approximately 2.6%, 2.1%, 1.9%, 1.4% and 1.0%, respectively, of our raw materials and consumables. We have established relationships of between five and 14 years with these suppliers. All of the above five largest suppliers are independent third parties and none of the Directors or Supervisors of the Company or their respective associates or any shareholders of our Company who, to the knowledge of the Directors, own more than 5% of our issued share capital, has any interest in any of the above five largest suppliers.

MANAGEMENT STRUCTURE

The following chart sets forth our management structure.



As part of the integration and rationalization of our various business operations, we are in the process of establishing business divisions for each of our core business segments and formalizing centralized divisional management systems. These divisions are responsible for resource allocation, coordination and supervision of activities of our subsidiaries, performance appraisal, as well as business and market development for the respective business segments. We expect that, upon completion of the establishment of such business divisions, we will be in a better position to maximize synergies among our different business segments and benefits of the Merger.

We have also established and implemented a comprehensive financial management system throughout our Group, which covers various aspects including the management of budget, capital, investments, assets, income and costs, allocation of tax and profits, foreign exchanges, financial risks, financial information technology system, the reporting and analysis of financial reports and financial inspection and supervision. Our Board is responsible for reviewing and formulating overall financial strategies and investments, financing and distribution policies. Under the guidelines of this system, all subsidiaries are allowed to establish and implement their own financial rules and systems and carry out their own auditing and financial management activities. Group companies meeting certain thresholds in turnover and total assets are required to have a general accountant or chief financial officer. Projects with a contract sum of exceeding RMB200 million are also required to have a dedicated project accountant or financial controller.

In an effort to optimize our capital utilization and reduce financing cost, we have established and implemented a capital management system. Our Treasury Department is in charge of negotiations with commercial banks with respect to general lines of credit, and their internal allocation. Our Treasury Department is also in charge of the overall management and supervision of foreign exchange, guarantees, and application and utilization of letters of credit, letters of guarantee and other banking services.

We have also established and implemented investment control procedures to regulate and monitor our investments, including investments in BT and BOT projects, fixed assets equity, and financial instruments. With respect to equity investments, we have established special control procedures detailing the principles and procedures to be followed in connection with changes in our equity interests and our exercising of shareholder's rights in investee companies, analysis of equity investment information and valuation of equity investments. We also set investment amount thresholds for members of our Group.

QUALITY, SAFETY AND ENVIRONMENTAL PROTECTION CONTROL

We have established and implemented a unified quality, safety and environmental protection control management system pursuant to the requirements of ISO9001:2000, ISO14001:1996 and GB/T1800:2001 standards throughout our Group. The management system specifies the standards to be met in terms of quality, safety and environmental protection control, clarifies the responsibility of various departments and personnel, identifies procedures, materials and other factors that are subject to the control of management, and provides for measures to be undertaken to ensure that various standards are met.

We are committed to achieving a high standard of quality in the management and performance of our contract works. Each of our principal operating subsidiaries has established a quality management committee responsible for ensuring strict adherence to our quality standards for each manufacturing or construction procedure. We assure the quality of our products using a system of test trials and inspections. We test each of our completed products rigorously and conduct quality inspection after each production process with results documented by our specialist staff. Only after this process of tests and inspection do we present our projects or ship our products to our customers. We believe we have established a reputation for quality and technical ability.

We have a Safety, Health, and Environment Department, at our headquarters and at our principal operating subsidiaries, which are responsible for regulating our labor, hygiene and safety conditions, and monitoring compliance with statutory environmental regulations relating to air, water, noise and solid waste pollution. We impose safety and anti-pollution measures, as well as regular internal safety and environmental inspections, at all stages of our operational process to minimize the possibility of work-related accidents and injuries, occupational illness and environmental contamination. We also monitor the safety and environmental protection aspects of our sub-contractors' operations. We also provide safety education to employees and have established safety standards in connection with matters such as purchasing, installing and operating new equipment, constructing new facilities and improving existing facilities.

Our research team continuously seeks to develop new technology and operational know-how to improve safety conditions and to protect the environment. For example, most of our trailing suction hopper dredgers are equipped with global positioning system technology and anti-proliferation suspension devices in order to ensure the disposal of contaminated sediments precisely at prescribed locations. We have also adopted a contemporary waste oil treatment system to minimize pollution to the environment.

We believe that our safety control systems, environmental protection systems and facilities are adequate to comply with applicable PRC national and local regulations. Where necessary, all of our operating subsidiaries have obtained and maintained a safe production permit issued by relevant PRC local government. Based on the confirmation issued by the local Municipal Environmental Protection Bureaus in areas in which we operate, we have complied with the PRC state, provincial and municipal environmental regulatory requirements during the past three years.

As for our overseas operations, we are committed to strict compliance with applicable local laws on safety, health and environmental matters. Our ability to comply with local laws is an important consideration before we decide to commence operations in foreign jurisdictions. Our Safety, Health and Environment Department at our headquarters oversees our operating entities' compliance with local safety and environmental protection requirements of foreign jurisdictions where we operate. When necessary, we engage local counsel to advise us in this regard. In Hong Kong, where we the largest of our overseas businesses is located, we were presented the Environmental Merit Award by the Hong Kong Construction Association in recognition of our outstanding environmental performance for 2005 and two of our projects in Hong Kong also won awards in the ''Construction Industry Safety Award Scheme 2003/2004'', respectively, organized by the Labour Department of the Hong Kong government.

INTERNAL CONTROLS

Our Board is responsible for monitoring our internal control system and for reviewing its effectiveness. In accordance with applicable laws and regulations, we have stipulated internal procedures with a view to establishing and maintaining our internal control systems, which cover our operational, managerial, and financial aspects taking into account the nature and background of our industry. Our Directors believe our current procedures on internal control are designed to promote the completeness, reasonableness and effectiveness of such system. As we have undergone the Reorganization recently and are changing to become a publicly listed company through the Global Offering, our internal control system has been fairly recently developed and may require refinement over time.

RESEARCH AND DEVELOPMENT

We place significant importance on our research and development. We have developed advanced technologies by domestic or international standards and that have been widely applied in infrastructure construction, including GPS Aerial Survey and Highway CAD Integrated Technique, Intelligent Dredging Monitoring and Control and Computer-aided Decision Making System, freezing forecast and comprehensive prevention technology of roads and tunnels in cold regions, comb-type breakwater and high performance corrosion proof concrete.

We have five key research laboratories specializing in geotechnical engineering, bridge and tunnel construction technology, structural engineering, construction materials and dredging technology. It is our strategy to strengthen our design, engineering and technological capability and to further develop our research and development facilities to enhance our competitiveness, both domestically and internationally. According to our Five Year Research and Development Plan, between 2006 and 2010 we plan to establish three to five additional key research laboratories covering research on areas including cold and arid regions road engineering, hydrodynamic and environment, inspection, diagnosis and maintenance of large port and road and bridge construction. We have also identified more than 40 subjects as focus areas for our research and development in the five years between 2006 and 2010, including subjects relating to the enhancement of operational efficiency for our existing operations and subjects relating to the technologies needed for our new business areas such as railway and other civil facilities construction.

INTELLECTUAL PROPERTY

We rely on a combination of patents, copyrights, trademarks and contractual rights to protect our intellectual property. Our intellectual property rights are important to our businesses. As at June 30, 2006, we had 85 trademarks and 101 patents registered in China. We continuously seek new patents for products and technologies developed through our research and development activities. We also have proprietary trade secrets, technology, know-how, processes and other intellectual property rights, which are not registered.

Details of our intellectual property portfolio are provided in the section headed ''Intellectual Property'' in ''Appendix IX — Statutory and General Information'' to this Prospectus.

EMPLOYEES

As at December 31, 2005, we had approximately 67,000 employees, of whom approximately 2,000 were located overseas. As at December 31, 2005, approximately 46,000 employees were in our Infrastructure Construction Business, approximately 6,500 were in our Infrastructure Design Business, approximately 8,000 were in our Dredging Business, and approximately 3,200 were in our Port Machinery Manufacturing Business. An aggregate of approximately 3,200 employees were in our research and development department.

In accordance with regulations applicable to enterprises in various local governments in areas in which we operate, we make contributions to the pension contribution plan, the medical insurance plan, the unemployment insurance plan, the maternity insurance plan and the personal injury insurance plan. The amount of our contributions is based on the specified percentages of the employee's aggregate salaries as provided for by relevant PRC authorities. We also make contributions to an employee housing fund according to applicable PRC regulations.

In addition to statutory contributions, we also provide voluntary benefits to our employees and retired employees. These benefits include reimbursement for medical costs not covered by medical insurance plans, for both current and retired employees, and annual bonuses for our current employees.

For 2003, 2004 and 2005 and the six months ended June 30, 2006, our total employee benefits (which include wages, salaries and benefits) amounted to approximately RMB4.9 billion, RMB5.9 billion, RMB7.2 billion and RMB4.0 billion, respectively.

Our employees generally belong to a trade union, which is a member of the All China General Trade Union. We have not experienced any major labor disputes and consider our relationship with our employees to be satisfactory.

We invest in continuing education and training programs for our management staff and factory workers with a view to constantly upgrading their skills and knowledge. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, training programs, safety and sanitary conditions in the workplace, confidentiality obligations for commercial secrets, and grounds for termination.

INSURANCE

We are required to obtain contractors all-risk and third-party liability insurance for most of the projects we undertake. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. In our Port Machinery Manufacturing Business, we purchase insurance for most of our fixed assets and products in transportation. In our other businesses, we purchase insurance for vehicles, most of the vessels on the sea, and for certain projects under construction. We also purchase pension insurance, unemployment insurance and medical insurance for our employees according to the relevant PRC laws and regulations. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and industry practice.

Consistent with what we believe to be customary practice in the PRC, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations (other than our automobiles), nor do we carry any business interruption insurance or key-man life insurance on our key employees. Such insurances are not mandatory according to the laws and regulations of the PRC, and the insurances are either unavailable in the PRC or would impose a large cost on our operations, which would reduce our competitiveness against our competitors in the PRC. See ''Risk Factors — Risks relating to our business and the industries in which we operate — Our operations may cause substantial harm to persons, property and the environment, which could hurt our reputation and, to the extent they are not covered contractually or by insurance, could cause us to incur substantial costs.

PROPERTIES

Property Titles

We currently own 318 parcels of land in the PRC, with an aggregate site area of approximately 8,573,970.86 square meters, and 17 parcels of land in overseas countries and regions with a total site area of approximately 95,546.16 square meters. We also lease 29 parcels of land with an aggregate site area of approximately 2,792,407.89 square meters in the PRC.

We currently own 2,204 buildings or units in the PRC, with an aggregate gross floor area of approximately 2,251,584.59 square meters, and 130 buildings or units with an aggregate gross floor area of approximately 23,045.96 square meters in overseas countries and regions. We currently lease 173 buildings or units in the PRC, with an aggregate gross floor area of approximately 166,172.62 square meters, and 31 buildings or units in overseas, with an aggregate gross floor area of approximately 11,990.96 square meters.

For some of the properties located in the PRC and occupied by us, we or relevant landlords have not yet obtained sufficient title certificates. For our owned properties, as at September 30, 2006, we had defects in the title certificates for 22 parcels of land with a total site area of approximately 1,643,648.5 square meters and we had not obtained proper building ownership certificates or real estate title certificates for 545 buildings with a total gross area of approximately 599,601.35 square meters. For our leased properties, as at September 30, 2006, our landlords had defects in the title certificates for 13 parcels of land with a total site area of approximately 342,837.08 square meters, and had not obtained or produced to us proper building ownership certificates or real estate title certificates for 75 buildings with a total gross floor area of approximately 64,280.45 square meters.

The properties with defects in or without title certificates (whether owned or leased) are used for various purposes including, production, office, and employee dormitories. Our owned properties which are used directly for production purposes but with defects in or without title certificates only amount an aggregate area of 233,761.81 square meters, approximately 2%, out of the aggregate area of properties we own in the PRC and our leased properties which are used directly for production purposes but with defects in or without title certificates only amount an aggregate area of 206,275.48 square meters, approximately 7%, out of the aggregate area of properties we lease in the PRC properties. The Directors believe that these properties, taken as a whole, are not material to our businesses and that if we were required to relocate our businesses due to the defects in our entitlement to occupy these properties, we can easily replace them by comparable alternative premises for the relevant use without any material adverse impact on our business operation. See ''Risk Factors — Risks relating to our business and the industries in which we operate — We do not possess valid title to certain properties that we occupy'' for a discussion of the risks relating to these title defects. See also ''Appendix V — Property Valuation'' for details of our properties.

CCCG, our parent company, has agreed, pursuant to the Reorganization Agreement, to indemnify us against any losses suffered from the absence of title certificates and to provide alternate buildings and/or land to our Group to ensure we may carry on our normal operations if we are unable to continue to use the relevant buildings and/or land.

Based on an opinion from Jia Yuan Law Firm, our PRC legal advisers, our Directors confirm that there is no dispute which may have a material adverse impact over our rights, either as owner or as tenant, in respect of the properties which we currently occupy and use. We are also not subject to any legal proceedings against us in connection with alleged illegal use of property by the Company without proper title certificates. We confirm that we are not illegally occupying any property.

Waiver From Certain Valuation Report Requirements

Owing to the substantial number of properties we own or lease, we have applied to the SFC for an exemption and the Hong Kong Stock Exchange for a waiver from strict compliance with certain of the valuation report requirements contained in paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance and Rules 5.01, 5.06 and 19A.27(4) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, respectively, on the grounds that:

(a) it would be unduly burdensome to list all of the properties and show their particulars and values individually in this prospectus and the inclusion of such detailed information would be irrelevant to potential investors especially given that our Company is not a property development company; and

(b) it would be unduly burdensome to prepare an English translation of the report, as substantially all of the properties of the Company are located in the PRC and consequently the underlying valuation and title information is in Chinese.

The exemption has been granted by the SFC under section 342A(1) of the Hong Kong Companies Ordinance, subject to the following conditions:

(i) a valuation report in the Chinese language complying with all the requirements of paragraph 34 of the Third Schedule to the Companies Ordinance will be made available for inspection in accordance with ''Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection'';

(ii) the valuer's letter, summary of values and the valuation certificates relating to our Group's property interests be included in this Prospectus in the form set out in Appendix V to this Prospectus; and

(iii) this Prospectus shall set out particulars of this exemption.

The waiver has been granted by the Hong Kong Stock Exchange from Rules 5.01, 5.06 and 19A.27(4) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, subject to the following conditions:

(i) a full valuation report in Chinese complying with all the requirements under the Listing Rules and paragraph 34 of Part II of the Third Schedule to the Companies Ordinance will be made available for inspection in accordance with ''Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection'';

(ii) a summary valuation of all property interests of us and our subsidiaries, as set out in Appendix V to this Prospectus, has been included in this Prospectus; and

(iii) we obtain a Certificate of Exemption from the SFC in relation to compliance with relevant requirements under the Companies Ordinance.

Our Directors are of the view that the exemption and waiver granted by the SFC and the Hong Kong Stock Exchange does not prejudice the interests of potential investors.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We are involved in certain legal proceedings arising from the ordinary course of our business, including as the plaintiff or defendant in litigation or arbitration proceedings. To the best of our knowledge, there are no current litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial conditions or results of operation. ''Appendix IX —

Statutory and General Information — Other Information — Litigation'' set out certain legal proceedings that we are currently involved in and the dispute amount of which each exceeds RMB50 million.

We are of the view that legal proceedings in amounts of less than RMB50 million will not individually and/or in the aggregate have a material impact on our results of operations and financial condition. We believe we have made adequate provisions based on our best estimate with respect to potential losses from such legal proceedings.

In the opinion of Jia Yuan Law Firm, our PRC legal counsel, we have complied in all material respects with relevant PRC laws and regulations and we and all of our direct subsidiaries have obtained all licences, approvals and permits from appropriate regulatory authorities that are material for our business operations in the PRC.

As a result of our international activities, we are subject to the laws and regulations of the various countries and regions in which we do business, in addition to the laws of the PRC. For our port machinery operations, we are also subject to a number of international conventions on the sale of goods and other matters. Our operation of our fleet of dredgers, transporters and other vessels is subject to the International Management Code for the Safe Operation of Ships and for Pollution Prevention and the International Convention for the Safety of Life at Sea, both promulgated by the International Maritime Organization.

As a non-U.S. corporation with operations in different areas of the world, we engage in activities in and with parties from countries that are prohibited under U.S. law to be engaged in by U.S. citizens and other persons subject to U.S. laws, including, in some cases, foreign persons and corporations. Certain of the countries in which we do business, including Sudan, Iran, Angola, Myanmar, Iraq and Côte d'Ivoire, are currently, or during the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006 have been, subject to sanctions administered by the United States Treasury Department's Office of Foreign Assets Control (''OFAC'') or regulated by the United States Iran and Libya Sanctions Act of 1996, as amended in August 2001 (''ILSA''). No U.S. individuals we employ or U.S. companies in our Group are involved in the supply of our products and services in the countries subject to OFAC sanctions, and we are not involved in re-exporting goods of U.S. origin to countries subject to U.S. trade sanctions. We have in the past participated in tenders for a project in Iran. Although we do not believe that we have violated any U.S. law or regulation by conducting business in Iran, we note that any past or future violation of ILSA could prevent us from pursuing business opportunities in the United States or obtaining financing from the United States.

In 2003, 2004, 2005 and the six months ended June 30, 2006, turnover generated from our operations in these countries amounted to approximately RMB255 million, RMB16 million, RMB185 million and RMB359 million, accounting for approximately 0.53%, 0.02%, 0.22% and 0.76% of our total turnover, respectively. As of June 30, 2006, approximately RMB230 million, or 0.2% of our backlog was attributable to projects in the countries subject to sanctions administrated by OFAC or regulated by ILSA. We expect to continue to generate turnover from business activities in or with countries subject to U.S. sanctions. Although the relevant regulations are generally applicable only to U.S. persons and certain other persons subject to U.S. jurisdiction and therefore have a limited effect on us, they may potentially affect our ability to obtain investments or other financing from U.S. persons.

We will not use any of the proceeds of the Global Offering will be used to fund activities that a U.S. corporation would be prohibited from undertaking under sanctions administered by OFAC or under ILSA.

We incur costs in connection with compliance with the relevant regulatory requirements in our ordinary course of business. Examples of such expenditures include our purchase of environmental friendly waste disposal system, our improvement of production facilities for personnel safety and our consultation with legal advisors on compliance matters. These costs are treated as part of the operational or administrative cost of related projects rather than being separately accounted or specifically itemized in our accounts on a group basis. We are committed to high standards of regulatory compliance and we do not have prescribed cap on proper expenditure relating to regulatory compliance. Notwithstanding that, in view of the nature of our business operations, we believe our annual expenditures incurred in connection with regulatory compliance matters do not form a material part of our total operation expenditures.

OVERVIEW

We were established on October 8, 2006 with CCCG as our sole Promoter. CCCG owned 100% of the share capital of our Company immediately prior to the Global Offering. Immediately after the completion of the Global Offering, CCCG will directly own approximately 73.1% of our issued share capital (or 70.1% if the Over-allotment Option is exercised in full) and CCCG will be considered as our Controlling Shareholder.

Delineation of Business and Competition

Pursuant to the Reorganization, CCCG has transferred to us all the businesses and related assets and liabilities it owned or operated, with the exception of certain businesses that are clearly delineated from those of our Company and are intended to be discontinued or disposed over time.

Our core businesses include infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses. The Retained Operations owned by CCCG are not related to our core businesses. For details of the nature and scope of the Retained Operations, see ''Reorganization and Corporate Structure — Reorganization Agreement'' in this Prospectus. As disclosed in the ''Reorganization and Corporate Structure'' section, the size of the Retained Operations are also negligible compared with ours.

Nature of CCCG

CCCG is a state-owned enterprise, wholly and directly owned by SASAC. Following the Reorganization, CCCG will primarily function as an intermediate holding company to hold Shares in our Company and CCCG itself will not conduct any active business operations. The Retained Operations owned by CCCG are either intended to be discontinued or disposed over time or are delineated from our businesses. Whilst there is no definitive time line for such discontinuance or disposal, CCCG currently expects the discontinuance or disposal of the Retained Operations to be effected within two years of completion of our Global Offering. Apart from employees currently employed at such Retained Operations, CCCG will not have any other employees. Therefore CCCG is not expected to have operational capacity to compete with us. Furthermore, in connection with the Reorganization, CCCG entered into a Non-Competition Agreement with us on October 18, 2006 and provided a Non-Competition Undertaking to us on November 20, 2006. See ''Reorganization and Corporate Structure — Non-competition Agreement and Undertaking'' in this Prospectus for more details. Therefore CCCG (as well as its subsidiaries and associates within the scope of the Retained Operations) is also legally restricted from conducting any business that competes or is likely to compete, either directly or indirectly, with our businesses.

CCCG has represented to us and our Directors confirm that there is no competition, either directly or indirectly, between CCCG (including the Retained Operations) and our Company.

INDEPENDENCE FROM CCCG

Having considered the following factors, we are satisfied that we are able to conduct our businesses independently of CCCG and its associates after the Global Offering.

- ***Non-competition undertaking*** As stated in the sub-section headed ''Non-Competition Agreement'' in this section, our Directors believe that we will not face any competition, directly or indirectly, from CCCG.
- ***Our Assets*** Pursuant to the Reorganization Agreement, CCCG has transferred its infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses to us. Therefore we possess assets that are required for the operation of our core businesses.

- ***Independent business operations*** Our Company and all of our direct subsidiaries hold all relevant licenses that are material to our business operations and we have sufficient operation capacity in terms of capital, equipment and employees to operate our businesses independently. The principal raw materials we use are generally widely available and we are not dependent on CCCG or its associates for our supplies. We also have direct and close contact with our customers without dependence on CCCG for market access.
- ***Independent Management*** Except for our Chairman Zhou Jichang and Vice Chairman Meng Fengchao, who also serve as the president and non-executive director of CCCG respectively, none of our Directors or our senior management holds any positions with CCCG. In addition, we have one executive director, Mr. Fu Junynan, who is also our Chief Financial Officer, not associated with CCCG and therefore can better ensure the independent judgment in the Board's decision making process. Furthermore, while a minimum of three independent non-executive directors are required by the Hong Kong Listing Rules, we have appointed four independent non-executive Directors, representing a majority of our Board which currently has seven members. Therefore, there is a greater counterweight to balance the executive Directors and promote the interest of the Company and our shareholders as a whole. We therefore believe that our Board and management can operate independently from CCCG.
- ***Financial Independence*** As at the date of this Prospectus, we do not have any outstanding loans granted by CCCG to us or any guarantees provided by CCCG to support our credit facilities. We believe we are capable of obtaining financing from third parties without reliance on CCCG. We also have our own financial management system and related personnel who are independent from CCCG.

OUR ONE-OFF CONNECTED TRANSACTIONS IN CONNECTION WITH THE REORGANIZATION

1. Reorganization Agreement

To effect the Reorganization, we entered into a Reorganization Agreement with CCCG on October 8, 2006, more details of which are set out in the section headed ''Reorganization and Corporate Structure''.

2. Non-competition Agreement

In connection with the Reorganization, we entered into a Non-competition Agreement with CCCG on October 18, 2006, more details of which are set out in the section headed ''Reorganization and Corporate Structure''.

OUR CONTINUING CONNECTED TRANSACTIONS

SUMMARY TABLE OF OUR CONTINUING CONNECTED TRANSACTIONS

		Historical Amounts (RMB millions)				Caps (RMB millions)		
Transaction	Waiver Sought	2003	2004	2005	Six months ended June 30, of 2006	2006	2007	2008
1. Construction and construction-related agreements between us and Macau Tourism and Amusement Company	Waiver from announcement requirement	0	0	16.7	385.73	1,000	830	N/A
2. Construction subcontracting agreements between us and Xi'an Tongrui Road Construction Company	Waiver from announcement requirement	Not applicable	Not applicable	105	41.63	90	100	120

I. CONTINUING CONNECTED TRANSACTION BETWEEN THE COMPANY AND SUBSTANTIAL SHAREHOLDERS OF THE COMPANY'S SUBSIDIARIES

1. Transactions with Macau Tourism and Amusement Company

Connection of the Parties

Macau Tourism and Amusement Company is the ultimate holding company of SJM — Investment Limited, which is a substantial shareholder with 49% interest in the share capital of Zhen Hwa Harbour Construction Co. Ltd., an indirect subsidiary of ours. Accordingly, Macau Tourism and Amusement Company, as the ultimate holding company of a substantial shareholder of one of our subsidiaries, is one of our connected persons under the Hong Kong Listing Rules and transactions between us and Macau Tourism and Amusement Company and/or its associates will constitute connected transactions.

Description of Transactions

In the ordinary and usual course of business, Zhen Hwa Harbour Construction Co. Ltd. and other subsidiaries of us provide certain services to Macau Tourism and Amusement Company, including, among other things, construction, project designing, and property renovation services.

The above services are provided by us to Macau Tourism and Amusement Company on normal commercial terms after arm's length negotiation. The price for these services is usually determined through a bidding process with reference to prevailing market prices of labor, materials, equipment and other things and taking into account the complexity of projects as well. Macau Tourism and Amusement Company has no influence over our pricing process.

Reasons for Transactions

Macau Tourism and Amusement Company is believed to own one of the largest property portfolios in Macau including casinos, hotels and other facilities and is an important consumer of the services we provide. From the perspective of our overseas market expansion plans and revenue generation, we believe it is in our best interest to provide the above mentioned services to Macau Tourism and Amusement Company.

Historical Transaction Amounts

There were no historical transaction amounts for the above mentioned transactions for 2003 and 2004, as our business cooperation with Macau Tourism and Amusement Company only became active when it (through SJM-Investment Limited) became a substantial shareholder of Zhen Hwa Harbour Construction Co. Ltd. in December 2004. For the year ended December 31, 2005, the payment we received from Macau Tourism and Amusement Company for services provided by us amounted to approximately RMB16.7 million. For the first six months of 2006, the payment we received from Macau Tourism and Amusement Company in such transactions amounted to approximately RMB385.73 million.

Annual Cap on Future Transaction Amounts

For the two years ending December 31, 2007, we expect to provide more services to Macau Tourism and Amusement Company while we expect the annual aggregate payment by Macau Tourism and Amusement Company for our services will not exceed RMB1,000 million and RMB830 million, respectively. As for 2008, the transaction amount will depend on Macau Tourism and Amusement Company's plans for construction at that time, which is not available to us at present.

In arriving at the above caps, we have taken into account the amounts payable to us under existing service contracts between us and Macau Tourism and Amusement Company, for example, our engagement to construct the Pier 16 Complex and the New Yaohan Department Store for the two years ending December 31, 2007, which in aggregate already have a contractual value of over US$110 million for 2006 and US$100 million for 2007. We have also taken into account the service contracts we are about to enter into with Macau Tourism and Amusement Company in respect of the projects that we have already been awarded by it.

2. Transactions with Xi'an Tongrui Road Construction Company (西安通瑞高等級公路工程有限公司)

Connection of the Parties

Xi'an Tongrui Road Construction Company owns approximately 23% of the share capital of Eastern Alliance Construction Engineering Co., Ltd (東盟營造工程有限公司) which is one of our subsidiaries. Therefore Xi'an Tongrui Road Construction Company, as a substantial shareholder of one of our subsidiaries, is one of our connected persons under the Hong Kong Listing Rules and transactions between us and Xi'an Tongrui Road Construction Company and/or its associates will constitute connected transactions.

Description of Transactions

In the ordinary and usual course of business, Eastern Alliance Construction Engineering Co., Ltd engages Xi'an Tongrui Road Construction Company as its subcontractor for some road and bridge construction work from time to time.

The above subcontracting transactions between us and Xi'an Tongrui Road Construction Company are conducted on normal commercial terms after arm's length negotiation. The transaction terms we offered to Xi'an Tongrui Road Construction Company are generally on a back-to-back basis corresponding to the terms that project owners offer to us in the main contract (such as standards of quality, payment schedule, liquidated damages for delay, etc.) and are no more favourable than those we offer to independent third parties. Xi'an Tongrui Road Construction Company, though a substantial shareholder of Eastern Alliance Construction Engineering Co., Ltd, has no influence over Eastern Alliance Construction Engineering Co., Ltd during the course of negotiations. Despite the subcontracting agreements, we, as the main contractor engaged by the project owners, will remain responsible to project owners for the timely completion and quality of the construction work. Under the terms of our subcontracting agreements with Xi'an Tongrui Road Construction Company however, we are generally able to seek indemnities from Xi'an Tongrui Road Construction Company for losses arising from its performance of its contractual obligations.

Reasons for Transactions

We usually subcontract labour intensive construction work to local contractors so that we can better allocate our own resources to high value-added tasks. Xi'an Tongrui Road Construction Company has, in the past, generally delivered quality work in projects where we engaged it as our subcontractor. We believe that it is in our interests to undertake subcontracting transactions with Xi'an Tongrui Road Construction Company.

Historical Transaction Amounts

Xi'an Tongrui Road Construction Company was not incorporated until October 2005. Therefore there has been no transactions between us and Xi'an Tongrui Road Construction Company in 2003 and 2004. For the year ended December 31, 2005, payment made by us to Xi'an Tongrui Road Construction Company in connection with its subcontracting services was approximately RMB105 million. For the first six months of 2006, payment made by us to Xi'an Tongrui Road Construction Company in such transactions was approximately RMB41.63 million.

Annual Cap on Future Transaction Amounts

For the three years ending December 31, 2008, we expect that the annual aggregate payment by us to Xi'an Tongrui Road Construction Company in connection with its subcontracting services will not exceed RMB90 million, RMB100 million, and RMB120 million, respectively.

In arriving at the above caps, we have taken into account (i) the amount payable by us under our existing subcontracting agreements with Xi'an Tongrui Road Construction Company; (ii) the increasing operational capacity of Xi'an Tongrui Road Construction Company; and (iii) foreseeable new construction projects that we expect to be awarded by project owners and that may be subcontracted by us to Xi'an Tongrui Road Construction Company.

3. Written Agreements

Our Company, our relevant subsidiaries and relevant connected person(s) will enter into written agreement in respect of each individual continuing connected transaction between the parties in relation to the continuing connected transactions as disclosed above.

II. APPLICATION FOR WAIVERS

We will continue to carry out the continuing connected transactions as disclosed above after our H shares are listed on the Hong Kong Stock Exchange and therefore those continuing connected transactions will be subject to the requirement of the Hong Kong Listing Rules.

Waiver from Strict Compliance with Announcement Requirement

Pursuant to the Hong Kong Listing Rules, the relevant percentage ratio for each of the above continuing connected transactions (except transactions falling below de minimis threshold as disclosed above) is less than 2.5% but more than 0.1% on an annual basis. Accordingly, all the above continuing connected transactions are exempted from the independent shareholders approval requirement under the Hong Kong Listing Rules. But all the above disclosed continuing connected transactions (except transactions falling below de minimis threshold as disclosed above) would still be subject to the reporting and announcement requirement set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, if these requirements are strictly applied.

As these connected transactions are expected to be carried out on a continuing and recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Hong Kong Listing Rules would be impractical and would add unnecessary administrative costs to our Company. Accordingly our Company has applied to the Hong Kong Stock Exchange pursuant to Rule 14A.42(3) of the Hong Kong Listing Rules for a waiver from strict compliance with announcement requirement set out in Rule 14A.47 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange has agreed to grant such waiver to transactions with Macau Tourism and Amusement Company, which will expire on December 31, 2007, and transactions with Xi'an Tongrui Road Construction Company, which will expire on December 31, 2008, Nevertheless, our Company has to comply with the reporting requirements set out in Rule 14A.45 and Rule 14A.46 of the Hong Kong Listing Rules.

Our Directors (including the independent non-executive Directors) are of the opinion that each of the annual caps set out in the table below for the continuing connected transactions disclosed above is fair and reasonable.

	Caps (in RMB million)		
Transaction	2006	2007	2008
1. Construction and construction-related agreements between us and Macau Tourism and Amusement Company			
— amount payable by Macau Tourism and Amusement Company to us	1,000	830	N/A
2. Construction subcontracting agreements between us and Xi'an Tongrui Road Construction Company			
— amount payable by us to Xi'an Tongrui Road Construction Company for its acting as our sub-contractor	90	100	120

As to our future transactions with Macau Tourism and Amusement Company for the year ending December 31, 2008, no waiver is sought as at the date of this Prospectus because the actual transaction amounts will depend on Macau Tourism and Amusement Company's plans for construction at that time, which is not available to us at present. We will comply with the relevant requirements of the Hong Kong Listing Rules as they apply to the actual transaction amounts with Macau Tourism and Amusement Company for that year.

III. CONTINUING CONNECTED TRANSACTIONS WITH CCCG

As CCCG is one of our connected persons under the Hong Kong Listing Rules, transactions between our Company and CCCG and/or the associates of CCCG will constitute connected transactions under the Hong Kong Listing Rules. Our Company expects to enter into certain transactions with CCCG and/or its associates on a continuing or recurring basis. These transactions may include renting properties and purchasing construction materials from CCCG and/or its associates from time to time.

The Directors confirm that any such transactions will be carried out on prevailing market prices and other transaction terms that are no less favourable than available from independent third parties. We currently expect the annual aggregate amount of payments by the Company to CCCG and its associates under these transactions will not exceed the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. Therefore, no waiver from the Hong Kong Listing Rules requirement is sought at the time of this Prospectus.

IV. OPINION OF OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the opinion that each of these continuing connected transactions disclosed above has been entered into, and will be carried out in our ordinary and usual course of business and on normal commercial terms, and that each of these continuing connected transactions disclosed above is fair and reasonable and in the interest of our shareholders as a whole.

V. CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (1) the continuing connected transactions described above for which waivers are sought are in the ordinary and usual course of our business, on normal commercial terms, fair and reasonable and in the interest of our shareholders as a whole, and (2) the maximum aggregate annual value for such continuing connected transactions (where applicable) are fair and reasonable as far as our shareholders as a whole are concerned.

GENERAL

Our Board currently consists of seven Directors, including four independent non-executive Directors. Our Directors are elected at a meeting of the shareholders of our Company for a term of three years, renewable upon re-election and re-appointment.

The functions and powers of the Board include, among other things:

- Convening shareholders' meetings and reporting its work to shareholders at such meetings;
- Implementing shareholders' resolutions;
- Making decisions on our business strategies, business plans and material investment plans;
- Formulating proposed annual financial budgets and final accounts;
- Formulating profit distribution plans and if applicable, plans for making up losses previously incurred;
- Formulating plans relating to the increase or reduction of our Company's registered capital, the issuance of corporate bonds or other securities and where applicable, the listing of such securities;
- Deciding on the organization of our internal management; and
- Exercising any other powers conferred by shareholders' meetings or under the Articles of Association.

In accordance with the PRC Company Law, we have established the Supervisory Committee that is responsible for monitoring our financial matters and for supervising the actions of the Board and our senior management. The Supervisory Committee currently consists of three members, with one member acting as the chairman. One member of the Supervisory Committee is a representative elected by our employees, and the remaining members are elected at a meeting of the shareholders of the Company. Pursuant to the Articles of Association, Directors, the President of the Company or members of the senior management of the Company can not serve as Supervisors. The term of office for Supervisors is three years, renewable upon re-election and re-appointment.

The functions and powers of the Supervisory Committee include, among other things:

- Supervising the performance of Company duties by the Board and senior management personnel;
- Inspecting and supervising our financial activities; and
- Proposing the convening of extraordinary meetings of shareholders of the Company and where applicable or appropriate, putting forth proposals for shareholders' consideration at such meetings.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The table below sets forth information regarding our Directors.

Name	Age	Position
ZHOU Jichang	56	Chairman of the Board and executive Director
MENG Fengchao	48	Vice Chairman of the Board, executive Director and President
FU Junyuan	45	Executive Director, Chief Financial Officer
LU Hongjun	56	Independent non-executive Director
YUAN Yaohui	61	Independent non-executive Director
CHAO Tien Yo	52	Independent non-executive Director
KOO Fook Sun, Louis	50	Independent non-executive Director

ZHOU Jichang, age 56, is the Chairman and executive Director of the Board of our Company. Mr. Zhou also serves as the chairman of the board of ZPMC and of CRBC International, two of our major subsidiaries listed on the Shanghai Stock Exchange. Mr. Zhou has in-depth knowledge of the industries in which the Company operates and extensive operational and managerial experience. Mr. Zhou joined us in January 1977 and has been working with us for nearly 30 years. The most recent positions he held with us include the general manager of the China Road and Bridge Corporation from November 1997 to December 2005. Before that, Mr. Zhou once served as deputy general manager of The First Highway Survey & Design Institute of CRBC Group from August 1987 to May 1992 and general manager and chairman of China Road and Bridge Construction Company (the predecessor of China Road and Bridge Corporation) from August 1995 to November 1997. From December 2005 to present, Mr. Zhou serves as the chairman of CCCG and since August 2006 he has also served as the president of CCCG. Mr. Zhou graduated from Tongji University with a major in bridge, road and tunnel construction. He is now a doctoral candidate of Beijing Jiaotong University for industry economics study. Mr. Zhou is a Senior Engineer.

MENG Fengchao, age 48, is the Vice Chairman and executive Director of the Board and the President of our Company. Mr. Meng has worked for nearly 25 years in the industry of transportation infrastructure construction and has extensive managerial and operational experience. From January 2000 to December 2004, Mr. Meng was a vice president of China Railway Engineering Company, which is one of the largest railway infrastructure contractors in China, and also served as the chairman of China Zhongtie Major Bridge Engineering Group Co. Ltd. From January 1982 to May 1998, he served in various positions at the Ministry of Railways and its engineering affiliates. Mr. Meng joined us as the president of China Harbour Engineering Company (Group) in January 2005 and subsequently served as a director and the president of CCCG from December 2005 to August 2006. He currently serves as a non-executive director of CCCG. Mr. Meng graduated from Southwest Jiaotong University with a bachelor's degree in tunnel and subway engineering. Mr. Meng is a Senior Engineer.

FU Junyuan, age 45, is an executive Director and the Chief Financial Officer of our Company. Mr. Fu also serves as a director of ZPMC. Mr. Fu joined us in September 1996 and has been working with us for over ten years and has extensive operational and financial management experience. The most recent positions he held with us include chief accountant of China Harbour Engineering Company (Group) from October 1998 to December 2005. Before that, Mr. Fu once worked for over ten years at the financial bureau and auditing bureau of the Ministry of Communications. From December 2005 to August 2006, he was the chief accountant of CCCG from December 2005 to August 2006 and a non-executive director of CCCG from August 2006 to November 2006. He is also a non-executive director of China Merchants Bank Co., Ltd., which is listed on the Main Board of the Hong Kong Stock Exchange and on the Shanghai Stock Exchange. Mr. Fu graduated from Shanghai Maritime University with a bachelor's degree in economics. Mr. Fu also holds a master's degree in business administration from Asia International Open University (Macau). Mr. Fu is a Senior Accountant. He is now a doctoral candidate of Beijing Jiaotong University for business administration study.

LU Hongjun, age 56, is an independent non-executive Director of our Company. Mr. Lu is the president and a professor of Shanghai Institute of International Finance. He has conducted extensive research on executive performance review and corporate leadership development. Over the course of many years, Mr. Lu had lectured on this topic at Shanghai Jiaotong University and Shanghai Institute of International Finance. In 1999, he completed the Wharton CEO Circle Program conducted by the Wharton School of the University of Pennsylvania. He was also visiting scholar at Stanford University and Japan's Waseda University. Since June 2002, Mr. Lu serves as an independent non-executive director of Shanghai Dragon Corporation and Shanghai New Huang Pu Real Estate Co. Ltd., two companies listed on the Shanghai Stock Exchange.

YUAN Yaohui, age 61, is an independent non-executive Director of our Company. Mr. Yuan has extensive experience in both public policy making and corporate administration. He was the head of the policy and regulation department of the General Administration of Civil Aviation of China (being China's national aviation regulatory body) from January 2001 to his retirement in May 2006, when he was charged with formulating national aviation policy. He had also served as the head of the Economic and Trade Commission of Jiangxi Province from 1995 to 1997 during which time he was in charge of the local economic development of that province. In terms of corporate administration experience, Mr. Yuan was the deputy president of Air China International Corporation (now known as Air China Limited) from December 1998 to December 2000, with primary responsibility for business planning. Mr. Yuan also served as a deputy general manager and the general manager, respectively, of Changhe Aircraft Industries Group, a major aircraft manufacturer in China, for ten years since 1984. Mr. Yuan graduated from the Beijing Institute of Technology with a bachelor's degree in radio engineering. Mr. Yuan is a Senior Engineer and is entitled to government special allowance as awarded by the State Council.

CHAO Tien Yo, age 52, is an independent non-executive Director of our Company. Mr. Chao is a partner in the international law firm Morrison & Foerster and is based in its Hong Kong office. Mr. Chao has practised law in Hong Kong since 1984, focusing on capital markets, mergers and acquisitions and private equity investments, particularly involving companies operating in the PRC and Hong Kong. Mr. Chao holds bachelor degrees from the University of Hong Kong and the University of Keele and a master of arts degree from the University of Manchester, and qualified as a solicitor in England and Wales in 1983 and in Hong Kong in 1984.

KOO Fook Sun, Louis, age 50, is an independent non-executive Director of our Company. Mr. Koo is the founder and managing director of Hercules Capital Limited, a corporate finance advisory firm. He has many years of experience in investment banking and professional accounting. He was the managing director and head of corporate finance department of a major international bank, a director and chief executive officer of SilverNet Group Limited (now known as EnerChina Holdings Limited), a company listed on the Main Board of the Hong Kong Stock Exchange. Mr Koo currently acts as an independent non-executive director of Li Ning Company Limited, Weichai Power Company Limited, Midland Holdings Limited and Good Friend International Holdings Inc., which are listed on the Main Board of the Hong Kong Stock Exchange, and of EVI Education Asia Limited, which is listed on the Growth Enterprise Market of the Hong Kong Stock Exchange. Mr. Koo graduated with a bachelor degree in business administration from the University of California at Berkeley and is a certified public accountant and an associate member of the Hong Kong Institute of Certified Public Accountants.

Supervisors

The table below sets forth information regarding our Supervisors.

Name	Age	Position
LIU Xiangdong	48	Chairman of the Supervisory Committee
XU Sanhao	52	Supervisor
WANG Yongbin	40	Supervisor (representative of our employees)

LIU Xiangdong, age 48, is a Supervisor of our Company. Prior to joining CCCG, Mr. Liu served as an inspector of the Enterprises Reform Bureau of SASAC from May 2003 to December 2005. From January 1995 to May 2003, Mr. Liu held a number of positions at the former State Economy and Trade Commission and the former Ministry of Domestic Trade of the PRC. Mr. Liu holds a master of science degree from Hunan University, China.

XU Sanhao, age 52, is a Supervisor of our Company. Mr. Xu was deputy general manager of China Road and Bridge Corporation from March 2001 to September 2005. Mr. Xu graduated from Jilin Industry University with a major in automobile appliance and maintenance. Mr. Xu is a Senior Engineer.

WANG Yongbin, age 40, is a Supervisor of our Company. Mr. Wang is the head of the auditing department of our Company. Mr. Wang joined China Harbour Engineering Company (Group) in July 2001 and has been working with us for about five years. Mr. Wang graduated from Changsha Communications University with a bachelor's degree in project finance and accounting. Mr. Wang is a Senior Accountant.

Senior Management

The table below sets forth information regarding our senior management (excluding Directors who also hold executive positions).

Name	Age	Position
CHEN Yun	43	Vice President
CHEN Yusheng	51	Vice President
HOU Jinlong	54	Vice President
CHEN Fenjian	44	Vice President
ZHU Bixin	40	Vice President
YANG Liqiang	50	Vice President
LIU Wensheng	46	Secretary of the Board, Joint Company Secretary and Chief Economist
LUU Yeu Khiem	53	Joint Company Secretary and Qualified Accountant

CHEN Yun, age 43, is a Vice President of our Company. Mr. Chen joined us in September 1998 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Harbour Engineering Company (Group) from December 2001 to December 2005. Before that, Mr. Chen once served as the general manager of assets management division of China Harbour Engineering Company (Group) from September 1999 to February 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from East China Institute of Water Conservancy with a bachelor's degree in harbour and channel engineering. Mr. Chen also holds a master's degree in business administration from Tsinghua University. Mr. Chen is a Senior Engineer.

CHEN Yusheng, age 51, is a Vice President of our Company. Mr. Chen also serves as a director of CRBC International. Mr. Chen joined us in June 1999 and has extensive operational experience. The most recent positions he held with us include deputy general manager of China Road and

Bridge Corporation from March 2001 to December 2005 and assistant president of China Road and Bridge Corporation from March 2000 to March 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Distance Learning College of Central Party School with a major in politics and law. Mr. Chen is a Senior Economist.

HOU Jinlong, age 54, is a Vice President of our Company. Mr. Hou joined us in September 1970 and has been working with us for nearly 36 years and has extensive operational experience. The most recent positions he held with us include general manger of The First Highway Engineering Bureau of CRBC Group from July 2001 to December 2005 and chief engineer of The Second Highway Engineering Bureau of the CRBC Group from October 1995 to January 2001. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Hou graduated from Chongqing Construction Engineering College with a major in bridge and tunnel. Mr. Hou also holds a master's degree in road and railway engineering from Southeast University of China. Mr. Hou is a Senior Engineer and is entitled to governmental special allowance as awarded by the State Council.

CHEN Fenjian, age 44, is a Vice President of our Company. Mr. Chen joined us in August 1983 and has been working with us for over 20 years and has extensive operational experience. The most recent positions he held with us include general manager of Fourth Navigational Engineering Bureau of CHEC Group from September 2002 to December 2005 and deputy general manager of Fourth Navigational Engineering Bureau of CHEC Group from July 2000 to September 2002. From December 2005 to August 2006, he was a vice president of CCCG. Mr. Chen graduated from Changsha Communications University with a bachelor's degree in harbour and channel engineering. Mr. Chen is a Senior Engineer.

ZHU Bixin, age 40, is a Vice President of our Company. Mr. Zhu joined us in April 1995 and has been working with us for over ten years. The most recent positions he held with us include secretary of the discipline commission of the Chinese Communist Party committee of China Road and Bridge Corporation and head of trade union of China Road and Bridge Corporation from March 2001 to December 2005. He was a vice president of CCCG from December 2005 to August 2006. Mr. Zhu graduated from Chongqing Jiaotong College with a bachelor's degree in transportation management. Mr. Zhu also holds a master's degree in business administration from Peking University. Mr. Zhu is a Senior Economist.

YANG Liqiang, age 50, is a Vice President and head of trade union of our Company. Mr. Yang was the head of trade union of China Harbour Engineering Company (Group) from April 2002 to December 2005. He was the head of the trade union of CCCG from January 2006 to August 2006. He worked with the Ministry of Communications for ten years before joining us. Mr. Yang holds a master's degree in business administration from Honolulu University, Hawaii, USA.

LIU Wensheng, age 46, is the Secretary of the Board, the Joint Company Secretary and the Chief Economist of the Company. He also serves as a director of ZPMC. Mr. Liu has been working with us for nearly 25 years and has extensive operational experience. The most recent positions Mr. Liu held with the Company include deputy chief economist of China Harbour Engineering Company (Group) and general manager of its corporate planning department from March 2003 to November 2005 and deputy general manager of CHEC Tianjin Dredging Corp., a major subsidiary of the Company, from June 1999 to March 2003. He was the chief economist of CCCG from December 2005 to August 2006. Mr. Liu graduated from Dalian Maritime University with a bachelor's degree in engineering. He is a Senior Engineer.

LUU Yeu Khiem, age 53, is the Joint Company Secretary and Qualified Accountant (employed on a full-time basis as stipulated by the Hong Kong Listing Rules) of the Company. He is a Fellow of Chartered Certified Accountants, UK and a CPA. Before joining the Company in June 2001, Mr. Luu was employed by Sing Tao News Corporation Limited, a company listed on the Hong Kong Stock Exchange for over 20 years in its accounting department, where he was involved in Sing Tao News Corporation Limited's listing application process and post-listing compliance work and gained sufficient knowledge of the Hong Kong Listing Rules. In June 2001, Mr. Luu joined Zhen Hua Engineering Co., Ltd., a major overseas subsidiary of the Company, as a senior accountant. Mr. Luu graduated from Hong Kong Shue Yan College with a diploma in accounting.

As disclosed in the above biographical details, substantially all of our Directors (excluding independent non-executive Directors) and members of senior management held important managerial positions with our predecessors and are responsible for our results throughout the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, which is in compliance with the management continuity requirement under the Hong Kong Listing Rules. Several members of the senior management of our predecessors, who were also responsible for our results for the most part of the three years ended December 31, 2005, retired before the incorporation of our Company. All of them retired at the age of retirement pursuant to relevant PRC laws and regulations.

COMMITTEES OF THE BOARD

Audit Committee

We have established an audit committee in compliance with the applicable requirements of the Hong Kong Listing Rules. The primary responsibilities of our audit committee include, among other things:

- to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and
- to oversee the Company's financial reporting system and internal control procedures, including but not limited to, review of financial controls, internal control and risk management systems, consideration of action of any findings of major investigations of internal control matters as delegated by the Board or at its own initiative and management's response thereto, and review of the Group's financial and accounting policies and practices.

Our audit committee currently consists of Mr. Koo Fook Sun, Mr. Lu Hongjun and Mr. Chao Tien Yo, and is chaired by Mr. Koo Fook Sun, who are all independent non-executive Directors.

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee in compliance with the applicable requirements of the Hong Kong Listing Rules. The primary responsibilities of our remuneration and appraisal committee include, among other things:

- to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent process for developing policy on such remuneration;
- to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of relating to the remuneration of non-executive Directors;

- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and
- to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Our remuneration and appraisal committee currently consists of Mr. Lu Hongjun, Mr. Koo Fook Sun and Mr. Yuan Yaohui, and is chaired by Mr. Lu Hongjun. All members of our remuneration committee are independent non-executive Directors.

Strategy Committee

We have established a strategy committee to develop our business strategy and evaluate the effectiveness of our strategic plans. The primary responsibilities of our strategy committee includes, among other things, to review proposals and to make recommendations to the Board regarding the following:

- strategic development plans;
- annual budgets;
- capital allocation plans;
- significant mergers and acquisitions;
- significant investments and financing plans;
- significant internal reorganizations.

Our strategy committee currently consists of Mr. Zhou Jichang, Mr. Meng Fengchao, and Mr. Fu Junyuan, and is chaired by Mr. Zhou Jichang.

Nomination Committee

We have established a nomination committee to make recommendation to the Board on the appointment and removal of senior officers of the Company. Our nomination committee currently consists of Mr. Zhou Jichang, Mr. Meng Fengchao, and Mr. Fu Junyuan, and is chaired by Mr. Zhou Jichang.

WAIVERS BY THE HONG KONG STOCK EXCHANGE

Waiver from Strict Compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules relating to Management Presence in Hong Kong

Pursuant to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, an issuer must have sufficient management presence in Hong Kong and in normal circumstances at least two of the issuer's executive directors must be ordinary residents in Hong Kong. Since we have our headquarters and substantially all of our operations in the PRC, we do not, and for the foreseeable future, will not have a sufficient management presence in Hong Kong. Currently, most of our Directors reside in the PRC.

Accordingly we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules on the basis that we have certain arrangements to maintain effective communication with the Hong Kong Stock Exchange, including (i) the appointment of Mr. Fu Junyuan, our executive Director, and Mr. Luu Yeu Khiem, our Joint Company Secretary resident in Hong Kong, who will both make themselves readily available to the Hong Kong Stock Exchange as the authorized representatives of the Company and as the principal channel of communication with the Hong Kong Stock Exchange; and (ii) the appointment of the Joint Sponsors as our compliance advisors for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, who will act as an alternative channel of communication with the Hong Kong Stock Exchange; (iii) we undertake to comply with, and also expect our compliance advisors will comply with Rules 19A.05 to 19A.07 of the Hong Kong Listing Rules; and (iv) we also intend to appoint Freshfields Bruckhaus Deringer, our current Hong Kong legal advisors in connection with the Global Offering, to act as our legal advisors in connection with our ongoing compliance with the Hong Kong Listing Rules and other applicable regulations in Hong Kong, and Freshfields Bruckhaus Deringer could also act as an alternative point of contact for our communication with the Hong Kong Stock Exchange.

Waiver from Strict Compliance with Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules relating to Qualification of Company Secretary

Mr. Liu Wensheng is one of our Joint Company Secretaries. We believe Mr. Liu should be considered to have the relevant experience to discharge the duty of company secretary, given the period of his employment with the Company and the senior positions he has served as indicated in his biography in the section headed ''Directors, Supervisors and Senior Management — Senior Management'' of this Prospectus, as long as Mr. Liu can also demonstrate familiarity with the Hong Kong Listing Rules. As Mr. Liu Wensheng does not possess qualifications as required under Rule 8.17(2) of the Hong Kong Listing Rules, our Company has appointed Mr. Luu Yeu Khiem, who is a Hong Kong resident and has the requisite qualification, as another Joint Company Secretary of the Company for a term expiring on the third anniversary of the Listing Date, so as to provide assistance to Mr. Liu Wensheng in acquiring the requisite familiarity with the Hong Kong Listing Rules to discharge Mr. Liu's functions as company secretary.

In order to help Mr. Liu Wensheng familiarize himself with the Hong Kong Listing Rules and other applicable regulations in Hong Kong, we appointed him as the main contact person on our behalf to work closely with our Hong Kong legal advisors and the Joint Sponsors and other intermediaries in preparing and applying for the Global Offering. Mr. Liu was involved in almost all the discussions on the legal issues relating to the Global Offering and has reviewed almost all the listing related documents. By so doing, Mr. Liu has acquired much useful knowledge about the Hong Kong Listing Rules and relevant Hong Kong laws regulating public companies in Hong Kong. In addition, we will require Mr. Liu to further familiarize himself with the Hong Kong Listing Rules, in particular, the continuing obligations of a listed company, and relevant Hong Kong laws with the assistance of Mr. Luu Yeu Khiem and our ongoing compliance legal advisors in Hong Kong. We will provide all necessary resources, such as training budget, administrative assistants, etc., to Mr. Liu to support his performance of the duty of Joint Company Secretary.

As we are in the process of preparing for a PRC Public Offering, we believe that it is important that one of our Joint Company Secretaries also understands domestic listing rules. As Mr. Liu has experience of serving as a director of ZPMC, a subsidiary of us with its A shares listed on the Shanghai Stock Exchange, Mr. Liu fulfils such criteria.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant us, a waiver from the strict compliance with Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules in respect of Mr. Liu Wensheng's qualification for acting as the Joint Company Secretary for a period of three years from the Listing Date. Upon the expiry of the three-year period, we will re-evaluate the qualifications of Mr. Liu to determine whether the requirements as stipulated in Rule 8.17 of the Hong Kong Listing Rules can be satisfied and whether the appointment of Mr. Liu as the sole company secretary will satisfy the requirements as stipulated in Rule 8.17 of the Hong Kong Listing Rules.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors and Supervisors who are also our senior management personnel or our employees, receive compensation in the form of salaries, bonuses, benefits in cash, pension as well as through our contribution to their social insurance plans and housing funds. Our independent non-executive Directors receive directors' fees from us. The aggregate of basic salaries, housing allowances, other allowances and benefits in kind paid by us to all our Directors and Supervisors (as listed above) in 2003, 2004 and 2005 and the six months ended June 30, 2006 were RMB1.4 million, RMB1.6 million, RMB2.9 million and RMB1.2 million, respectively. As required by PRC regulations, we participate in various pension plans, insurance plans and housing funds organized by provincial and municipal governments for our employees, including employees who are Directors, Supervisors and senior management members, to which we contributed approximately RMB0.05 million, RMB0.06 million, RMB0.08 million and RMB0.05 million for our Directors and Supervisors in 2003, 2004 and 2005 and the six months ended June 30, 2006, respectively.

The aggregate amount of compensation we paid to our five highest paid individuals in 2003, 2004 and 2005 and the six months ended June 30, 2006 were RMB10.3 million, RMB6.1 million, RMB5.0 million and RMB2.6 million, respectively.

Share Appreciation Rights Plan

In order to motivate and incentivize our management and other key employees, we intend to adopt a share appreciation rights plan (the ''SAR Plan'').

We are currently in the process of formulating the SAR Plan, which is subject to the approvals by relevant PRC government authorities and by our shareholders as required by PRC laws and regulations. We currently expect to propose the SAR Plan to our first annual general meeting for approval after the completion of the Global Offering.

Under the proposed SAR Plan, eligible participants will be entitled to a cash payment by our Company equal to the appreciation, if any, in the fair market value of our Shares from the date of the grant of such appreciation rights to the date of the exercise of such rights, subject to certain terms and conditions.

No Shares will be issued under the SAR Plan. Accordingly, the shareholding of our shareholders will not be diluted by the implementation of the SAR Plan.

SHARE CAPITAL

Before Global Offering

As of the date of this Prospectus, our registered share capital is RMB10,800,000,000 divided into 10,800,000,000 Domestic Shares of nominal value RMB1.00 each and is categorized as follows:

Name	Nature	Number of Shares	Approximate percentage of issued share capital
			%
CCCG	Domestic Shares	10,800,000,000	100
Total		10,800,000,000	100%

Upon Completion of Global Offering

Immediately after completion of the Global Offering, and assuming the Over-allotment Option is not exercised, our share capital will be categorized as follows:

Name	Nature	Number of Shares	Approximate percentage of issued share capital
			%
CCCG	Domestic Shares	10,450,000,000	73.1
H Shares issued and converted pursuant to the Global Offering(1)	H Shares	3,850,000,000	26.9
Total		14,300,000,000	100%

(1) Upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, 350,000,000 H Shares will be converted from Domestic Shares and held by NSSF, representing approximately 2.4% of our total issued share capital, as a result of a transfer by CCCG pursuant to relevant PRC regulations regarding disposal of state-owned shares.

Immediately after completion of the Global Offering, and assuming the Over-allotment Option is exercised in full, our share capital will be categorized as follows:

Name	Nature	Number of Shares	Approximate percentage of issued share capital
			%
CCCG	Domestic Shares	10,397,500,000	70.1
H Shares issued and converted pursuant to the Global Offering(1)	H Shares	4,427,500,000	29.9
Total		14,825,000,000	100%

(1) Upon completion of the Global Offering and assuming the Over-allotment Option is exercised in full, 402,500,000 H Shares will be converted from Domestic Shares and held by NSSF, representing approximately 2.7% of our total issued share capital, as a result of a transfer by CCCG pursuant to relevant PRC regulations regarding disposal of state-owned shares.

RANKING

Domestic Shares (including any A Shares to be issued pursuant to the proposed PRC Public Offer) and H Shares are both ordinary shares in the share capital of the Company ranking *pari passu* with the same rights and benefits. H Shares, however, may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of China. Domestic Shares, on the other hand, may only be subscribed for by, and traded between, legal or natural persons of the PRC or eligible foreign investors with the approval from CSRC and must be subscribed for and traded in Renminbi. All cash dividends in respect of the H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars whereas all cash dividends in respect of Domestic Shares are to be paid by our Company in Renminbi.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council securities regulatory authority and our Articles of Association, our Domestic Shares may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that, prior to the transfer and trading of such transferred shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such transfer and trading shall in all respect comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of our Domestic Shares are to be transferred to overseas investors and to be traded as H Shares on the Hong Kong Stock Exchange, such transfer and conversion will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. The listing of such converted shares on the Hong Kong Stock Exchange will need to obtain the approval of the Hong Kong Stock Exchange. Based on the methodology and procedures for the transfer and conversion of our Domestic Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the transferred shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed transfer.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such shares on our H Share register maintained in Hong Kong and instruct the Hong Kong share registrar to issue H Share certificates. Registration on our H Share register will be on the conditions that (a) our Hong Kong share registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such shares would not be listed as H Shares.

So far as our Directors are aware, CCCG currently does not propose to convert any of the Domestic Shares held by it into H Shares, except for the Domestic Shares to be converted and transferred to the NSSF in connection with this Global Offering.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued by a company prior to the public offering of shares shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date. However, the Shares to be transferred by CCCG to NSSF in accordance with relevant PRC regulations regarding disposal of state-owned shares are not subject to such statutory restrictions on transfer following their transfer to NSSF in accordance with the relevant PRC regulations regarding disposal of state-owned shares.

TRANSFER OF STATE-OWNED SHARES

In accordance with relevant PRC regulations regarding disposal of state-owned shares, our state-owned shareholder, namely CCCG, is required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the Offer Shares (350,000,000 H Shares before the exercise of the Over-Allotment Option, and an additional 52,500,000 H Shares upon the exercise in full of the Over-Allotment Option). At the time of the listing of our H Shares on the Hong Kong Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis. These H Shares will not be part of the Global Offering but will be considered as part of the Shares to be held by public investors for the purpose of Rule 8.08 of the Hong Kong Listing Rules. Our company will not receive any proceeds from the transfer by our state-owned shareholders to NSSF or any subsequent disposal of such H Shares by NSSF.

The transfer of state-owned shares by CCCG to NSSF has been approved by the SASAC on October 16, 2006. The conversion of those shares into H Shares has been approved by the CSRC on November 7, 2006. We have been advised that the transfer and the conversion, and the holding of H Shares by NSSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.

Our Company has given certain undertakings in respect of the issuance of Shares and other securities. See the section headed ''Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings'' in this Prospectus.

GENERAL MANDATE TO ISSUE SHARES

If the Global Offering becomes unconditional, our Directors have been granted a general unconditional mandate by a special resolution of the general meeting of the shareholders to issue Domestic Shares and/or H Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, any scrip dividend or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a specific authority granted by the shareholders) with an aggregate nominal value of not more than 20% of the aggregate nominal amount of each of our Domestic Shares in issue and our H Shares in issue as at the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange (excluding the Shares which may be issued under the Over-allotment Option). This mandate will expire one year after the Listing Date.

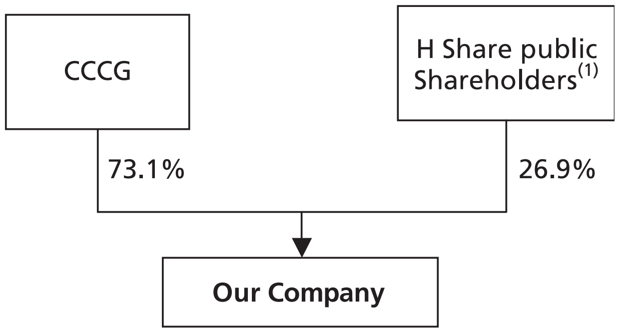
For further details of this general mandate, see the section headed ''Further information about Our Company — The Shareholder Resolutions of Our Company'' in ''Appendix IX — Statutory and General Information'' to this Prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (but without taking into account the exercise of the Over-allotment Option), the only persons (not being our Directors) who will have an interest or short position in our Shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of our issued and outstanding share capital then in issue carrying rights to vote in all circumstances at our general meetings, together with any other shareholders beneficially owning more than 5% of our outstanding or issuable Shares, are as follows:

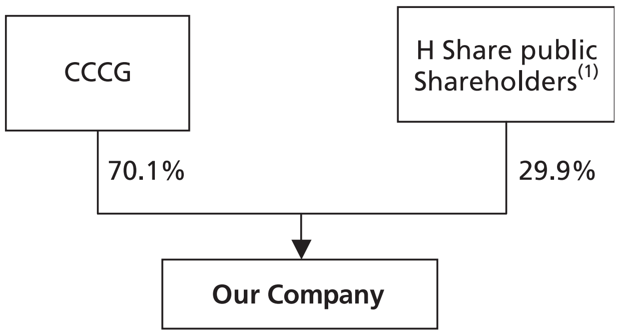
Name of interested person	Capacity	Number of our Shares that person has or is deemed to have interest in	Percentage of this interest in our share capital
CCCG	Beneficial interest	10,450,000,000	73.1

The following chart presents the shareholding structure of our Company immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised.



(1) Including NSSF, which will hold approximately 2.4% of our total issued share capital. The H Shares held by NSSF are not subject to any lock-up restrictions under the PRC laws after the listing of the Company for the reasons set out in the section headed ''Structure of the Global Offering — Transfer of the Transfer Shares''.

The following chart presents the shareholding structure of our Company immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.



(1) Including NSSF, which will hold approximately 2.7% of our total issued share capital. The H Shares held by NSSF are not subject to any lock-up restrictions under the PRC laws after the listing of the Company for the reasons set out in the section headed ''Structure of the Global Offering — Transfer of the Transfer Shares''.

CCCG as our existing shareholder does not have any voting rights that will differ from the voting rights of other shareholders after the completion of the Global Offering.

SUBSTANTIAL SHAREHOLDERS

None of our Directors or Supervisors is a legal or beneficial owner of any of our Shares. We are not aware of any arrangement that may at a subsequent date result in a change of control of our Company.

For more information on our relationship with CCCG, see the sections head ''Reorganization and Corporate Structure'' and ''Relationship with CCCG'', respectively.

You should read this section in conjunction with our audited combined financial statements, including notes thereto, as set forth in ''Appendix I — Accountants' Report''. The financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled ''Risk Factors'' in this Prospectus.

BASIS OF PRESENTATION

Pursuant to our reorganization, CCCG transferred to us its principal operations and businesses. CCCG was established upon the Merger of the CHEC Group and the CRBC Group in December 2005. Both CHEC Group and CRBC Group were controlled and wholly-owned by SASAC prior to the Merger. Subsequent to the Merger, SASAC has controlled and wholly-owned CCCG. Our combined financial statements and operating data, and the discussion and analysis thereof in this Prospectus, have been prepared on a continuing basis as if the Reorganization had been completed, and the principal operations and businesses of CHEC Group and CRBC Group had been transferred to us, as at January 1, 2003. As CCCG controlled our Company before and after the Reorganization, the transfer of the operations and businesses to the Company from CCCG has been treated for the purpose of preparing our financial statements as a business combination under common control in a manner similar to a pooling of interests. Accordingly, the assets and liabilities transferred to the Company pursuant to the Reorganization have been stated at historical carrying amounts.

Our combined financial statements also include the operating results and financial positions of the Retained Operations that were historically associated with our Predecessor Operations but exclude those that are not complementary to our business. Although these Retained Operations of CCCG were not transferred to us, the Retained Operations of CCCG associated with the Predecessor Operations have been included in our combined financial statements up to the effective date of the Reorganization since they were an integral part of, or historically associated with, our business and operations.

Pursuant to the Reorganization, certain assets and liabilities historically associated with our Predecessor Operations have been retained by CCCG after incorporation of the Company on October 8, 2006. Our combined results of operations, cash flows and financial condition of the Company presented in this Prospectus, however, do not purport to be indicative of what our actual consolidated results of operations, cash flows and financial condition would have been had the Company been operating its businesses under our current organizational structure since January 1, 2003.

OVERVIEW

We are a leading transportation infrastructure group in China primarily engaged in the infrastructure construction, infrastructure design, dredging and port machinery manufacturing businesses. With more than 50 years experience gained from a diverse range of projects, we provide our customers with integrated solutions across different phases of an infrastructure construction project.

Our operations are organized into the following four core businesses and our financial information is presented to report results from these core businesses:

- Infrastructure Construction Business;
- Infrastructure Design Business;
- Dredging Business; and
- Port Machinery Manufacturing Business.

In addition, leveraging on our established platforms of the above four core businesses, we are also engaged in a variety of other businesses, including road and bridge construction machinery manufacturing, logistics services and trading of construction related materials and equipment. Financial information for these other businesses is presented under the category ''Other Businesses''.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

Growth in transportation infrastructure spending in China

We operate primarily in the transportation infrastructure industry in China. In the past, our businesses have benefited significantly from the PRC government's investments in transportation infrastructure, including the construction and improvement of ports, waterways, roads, bridges, tunnels, and other projects. PRC spending on transportation infrastructure increased 28.5% from 2003 to 2004 and 21.3% from 2004 to 2005, while our turnover growth rates for the same periods were 36.0% and 26.3%, respectively. To cope with the demand of continued and sustained economic growth, the PRC government has earmarked a total amount of RMB3.8 trillion to invest in transportation infrastructure projects in its Eleventh Five Year Plan, which covers the five years from 2006 to 2010. We expect that the continued investment in transportation infrastructure construction by the PRC government will generate for us significant business opportunities in the coming few years. If the PRC government decides to reduce the growth of spending on transportation infrastructure projects in China, and we fail to open up new markets in or outside China, our revenue growth could slow and our turnover could decline.

Cost of raw materials and employee benefits

The cost of raw materials and consumables and employee benefits constitutes a significant part of the aggregate of our total cost of sales, selling and marketing expenses and administrative expenses.

Our operations require various types of raw materials and consumables including steel, cement, sand, ballast and asphalt, which contributed 38.0%, 39.9%, 40.1% and 42.1%, respectively, of the aggregate of our total costs of sales, selling and marketing expenses and administrative expenses in 2003, 2004, 2005 and the six months ended June 30, 2006. These raw materials are commodities, and their availability and prices depend on local and global market conditions. We generally do not engage in any hedging transactions to protect us against fluctuation in prices for raw materials.

A majority of our larger projects take 12 months or more to complete. Accordingly, prices of key raw materials at the time of signing the contracts may not reflect the prices that we will eventually pay during the execution of our projects. Our ability to pass on increases in the purchase price of raw materials may be limited in the case of fixed-price or fixed unit price contracts or contracts with limited price escalation provisions. Most of our contracts are fixed-price or fixed unit price contracts, under which we commit to provide all of the resources required to complete a project for a fixed sum or at fixed unit prices. Under contracts with limited price escalation provisions, we are obligated to bear at least a portion of the increase in the purchase price of key raw materials, principally steel.

Our operations are also dependent on the availability of skilled labor at acceptable prices. Employee benefits comprise all expenses attributable to our employees (both production-related and those involved in selling, marketing and administrative activities), which include wages, salaries, bonuses and various contributions to statutory social benefits. Employee benefits amounted to approximately 10.6%, 9.2%, 9.1% and 9.0%, respectively, of the aggregate of our total cost of sales, selling and marketing expenses and administrative expenses in 2003, 2004, 2005 and the six months ended June 30, 2006. In recent years, we have rationalized the work force of some of our subsidiaries. The related termination and early retirement costs are included in our employee benefits. In recent years, employee benefits have been increasing primarily due to an increase in salaries.

The actual expense we incur in executing a fixed-price contract may vary substantially from the expense assumptions underlying our bid for several reasons, including unanticipated increases in the cost of raw materials, labor and other inputs, unforeseen construction conditions, including inability of the customer to obtain requisite environmental and other approvals, delays caused by local weather conditions and the failure of suppliers or subcontractors to perform. Unanticipated increases in the price of raw materials or the cost of labor not taken into account in our bid and delays in performing parts of the contract can have compounding effects by increasing the costs of performing other parts of the contracts. These variations, and the risks which are generally inherent in the construction industry, may result in our profits being different from those originally estimated and may result in us experiencing reduced profitability or losses on projects.

Subcontracting

Subcontracting costs, primarily from our Infrastructure Construction Business, our Infrastructure Design Business and our Dredging Business, accounted for approximately 22.6%, 21.2%, 24.0%, 23.6% of our cost of sales, selling and marketing expenses and administrative expenses in 2003, 2004, 2005, and for the six months ended June 30, 2006, respectively. We generally realize lower gross margins on projects that we partially subcontract out. Since the growth of our backlog and the rate of increase of our new contracts have outpaced the rate at which our capacity has grown in recent years, we have had subcontracted to third parties where we face capacity constraints. Our capacity constraints have restricted the growth of our turnover and profits and required that we increasingly subcontract to third parties. In light of this, we intend to continue to expand our capacity by purchasing new equipment, upgrading our existing facilities and constructing new facilities. We intend to use approximately RMB9,680 million of our proceeds from the Global Offering (assuming no exercise of the Over-allotment Option) to construct new facilities and purchase new equipment to expand our capacity. With these new investments, we expect to be able to further expand our operations and benefit from our enhanced economies of scale.

Tax

Our effective tax rates for 2003, 2004, 2005 and the six months ended June 30, 2006 were 36.5%, 24.6%, 16.6%, and 25.6%, respectively. Most of our subsidiaries are subject to PRC income tax. The normal statutory PRC enterprise income tax rate is 33% of the assessable income as determined in accordance with the relevant PRC income tax rules and regulations. However, PRC national and local tax laws provide for a number of preferential tax treatments applicable to different enterprises. Certain of our subsidiaries are currently exempted or taxed at preferential income tax rates that range from 7.5% to 16.5%. Termination or revision of the various types of preferential tax treatment that certain of our subsidiaries, associates and jointly-controlled entities currently enjoy would have a negative impact on our results of operations and financial condition.

In 2003, certain companies within our Group incurred losses but we did not recognize the deferred tax assets arising from such losses because we were uncertain about the availability of future taxable profit against which we could offset the tax losses. As a result, the effective tax rate in 2003 is higher than that of 2004 and 2005. The decrease in effective tax rate in 2005 was mainly due to an income tax credit of RMB290 million arising from certain notional employee costs and benefits. These notional employee costs and benefits mainly represented the accrued but unpaid salary costs and welfare of CHEC Group and CRBC Group as recorded in their respective financial statements (under PRC GAAP) and approved by SASAC during the three years ended December 31, 2005, which became deductible for income tax purposes in 2005.

ZPMC, one of our principal subsidiaries operating in the Port Machinery Manufacturing Business, has been subject to a preferential tax rate of 10% for the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30 2006 because it is located in the Pudong New Development Area of Shanghai and because over 70% of its products are exported. Because ZPMC makes a significant contribution to our pre-tax profit, the termination or revision of the policies underlying the preferential tax rates that ZPMC current enjoys would increase our effective tax rates.

Seasonality

We experience seasonality in our business, particularly in our Infrastructure Construction Business. We typically record higher revenues for the period from July to December relative to turnover from January to June. We attribute this seasonality to the effect that the winter months have on our construction operations in northern China and to the effect of Chinese New Year, when our projects and construction stop for the holiday.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our financial statements included in Appendix I to this Prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue recognition

We recognize our revenue from construction, design, dredging and port machinery contracts under the percentage of completion method, when the contract has progressed to a stage where the profit of contract can be prudently determined and , depending on the nature of the contract, is measured mainly by reference to: (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs, (b) the amount of work certified by site engineers or (c) completion of physical proportion of the contract work.

If the outcome from a contract cannot be estimated reliably, revenue is recognized only to the extent that costs incurred are likely to be recoverable. When it is likely that the costs relating to a contract exceed the revenues from that same contract, we immediately make a provision for such loss. Costs incurred in a year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion and, depending on their nature, are presented as inventories, prepayment or other assets. We review and revise the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses.

Revenue for services rendered, including surveying and maintenance of channels is recognized when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Contract work-in-progress

We value our contract work-in-progress, which is primarily applicable to the Infrastructure Construction Business, the Dredging Business and the Port Machinery Manufacturing Business, at the cost of the work on a project that we have done, plus a proportion of the expected results upon completion of the project in proportion to the progress made and less progress billings and provisions. We make a provision for expected losses on contract work-in-progress for a particular project as soon as they are foreseen, and deduct these provisions from the cost. Provisions will be charged to income statements directly. The cost relating to a project includes direct project costs, consisting of direct payroll costs, raw material costs, costs of subcontracted work, other direct costs and rental charges and maintenance costs for the equipment used. We determine the progress of a project using the percentage of completion method. Profits are not recognized unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress, and progress billings is determined on a project to project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognized under current liabilities instead of under current assets. The respective balance sheet items are ''due from customers for contract work'' and ''due to customers for contract work''.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to us. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation is calculated on a straight-line basis to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

- Buildings .... 20-30 years
- Machinery .... 5-10 years
- Vessels .... 10-14 years
- Motor vehicles .... 5 years
- Other equipments .... 5 years

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for their intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as described above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on estimated discounted future cash flows of the cash-generating unit at the lowest level to which the asset belongs. The recoverable amount is the higher of value in use and the net selling price.

Our management determines the residual value, useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. We increase the depreciation charge where residual value or useful lives are less than previously estimated, or we write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Gains and losses on disposals are determined by comparing proceeds with carrying amount. We include these in our combined income statement.

Trade receivables

We recognize trade receivables initially at fair value and subsequently measure them at amortized cost using the effective interest method, less provision for impairment. We establish a provision for impairment of trade receivables when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the combined income statement. Our management determines the provision for impairment of accounts receivable. This estimate is based on the credit history of our customers and the current market condition. We reassess the adequacy of provision on a regular basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), and it excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Deferred income tax

We are subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes with respect to our activities in each jurisdiction. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in our financial statements. The deferred income tax, however, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as our management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

Concession assets

We engage in certain service concession arrangements in which we carry out the construction work (e.g., toll highways and bridges) for the granting authority and receive in exchange a right to operate the asset concerned in accordance with pre-established conditions set by the granting authority. We have applied the draft interpretations issued by the International Financial Reporting Interpretations Committee (''IFRIC'') with respect to the accounting for these assets constructed under concession arrangements. In accordance with the content of the draft interpretations issued by IFRIC, the assets under the concession arrangements may be classified as intangible assets or receivables from the authority that grants the concession rights. The assets are classified as intangibles if the users pay the tolls deriving from the concession or as receivables if paid by the granting authority. While waiting for the final interpretation decision from the IFRIC, we classified the non-current assets linked to the long-term investment in these concession arrangements as ''concession assets'' within intangible assets classification on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements is completed, the concession assets are amortised over the term of the concession on a straight-line basis under the intangible asset model.

These draft interpretations are currently under consultation and yet to be approved by the International Accounting Standards Board.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Turnover

The following table sets forth our turnover contribution by business and as a percentage of our total turnover for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2003		2004		2005		2005		2006	
	RMB	%	RMB	%	RMB	%	RMB (unaudited)	%	RMB	%
	(in millions, except for percentages)									
Infrastructure Construction Business	33,119	*67.6*	44,863	*67.5*	54,723	*64.9*	21,150	*61.3*	28,845	*60.4*
Infrastructure Design Business	2,150	*4.4*	3,416	*5.1*	4,441	*5.3*	1,616	*4.7*	2,360	*4.9*
Dredging Business	4,134	*8.4*	5,051	*7.6*	6,823	*8.1*	3,211	*9.3*	5,017	*10.5*
Port Machinery Manufacturing Business	5,982	*12.2*	8,778	*13.2*	13,947	*16.5*	6,477	*18.8*	9,041	*19.0*
Other Businesses	3,609	*7.4*	4,344	*6.6*	4,409	*5.2*	2,034	*5.9*	2,494	*5.2*
Subtotal	48,994	*100.0*	66,452	*100.0*	84,343	*100.0*	34,488	*100.0*	47,757	*100.0*
Inter-segment Elimination	(512)		(540)		(1,078)		(480)		(570)	
Total	48,482		65,912		83,265		34,008		47,187	

Infrastructure Construction Business. The provision of infrastructure construction services has historically been the single largest contributor to our turnover, and we expect this trend to continue in the near future. We derive turnover in our Infrastructure Construction Business primarily from port construction and road and bridge construction.

We primarily provide infrastructure construction services to PRC governmental entities on the national, provincial and local levels. To a lesser extent, we also provide our infrastructure construction services overseas to both governmental and non-governmental entities.

Infrastructure Design Business. Our Infrastructure Design Business derives turnover primarily from the provision of consulting and planning services, feasibility studies, designs, engineering consulting and technical studies, project management, project supervision and construction services.

A portion of the contracts undertaken by our Infrastructure Design Business are comprehensive contracts pursuant to which we provide comprehensive services from planning and design to construction of a specific project. When our Infrastructure Design Business subsidiaries undertake one of these comprehensive contracts, we recognize all of the turnover as derived from the Infrastructure Design Business and we do not apportion the revenue between our Infrastructure Design Business and our Infrastructure Construction Business.

Dredging Business. Our Dredging Business primarily derives turnover from the provision of dredging services, including capital dredging, maintenance dredging, reclamation dredging and environmental protection dredging. We provide our services primarily to governmental entities in the PRC, and to a lesser extent, to both governmental and non-governmental entities overseas.

Port Machinery Manufacturing Business. Our Port Machinery Manufacturing Business primarily derives turnover from the sale of container cranes and, to a lesser extent, bulk material handling machinery, such as bulk material ship loaders and unloaders, stackers and stacker-reclaimers, heavy marine crane machinery, such as floating cranes, crane components, including spreaders, operator consoles and powers supply assemblies, and large steel structures. Turnover from the export of our products comprises a significant percentage of our Port Machinery Manufacturing Business.

Cost of Sales

Our cost of sales includes primarily raw materials and consumables, subcontracting costs, equipment usage cost and employee benefits. Raw materials and consumables and subcontracting costs constitute the two largest components of our cost of sales, collectively amounting to a majority of our total cost of sales in 2003, 2004 and 2005 and for the six months ended June 30, 2006. Apart from the above items, sales related taxes, which mainly consist of business tax levied at a rate of 3% to 5% of taxable revenue are also included in our cost of sales.

Infrastructure Construction Business. Our cost of sales from our Infrastructure Construction Business primarily consists of raw materials and consumables, such as steel and cement, subcontracting cost, equipment usage costs and employee benefits.

Infrastructure Design Business. Our cost of sales from our Infrastructure Design Business primarily consists of employee benefits, subcontracting costs and raw materials and consumables. Subcontracting cost primarily arises from our subcontracting of the construction portion of our projects (under comprehensive contracts).

Dredging Business. Our cost of sales from our Dredging Business primarily consists of subcontracting costs, equipment usage costs, raw materials and consumables, employee benefits and fuel.

Port Machinery Manufacturing Business. Our cost of sales from our Port Machinery Manufacturing Business primarily consists of raw materials and consumables, such as steel and electrical components and employee benefits.

Selling and marketing expenses

Our selling and marketing expenses primarily consists of employee benefits, bidding-related expenses and travel expenses.

Administrative expenses

Our administrative expenses includes employee benefits for administrative staff, impairment in trade and other receivable, impairment in inventory, and depreciation and amortization of administration related assets. The largest component of our administrative expenses is employee benefits, which includes salaries, bonuses, contributions as required by regulations.

Other gains/(losses), net

Our other gains/(losses), net consists of gain on disposal of property, plant and equipment, gains or losses from derivative financial instruments and foreign exchange.

Other income

Other income primarily consists of income from sales of construction related materials, rental income and dividend income on available-for-sale financial assets.

Other expenses

Other expenses primarily consists of cost of sale of construction related materials and rental expenses, and loss on disposal of property, plant and equipment.

Other income/(expenses), net

Other income/(expenses), net in our segment discussion reflects other income, expenses and other gains/(losses), net combined.

Interest Income

Our interest income primarily consists of interest income from bank deposits.

Finance costs, net

Finance costs, net primarily consists of interest expenses and net foreign exchange gains or losses on borrowings.

Income tax

Income tax primarily represents income tax payable by us under relevant PRC and overseas income tax rules and regulations.

Minority Interests

Minority interests represents the interest of outside shareholders in the results and net assets of our subsidiaries that we do not wholly own. We consolidate ZPMC, an A and B share listed company in which we have a 43.3% shareholding interest, into our financial statements as a subsidiary on the basis of our ability to control its financial and operating policies. A substantial portion of our minority interests relate to the interests in ZPMC that we do not own.

RESULTS OF OPERATIONS

The following table sets forth our selected income statement and other financial information for the periods indicated, as derived from the Accountants' Report in Appendix I to this Prospectus. The financial information contained herein and in the Accountants' Report in Appendix I to this Prospectus is prepared in accordance with IFRS and is presented as if the current group structure had been in existence throughout the periods presented.

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB millions)				
Turnover	48,482	65,912	83,265	34,008	47,187
Cost of sales	(43,617)	(59,578)	(75,110)	(30,722)	(42,073)
Gross profit	4,865	6,334	8,155	3,286	5,114
Other gains/(losses), net	37	33	205	141	(45)
Selling and marketing expenses	(270)	(363)	(463)	(184)	(199)
Administrative expenses	(2,878)	(3,459)	(4,117)	(1,693)	(2,473)
Other income	706	785	1,001	452	561
Other expenses	(715)	(749)	(972)	(462)	(441)
Operating profit	1,745	2,581	3,809	1,540	2,517
Interest income	97	100	117	53	71
Finance costs, net	(972)	(933)	(433)	(245)	(684)
Share of profit/(loss) of jointly controlled entities	5	5	(47)	1	10
Share of profit of associates	113	101	117	52	48
Profit before income tax	988	1,854	3,563	1,401	1,962
Income tax expense	(361)	(457)	(592)	(382)	(502)
Profit for the year/period	627	1,397	2,971	1,019	1,460
Attributable to:					
Equity holders of the Company	435	1,071	2,195	689	1,084
Minority interests	192	326	776	330	376
	627	1,397	2,971	1,019	1,460
EBITDA[(1)]	3,044	4,112	5,746	2,462	3,536

(1) The following table sets forth a full quantitative reconciliation of EBITDA to its most direct comparable IFRS measure, profit for the fiscal year, and the calculation of EBITDA margin. EBITDA is not a calculation based on IFRS. The amounts included in the EBITDA calculation, however, are derived from amounts included in the combined income statement data. We have presented EBITDA data in this Prospectus as we believe that EBITDA is a useful supplement to cash flow data because it enables us to measure operating performance and provides a general indicator of the ability to service and incur debt as well as to internally fund capital expenditures. However, EBITDA should not be considered in isolation or construed as an alternative to net income or income from operations, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with IFRS, or as an alternative to cash flow as a measurement of liquidity. EBITDA does not consider any functional or legal requirements of the business that may require us to conserve and allocate funds for purposes other than debt service or funding of capital expenditures. Potential investors should be aware that the EBITDA measure presented in this

Prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

	For the year ended December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
			(RMB millions)		
Profit for the year/period	627	1,397	2,971	1,019	1,460
Add/(less):					
Income tax expense	361	457	592	382	502
Interest income	(97)	(100)	(117)	(53)	(71)
Finance costs, net	972	933	433	245	684
Share of (profit)/losses of jointly controlled entities	(5)	(5)	47	(1)	(10)
Share of profit of associates	(113)	(101)	(117)	(52)	(48)
Depreciation and amortization	1,299	1,531	1,937	922	1,019
EBITDA	3,044	4,112	5,746	2,462	3,536
Turnover	48,482	65,912	83,265	34,008	47,187
EBITDA margin	6.3%	6.2%	6.9%	7.2%	7.5%

Six months ended June 30, 2006 compared to six months ended June 30, 2005

Overview

The table below sets forth the turnover, gross profit and operating profit attributable to our businesses for the periods indicated.

	Turnover		Gross Profit		Gross Profit Margin		Operating Profit[(1)]		Operating Profit Margin	
	Six months ended June 30,		Six months ended June 30,		Six months ended June 30,		Six months ended June 30,		Six months ended June 30,	
Business	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
	(unaudited) (RMB millions)		(unaudited) (RMB millions)		(unaudited) (%)		(unaudited) (RMB millions)		(unaudited) (%)	
Infrastructure Construction	21,150	28,845	1,172	1,975	*5.5*	*6.8*	195	624	*0.9*	*2.2*
% of total	*61.3*	*60.4*	*35.7*	*38.9*			*12.4*	*24.6*		
Infrastructure Design	1,616	2,360	551	722	*34.1*	*30.6*	268	343	*16.6*	*14.5*
% of total	*4.7*	*4.9*	*16.8*	*14.2*			*17.1*	*13.5*		
Dredging	3,211	5,017	501	778	*15.6*	*15.5*	305	453	*9.5*	*9.0*
% of total	*9.3*	*10.5*	*15.3*	*15.3*			*19.4*	*17.8*		
Port Machinery Manufacturing	6,477	9,041	833	1,313	*12.9*	*14.5*	724	1,005	*11.2*	*11.1*
% of total	*18.8*	*19.0*	*25.4*	*25.8*			*46.2*	*39.6*		
Other Businesses	2,034	2,494	224	294	*11.0*	*11.8*	77	115	*3.8*	*4.6*
% of total	*5.9*	*5.2*	*6.8*	*5.8*			*4.9*	*4.5*		
Subtotal	34,488	47,757	3,281	5,082			1,569	2,540		
Inter-segment Elimination and Unallocated Costs	(480)	(570)	5	32			(29)	(23)		
Total	34,008	47,187	3,286	5,114	*9.7*	*10.8*	1,540	2,517	*4.5*	*5.3*

(1) Total operating profit represents the total of segment results less unallocated costs.

Turnover for the six months ended June 30, 2006 was RMB47,187 million, an increase of RMB13,179 million, or 38.8%, compared to RMB34,008 million for the six months ended June 30, 2005, primarily due to an increase of RMB7,695 million, or 36.4% from the Infrastructure Construction Business (before elimination of inter-segment transactions), an increase of RMB2,564 million, or 39.6%, from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions), and an increase of RMB1,806 million, or 56.2%, from the Dredging Business (before elimination of inter-segment transactions).

Cost of sales for the six months ended June 30, 2006 was RMB42,073 million, an increase of RMB11,351 million, or 36.9%, compared to RMB30,722 million for the six months ended June 30, 2005, primarily due to an increase of RMB6,892 million, or 34.5% from the Infrastructure Construction Business (before elimination of inter-segment transactions), and an increase of RMB2,084 million, or 36.9% from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions), and an increase of RMB1,529 million, or 56.4%, from the Dredging Business (before elimination of inter-segment transactions).

As a result, gross profit for the six months ended June 30, 2006 was RMB5,114 million, an increase of RMB1,828 million, or 55.6%, compared to RMB3,286 million for the six months ended June 30, 2005. Gross profit margin increased from 9.7% for the six months ended June 30, 2005 to 10.8% for the six months ended June 30, 2006.

Operating profit for the six months ended June 30, 2006 was RMB2,517 million, an increase of RMB977 million, or 63.4%, compared to RMB1,540 million for the six months ended June 30, 2005, primarily due to an increase of RMB429 million, or 220.0%, from the Infrastructure Construction Business (before elimination of inter-segment transactions), an increase of RMB281 million, or 38.8% from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions), and an increase of RMB148 million, or 48.5%, from the Dredging Business (before elimination of inter-segment transactions). Operating profit margin increased from 4.5% for the six months ended June 30, 2005 to 5.3% for the six months ended June 30, 2006.

Profits from operating activities for major businesses

Infrastructure Construction Business

The financial information for the Infrastructure Construction Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Infrastructure Construction Business for the periods indicated.

	For the six months ended June 30,	
	2005	2006
	(unaudited)	
	(RMB millions)	
Turnover	21,150	28,845
Cost of sales	(19,978)	(26,870)
Gross profit	1,172	1,975
Selling and marketing expenses	(18)	(25)
Administrative expenses	(982)	(1,421)
Other income/(expenses), net	23	95
Segment result	195	624
Depreciation and amortization	539	586

Turnover. Turnover from the Infrastructure Construction Business for the six months ended June 30, 2006 was RMB28,845 million, an increase of RMB7,695 million, or 36.4%, as compared with RMB21,150 million for the six months ended June 30, 2005, primarily due to an increase in the aggregate value of projects which we undertook, driven by demand for our services. This increase was primarily attributable to the growth in infrastructure spending by the PRC government. The value of new contracts entered into for the Infrastructure Construction Business for the six months ended June 30, 2006 was RMB42,304 million, an increase of RMB4,441 million, or 11.7%, as compared with RMB37,863 million for the six months ended June 30, 2005. No single project accounted for more than 5% of our turnover in the six months ended June 30, 2006 or in the six months ended June 30, 2005.

Cost of sales and gross profit. Cost of sales for the Infrastructure Construction Business for the six months ended June 30, 2006 was RMB26,870 million, an increase of RMB6,892 million or

34.5%, as compared with RMB19,978 million for the six months ended June 30, 2005. Cost of sales as a percentage of turnover decreased from 94.5% for the six months ended June 30, 2005 to 93.2% for the six months ended June 30, 2006, primarily as a result of a decrease in the cost of raw materials as a percentage of turnover, which was partially offset by increases of subcontracting costs as a percentage of turnover before elimination of inter-segment transactions. Gross profit margin increased from 5.5% for the six months ended June 30, 2005 to 6.8% for the six months ended June 30, 2006. Gross profit from the Infrastructure Construction Business for the six months ended June 30, 2006 increased RMB803 million, or 68.5%, to RMB1,975 million from RMB1,172 million for the six months ended June 30, 2005.

Selling and marketing expenses. Selling and marketing expenses for the Infrastructure Construction Business for the six months ended June 30, 2006 was RMB25 million, an increase of RMB7 million, or 38.9%, as compared with RMB18 million for the six months ended June 30, 2005 primarily due to increased turnover.

Administrative expenses. Administrative expenses for the Infrastructure Construction Business for the six months ended June 30, 2006 was RMB1,421 million, an increase of RMB439 million, or 44.7%, as compared with RMB982 million for the six months ended June 30, 2005. Administrative expenses as a percentage of turnover remained generally steady, increasing from 4.6% for the six months ended June 30, 2005 to 4.9% for the six months ended June 30, 2006.

Other income/(expenses), net. Other income/(expenses), net for the Infrastructure Construction Business increased RMB72 million from RMB23 million for the six months ended June 30, 2005 to RMB95 million for six months ended June 30, 2006.

Segment result. As a result of the above, segment result for the Infrastructure Construction Business for the six months ended June 30, 2006 was RMB624 million, an increase of RMB429 million, or 220.0%, as compared with RMB195 million for the six months ended June 30, 2005. Segment result margin increased from 0.9% for the six months ended June 30, 2005 to 2.2% for the six months ended June 30, 2006.

Infrastructure Design Business

The financial information for the Infrastructure Design Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Infrastructure Design Business for the periods indicated.

	For the six months ended	
	2005	2006
	(unaudited) (RMB millions)	
Turnover	1,616	2,360
Cost of sales	(1,065)	(1,638)
Gross profit	551	722
Selling and marketing expenses	(55)	(49)
Administrative expenses	(228)	(334)
Other income/(expenses), net	—	4
Segment result	268	343
Depreciation and amortization	37	41

Turnover. Turnover from the Infrastructure Design Business for the six months ended June 30, 2006 was RMB2,360 million, an increase of RMB744 million, or 46.0%, as compared with

RMB1,616 million for the six months ended June 30, 2005. This increase was primarily attributable to an increase in the aggregate value of design contracts, including comprehensive contracts. We experienced an increase in the aggregate value of design contracts primarily due to an increase in infrastructure spending by the PRC government and higher demand for our specialized design skills and experience with sophisticated projects. The value of new contracts entered into for our Infrastructure Design Business for the six months ended June 30, 2006 was RMB3,600 million, an increase of RMB1,413 million, or 64.6%, as compared with RMB2,187 million for the six months ended June 30, 2005.

Cost of sales and gross profit. Cost of sales for the Infrastructure Design Business for the six months ended June 30, 2006 was RMB1,638 million, an increase of RMB573 million, or 53.8%, as compared with RMB1,065 million for the six months ended June 30, 2005. Cost of sales as a percentage of turnover increased from 65.9% for the six months ended June 30, 2005 to 69.4% for the six months ended June 30, 2006, primarily due to an increase in subcontracting costs arising from comprehensive contracts undertaken by the Infrastructure Design Business and an increase in raw materials cost. The increase in subcontracting costs was primarily due to the increase in the amount of comprehensive contracts under which we principally subcontract the construction portion to our other subsidiaries.

Gross profits from the Infrastructure Design Business for the six months ended June 30, 2006 were RMB722 million, an increase of RMB171 million, or 31.0%, as compared with RMB551 million for the six months ended June 30, 2005.

Selling and marketing expenses. Selling and marketing expenses for the Infrastructure Design Business for the six months ended June 30, 2006 was RMB49 million, a decrease of RMB6 million, or 10.9%, as compared with RMB55 million for the six months ended June 30, 2005.

Administrative expenses. Administrative expenses for the Infrastructure Design Business for the six months ended June 30, 2006 was RMB334 million, an increase of RMB106 million, or 46.5%, as compared with RMB228 million for the six months ended June 30, 2005. Administrative expenses as a percentage of turnover remained relatively stable, increasing from 14.1% for the six months ended June 30, 2005 to 14.2% for the six months ended June 30, 2006.

Other income/(expenses), net. Other income/(expenses), net for the Infrastructure Design Business for the six months ended June 30, 2006 was income of RMB4 million, an increase of RMB4 million, as compared with nil for the six months ended June 30, 2005.

Segment result. As a result of the above, segment result for the Infrastructure Design Business for the six months ended June 30, 2006 was RMB343 million, an increase of RMB75 million, or 28.0%, as compared with RMB268 million for the six months ended June 30, 2005. Segment result margin decreased from 16.6% for the six months ended June 30, 2005 to 14.5% for the six months ended June 30, 2006.

Dredging Business

The financial information for the Dredging Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Dredging Business for the periods indicated.

	For the six months ended June 30,	
	2005	2006
	(unaudited)	
	(RMB millions)	
Turnover	3,211	5,017
Cost of sales	(2,710)	(4,239)
Gross profit	501	778
Selling and marketing expenses	(9)	(10)
Administrative expenses	(184)	(354)
Other income/(expenses), net	(3)	39
Segment Result	305	453
Depreciation and amortization	181	184

Turnover. Turnover from the Dredging Business for the six months ended June 30, 2006 was RMB5,017 million, an increase of RMB1,806 million, or 56.2%, as compared with RMB3,211 million for the six months ended June 30, 2005. The increase in turnover was primarily attributable to increased port development activities in the PRC, which led to higher demand for our dredging services. The value of new contracts entered into for our Dredging Business for the six months ended June 30, 2006 was RMB6,168 million, an increase of RMB2,374 million, or 62.6%, as compared with RMB3,794 million for the six months ended June 30, 2005.

Cost of sales and gross profit. Cost of sales for the Dredging Business for the six months ended June 30, 2006 was RMB4,239 million, an increase of RMB1,529 million, or 56.4%, as compared with RMB2,710 million for the six months ended June 30, 2005. Cost of sales as a percentage of turnover for our Dredging Business remained generally stable, increasing from 84.4% for the six months ended June 30, 2005 to 84.5% for the six months ended June 30, 2006. This increase was primarily attributable to an increase in fuel costs, which was partially offset by a decrease in subcontracting costs as a percentage of turnover due to our increased capacity. Gross profit from the Dredging Business for the six months ended June 30, 2006 was RMB778 million, an increase of RMB277 million or 55.3%, as compared with RMB501 million for the six months ended June 30, 2005. Gross profit margin for the Dredging Business remained steady, decreasing from 15.6% for the six months ended June 30, 2005 to 15.5% for the six months ended June 30, 2006.

Selling and marketing expenses. Selling and marketing expenses for the Dredging Business for the six months ended June 30, 2006 was RMB10 million, an increase of RMB1 million, or 11.1%, as compared with RMB9 million for the six months ended June 30, 2005.

Administrative expenses. Administrative expenses for the Dredging Business for the six months ended June 30, 2006 was RMB354 million, an increase of RMB170 million, or 92.4%, as compared with RMB184 million for the six months ended June 30, 2005. Administrative expenses as a percentage of turnover increased from 5.7% for the six months ended June 30, 2005 to 7.1% for the six months ended June 30, 2006, primarily due to increased personnel costs and increased provisions for trade and other receivables.

Other income/(expenses), net. Other income/(expenses), net for the Dredging Business for the six months ended June 30, 2006 was income of RMB39 million, an increase of RMB42 million, as compared with expense of RMB3 million for the six months ended June 30, 2005.

Segment result. As a result of the above, segment result for the Dredging Business for the six months ended June 30, 2006 was RMB453 million, an increase of RMB148 million, or 48.5%, as compared with RMB305 million for the six months ended June 30, 2005. Segment result margin decreased from 9.5% for the six months ended June 30, 2005 to 9.0% for the six months ended June 30, 2006.

Port Machinery Manufacturing Business

The financial information for the Port Machinery Manufacturing Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Port Machinery Manufacturing Business for the periods indicated.

	For the six months ended June 30,	
	2005	2006
	(unaudited) (RMB millions)	
Turnover	6,477	9,041
Cost of sales	(5,644)	(7,728)
Gross profit	833	1,313
Selling and marketing expenses	(14)	(26)
Administrative expenses	(170)	(217)
Other income/(expenses), net	75	(65)
Segment result	724	1,005
Depreciation and amortization	148	181

Turnover. Turnover from the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB9,041 million, an increase of RMB2,564 million, or 39.6%, as compared with RMB6,477 million for the six months ended June 30, 2005. This increase was primarily due to growth in global container transportation, which continued to drive the increase in market demand for our products, which we met by further increasing our production capacity. The value of new contracts entered into for our Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB12,428 million, an increase of RMB529 million, or 4.4%, as compared with RMB11,899 million for the six months ended June 30, 2005.

Cost of sales and gross profit. Cost of sales for the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB7,728 million, an increase of RMB2,084 million, or 36.9%, as compared with RMB5,644 million for the six months ended June 30, 2005, primarily due to an increase in turnover. Cost of sales as a percentage of turnover decreased from 87.1% for the six months ended June 30, 2005 to 85.5% for the six months ended June 30, 2006. This decrease was primarily due to the implementation of cost controls for steel products and the increase in usage of domestically produced electrical components, which have improved in quality and are less expensive than imported electrical components. Gross profit from the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB1,313 million, an increase of RMB480 million or 57.6%, as compared with RMB833 million for the six months ended June 30, 2005. Gross profit margin increased from 12.9% for the six months ended June 30, 2005 to 14.5% for the six months ended June 30, 2006.

Selling and marketing expenses. Selling and marketing expenses for the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB26 million, an increase of RMB12 million, or 85.7%, as compared with RMB14 million for the six months ended June 30, 2005, primarily due to increased personnel costs.

Administrative expenses. Administrative expenses for the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB217 million, an increase of RMB47 million, or 27.6%, as compared with RMB170 million for the six months ended June 30, 2005, primarily due to an increase in turnover. Administrative expenses as a percentage of turnover for the Port Machinery Manufacturing Business decreased from 2.6% for the six months ended June 30, 2005 to 2.4% for the six months ended June 30, 2006, primarily due an increase in economies of scale resulting from the growth of our business.

Other income/(expenses), net. Other income/(expenses), net for the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was expense of RMB65 million as compared with income of RMB75 million for the six months ended June 30, 2005, primarily due to a net loss from foreign exchange forward contracts of RMB36 million for the six months ended June 30, 2006 as compared with a net gain of RMB69 million from foreign exchange forward contracts for the six months ended June 30, 2005.

Segment result. As a result of the above, segment result for the Port Machinery Manufacturing Business for the six months ended June 30, 2006 was RMB1,005 million, an increase of RMB281 million, or 38.8%, as compared with RMB724 million for the six months ended June 30, 2005. Segment result margin remained steady, decreasing from 11.2% for the six months ended June 30, 2005 to 11.1% for the six months ended June 30, 2006.

The following discussion relates to our business as a whole and is not specific to any individual business segment.

Interest income

Interest income for the six months ended June 30, 2006 was RMB71 million, an increase of RMB18 million, compared to RMB53 million for the six months ended June 30, 2005.

Finance costs, net

Finance costs, net for the six months ended June 30, 2006 was RMB684 million, an increase of RMB439 million, or 179.2%, from RMB245 million for the six months ended June 30, 2005. This increase primarily was due to an increase in interest expenses and to net foreign exchange losses on borrowings of RMB70 million for the six months ended June 30, 2006, which was primarily attributable to movement in exchange rates of the Renminbi against the Euro.

Share of profits of jointly controlled entities

Our share of profits of jointly controlled entities for the six months ended June 30, 2006 was RMB10 million, an increase of RMB9 million, compared to RMB1 million for the six months ended June 30, 2005.

Share of profits of associates

Our share of profits of associates for the six months ended June 30, 2006, was RMB48 million, a decrease of RMB4 million, compared to RMB52 million for the six months ended June 30, 2005.

Profit before income tax

As a result of the foregoing factors, profit before income tax for the six months ended June 30, 2006 was RMB1,962 million, a 40.0%, or RMB561 million increase as compared with RMB1,401 million for the six months ended June 30, 2005.

Income tax expense

Income tax expense for the six months ended June 30, 2006 was RMB502 million, an increase of RMB120 million, or 31.4%, from RMB382 million for the six months ended June 30, 2005. The effective tax rate for the Company for the six months ended June 30, 2005 and for the six months ended June 30, 2006 was 27.3% and 25.6%, respectively. For the six months ended June 30, 2006, the higher contribution to overall pre-tax income by certain of our subsidiaries, including principally ZPMC, that enjoyed preferential tax rates, resulted in our having a lower overall effective tax rate.

Minority interests

Minority interests for the six months ended June 30, 2006 was RMB376 million, an increase of RMB46 million, or 13.9%, from RMB330 million for the six months ended June 30, 2005, primarily as a result of an increase in profit from ZPMC.

Profit attributable to equity holders

As a result of the foregoing factors, profit attributable to equity holders for the six months ended June 30, 2006 was RMB1,084 million, which represented an increase of RMB395 million, or 57.3%, as compared with RMB689 million for the six months ended June 30, 2005. Profit margin with respect to profit attributable to equity holders for the six months ended June 30, 2006 was 2.3%, compared to 2.0% for the six months ended June 30, 2005.

2005 compared to 2004

Overview

The table below sets forth the turnover, gross profit and operating profit attributable to our businesses for the periods indicated.

	Turnover		Gross Profit		Gross Profit Margin		Operating[(1)] Profit		Operating Profit Margin	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
Business	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**
	(RMB millions)		(RMB millions)		(%)		(RMB millions)		(%)	
Infrastructure Construction	44,863	54,723	2,775	3,308	*6.2*	*6.0*	766	941	*1.7*	*1.7*
% of total	*67.5*	*64.9*	*43.9*	*40.5*			*28.9*	*24.1*		
Infrastructure Design	3,416	4,441	1,097	1,413	*32.1*	*31.8*	587	716	*17.2*	*16.1*
% of total	*5.1*	*5.3*	*17.4*	*17.3*			*22.2*	*18.4*		
Dredging	5,051	6,823	902	1,100	*17.9*	*16.1*	458	540	*9.1*	*7.9*
% of total	*7.6*	*8.1*	*14.3*	*13.5*			*17.3*	*13.9*		
Port Machinery Manufacturing	8,778	13,947	1,184	1,908	*13.5*	*13.7*	780	1,577	*8.9*	*11.3*
% of total	*13.2*	*16.5*	*18.7*	*23.3*			*29.5*	*40.4*		
Other Businesses	4,344	4,409	358	443	*8.2*	*10.0*	55	124	*1.3*	*2.8*
% of total	*6.6*	*5.2*	*5.7*	*5.4*			*2.1*	*3.2*		
Subtotal	66,452	84,343	6,316	8,172			2,646	3,898		
Inter-segment Elimination and Unallocated Costs	(540)	(1,078)	18	(17)			(65)	(89)		
Total	65,912	83,265	6,334	8,155	*9.6*	*9.8*	2,581	3,809	*3.9*	*4.6*

(1) Total operating profit represents the total of segment results less unallocated costs.

Turnover for 2005 was RMB83,265 million, an increase of RMB17,353 million, or 26.3%, compared to RMB65,912 million in 2004, primarily due to an increase of RMB9,860 million, or 22.0%, from the Infrastructure Construction Business (before elimination of inter-segment transactions), and an increase of RMB5,169 million, or 58.9%, from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions).

Cost of sales for 2005 was RMB75,110 million, an increase of RMB15,532 million, or 26.1%, compared to RMB59,578 million in 2004, primarily due to an increase of RMB9,327 million, or 22.2%, from the Infrastructure Construction Business (before elimination of inter-segment transactions), and an increase of RMB4,445 million, or 58.5%, from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions).

As a result, gross profit for 2005 was RMB8,155 million, an increase of RMB1,821 million, or 28.7%, compared to RMB6,334 million in 2004. Gross profit margin increased from 9.6% in 2004 to 9.8% in 2005.

Operating profit for 2005 was RMB3,809 million, an increase of RMB1,228 million, or 47.6%, compared to RMB2,581 million in 2004, primarily due to an increase of RMB797 million, or 102.2%, from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions), and an increase of RMB175 million, or 22.8%, from the Infrastructure Construction Business (before elimination of inter-segment transactions). Operating profit margin increased from 3.9% in 2004 to 4.6% in 2005.

Profits from operating activities for major businesses

Infrastructure Construction Business

The financial information for the Infrastructure Construction Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Infrastructure Construction Business for the periods indicated.

	For the year ended December 31,	
	2004	2005
	(RMB millions)	
Turnover	44,863	54,723
Cost of sales	(42,088)	(51,415)
Gross profit	2,775	3,308
Selling and marketing expenses	(40)	(51)
Administrative expenses	(2,012)	(2,376)
Other income/(expenses), net	43	60
Segment result	766	941
Depreciation and amortization	869	1,110

Turnover. Turnover from the Infrastructure Construction Business in 2005 was RMB54,723 million, an increase of RMB9,860 million, or 22.0%, as compared with RMB44,863 million in 2004, primarily due to an increase in the aggregate value of projects which we undertook, driven by demand for our services. This increase was primarily attributable to the growth in infrastructure spending by the PRC government. The value of new contracts entered into for the Infrastructure Construction Business in 2005 was RMB68,382 million, an increase of RMB20,575 million, or 43.0%, as compared with RMB47,807 million in 2004. No single project accounted for more than 5% of our turnover in 2005 or in 2004.

Cost of sales and gross profit. Cost of sales for the Infrastructure Construction Business in 2005 was RMB51,415 million, an increase of RMB9,327 million, or 22.2%, as compared with RMB42,088 million in 2004. Cost of sales as a percentage of turnover increased from 93.8% in 2004 to 94.0% in 2005, primarily due to the increase in subcontracting of our work, of which the costs are generally higher than when executed by us, as the growth in our business outpaced the growth in our capacity. Gross profit margin decreased from 6.2% in 2004 to 6.0% in 2005. Gross profit from the Infrastructure Construction Business in 2005 increased RMB533 million, or 19.2%, to RMB3,308 million from RMB2,775 million in 2004.

Selling and marketing expenses. Selling and marketing expenses for the Infrastructure Construction Business in 2005 was RMB51 million, an increase of RMB11 million, or 27.5%, as compared with RMB40 million in 2004, primarily due to increased turnover.

Administrative expenses. Administrative expenses for the Infrastructure Construction Business in 2005 was RMB2,376 million, an increase of RMB364 million, or 18.1%, as compared with RMB2,012 million in 2004, primarily due to an increase in employee benefits partially offset by a decrease in provisions for impairment of accounts receivables which resulted from the reversal of a provision recorded in 2004. Administrative expenses as a percentage of turnover decreased from 4.5% in 2004 to 4.3% in 2005, primarily due to the growth in our business, which enhanced our economies of scale.

Other income/(expenses), net. Other income/(expenses), net for the Infrastructure Construction Business increased RMB17 million, from RMB43 million in 2004 to RMB60 million in 2005.

Segment result. As a result of the above, segment result for the Infrastructure Construction Business in 2005 was RMB941 million, an increase of RMB175 million, or 22.8%, as compared with RMB766 million in 2004. Segment result margin remained stable at 1.7% in 2004 and 2005.

Infrastructure Design Business

The financial information for the Infrastructure Design Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Infrastructure Design Business for the periods indicated.

	For the year ended December 31,	
	2004	2005
	(RMB millions)	
Turnover	3,416	4,441
Cost of sales	(2,319)	(3,028)
Gross profit	1,097	1,413
Selling and marketing expenses	(100)	(145)
Administrative expenses	(413)	(554)
Other income/(expenses), net	3	2
Segment result	587	716
Depreciation and amortization	71	93

Turnover. Turnover from the Infrastructure Design Business in 2005 was RMB4,441 million, an increase of RMB1,025 million, or 30.0%, as compared with RMB3,416 million in 2004. This increase was primarily attributable to an increase in the aggregate value of design contracts, including comprehensive contracts. We experienced an increase in the aggregate value of design contracts primarily due to an increase in infrastructure spending by the PRC government and higher demand for our specialized design skills and experience with sophisticated projects. The value of new contracts entered into for the Infrastructure Design Business in 2005 was RMB5,418 million, an increase of RMB328 million, or 6.4%, as compared with RMB5,090 million in 2004.

Cost of sales and gross profit. Cost of sales for Infrastructure Design Business in 2005 was RMB3,028 million, an increase of RMB709 million, or 30.6%, as compared with RMB2,319 million in 2004. Cost of sales as a percentage of turnover increased from 67.9% in 2004 to 68.2% in 2005, primarily due to an increase in subcontracting costs arising from construction projects undertaken by the Infrastructure Design Business and an increase in cost of raw materials.

Gross profits from the Infrastructure Design Business in 2005 were RMB1,413 million, an increase of RMB316 million, or 28.8%, as compared with RMB1,097 million in 2004.

Selling and marketing expenses. Selling and marketing expenses for the Infrastructure Design Business in 2005 was RMB145 million, an increase of RMB45.0 million, or 45.0%, as compared with RMB100 million in 2004, primarily due to increased marketing activities and bidding-related expenses.

Administrative expenses. Administrative expenses for the Infrastructure Design Business in 2005 was RMB554 million, an increase of RMB141 million, or 34.1%, as compared with RMB413 million in 2004. Administrative expenses as a percentage of turnover increased from 12.1% in 2004 to 12.5% in 2005, primarily due to an increase in provisions for impairment in trade and other receivables. The increase in these provisions was primarily attributable to the increase in the aggregate value of comprehensive contracts undertaken by us. The increase in the value of comprehensive contracts affects our provisions primarily because impairment in trade and bills receivables are generally more prevalent when we provide infrastructure construction services as opposed to infrastructure design services only.

Other income/(expenses), net. Other income/(expenses), net for the Infrastructure Design Business in 2005 was RMB2 million, a decrease of RMB1 million, as compared with RMB3 million in 2004.

Segment result. As a result of the above, segment result for the Infrastructure Design Business in 2005 was RMB716 million, an increase of RMB129 million, or 22.0%, as compared with RMB587 million in 2004. Segment result margin decreased from 17.2% in 2004 to 16.1% in 2005.

Dredging Business

The financial information for the Dredging Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Dredging Business for the periods indicated.

	For the year ended December 31,	
	2004	2005
	(RMB millions)	
Turnover	5,051	6,823
Cost of sales	(4,149)	(5,723)
Gross profit	902	1,100
Selling and marketing expenses	(19)	(21)
Administrative expenses	(486)	(550)
Other income/(expenses), net	61	11
Segment Result	458	540
Depreciation and amortization	298	371

Turnover. Turnover from the Dredging Business in 2005 was RMB6,823 million, an increase of RMB1,772 million, or 35.1%, as compared with RMB5,051 million in 2004. The increase in turnover was primarily attributable to increased port development activities in the PRC, which led to higher demand for our dredging services. The value of new contracts entered into for the Dredging Business in 2005 was RMB9,890 million, an increase of RMB2,080 million, or 26.6%, as compared with RMB7,810 million in 2004.

Cost of sales and gross profit. Cost of sales for the Dredging Business in 2005 was RMB5,723 million, an increase of RMB1,574 million, or 37.9%, as compared with RMB4,149 million in 2004. Cost of sales as a percentage of turnover for our Dredging Business increased from 82.1%

in 2004 to 83.9% in 2005. This increase was primarily due to increased subcontracting, which was primarily attributable to the growth in our business outpacing our capacity. The cost of subcontracting is generally higher than when we execute projects ourselves. Gross profit from the Dredging Business in 2005 was RMB1,100 million, an increase of RMB198 million, or 22.0%, as compared with RMB902 million in 2004. Gross profit margin for the Dredging Business decreased from 17.9% in 2004 to 16.1% in 2005.

Selling and marketing expenses. Selling and marketing expenses for the Dredging Business in 2005 was RMB21 million, an increase of RMB2 million, or 10.5%, as compared with RMB19 million in 2004.

Administrative expenses. Administrative expenses for the Dredging Business in 2005 was RMB550 million, an increase of RMB64 million, or 13.2%, as compared with RMB486 million in 2004, primarily due to growth in our business. Administrative expenses as a percentage of turnover, however, decreased from 9.6% in 2004 to 8.1% in 2005, primarily due to a reversal of provisions that were made in 2004. Prior to 2005, after assessing the collectibility of our accounts receivable, certain impairment provisions for accounts receivable were made. Subsequently, certain of these impaired accounts receivable were settled and, as a result, we reversed part of our provisions for impairment of accounts receivable in 2005.

Other income/(expenses), net. Other income/(expenses), net for the Dredging Business in 2005 was RMB11 million, a decrease of RMB50 million, as compared with RMB61 million in 2004, primarily due to a gain in 2004 from the sale of a parcel of land.

Segment result. As a result of the above, segment result for the Dredging Business in 2005 was RMB540 million, an increase of RMB82 million, or 17.9%, as compared with RMB458 million in 2004. Segment result margin decreased from 9.1% in 2004 to 7.9% in 2005.

Port Machinery Manufacturing Business

The financial information for the Port Machinery Manufacturing Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Port Machinery Manufacturing Business for the periods indicated.

	For the year ended December 31,	
	2004	**2005**
	(RMB millions)	
Turnover	8,778	13,947
Cost of sales	(7,594)	(12,039)
Gross profit	1,184	1,908
Selling and marketing expenses	(29)	(39)
Administrative expenses	(302)	(367)
Other income/(expenses), net	(73)	75
Segment result	780	1,577
Depreciation and amortization	257	320

Turnover. Turnover from the Port Machinery Manufacturing Business in 2005 was RMB13,947 million, an increase of RMB5,169 million, or 58.9%, as compared with RMB8,778 million in 2004. This increase was primarily due to growth in global container transportation, which continued to drive the increase in market demand for our products, which we met by further increasing our production capacity. The value of new contracts entered into for the Port Machinery Manufacturing Business in 2005 was RMB21,600 million, an increase of RMB7,217 million, or 50.2%, as compared with RMB14,383 million in 2004.

Cost of sales and gross profit. Cost of sales for the Port Machinery Manufacturing Business in 2005 was RMB12,039 million, an increase of RMB4,445 million, or 58.5%, as compared with RMB7,594 million in 2004, primarily due to an increase in turnover. Cost of sales as a percentage of turnover decreased from 86.5% in 2004 to 86.3% in 2005. This decrease was primarily due to the implementation of cost controls and the increase in usage of domestically produced electrical components. Gross profit from the Port Machinery Manufacturing Business in 2005 was RMB1,908 million, an increase of RMB724 million, or 61.1%, as compared with RMB1,184 million in 2004. Gross profit margin increased from 13.5% in 2004 to 13.7% in 2005.

Selling and marketing expenses. Selling and marketing expenses for the Port Machinery Manufacturing Business in 2005 was RMB39 million, an increase of RMB10 million, or 34.5%, as compared with RMB29 million in 2004, which is in line with increasing turnover.

Administrative expenses. Administrative expenses for the Port Machinery Manufacturing Business in 2005 was RMB367 million, an increase of RMB65 million, or 21.5%, as compared with RMB302 million in 2004, primarily due to an increase in turnover. Administrative expenses as a percentage of turnover for the Port Machinery Manufacturing Business decreased from 3.4% in 2004 to 2.6% in 2005 primarily due to increasing economies of scale resulting from the growth of our business.

Other income/(expenses), net. Other income/(expenses), net for the Port Machinery Manufacturing Business in 2005 was income of RMB75 million as compared with expense of RMB73 million in 2004, primarily due to net gains and losses realised from foreign exchange forward contracts in 2005 and 2004, respectively.

Segment result. As a result of the above, segment result for the Port Machinery Manufacturing Business in 2005 was RMB1,577 million, an increase of RMB797 million, or 102.2%, as compared with RMB780 million in 2004. Segment result margin increased from 8.9% in 2004 to 11.3% in 2005.

The following discussion relates to our business as a whole and is not specific to any of individual business segments.

Interest income

Interest income for 2005 was RMB117 million, an increase of RMB17 million, compared to RMB100 million in 2004.

Finance costs, net

Finance costs, net during 2005 was RMB433 million, a decrease of RMB500 million, or 53.6%, from RMB933 million in 2004. This decrease was due to net foreign exchange gains on borrowings of RMB591 million in 2005, primarily attributable to movement in exchange rates of the Renminbi against the U.S. dollar, Euro and Japanese Yen, partially offset by an increase in interest expenses.

Share of profits/loss of jointly controlled entities

Our share of losses from jointly controlled entities for 2005 was RMB47 million, compared to profit of RMB5 million in 2004.

Share of profits of associates

Our share of profits from associates for 2005 was RMB117 million, an increase of RMB16 million, compared to RMB101 million in 2004.

Profit before income tax

As a result of the foregoing factors, profit before taxation for 2005 was RMB3,563 million, a 92.2%, or RMB1,709 million increase as compared with RMB1,854 million in 2004.

Income tax expense

Income tax expense for 2005 was RMB592 million, an increase of RMB135 million, or 29.5%, from RMB457 million in 2004. The effective tax rate for the Company for 2005 and 2004 was 16.6% and 24.6%, respectively. The decrease in effective tax rate in 2005 compared to 2004 was primarily due to a tax credit of RMB290 million in 2005 arising from certain notional employee costs and benefits that became deductible for income tax purposes in 2005 and the higher contribution to overall pre-tax income by certain of our subsidiaries in 2005, including principally ZPMC, that enjoyed preferential tax rates.

Minority interests

Minority interests for 2005 was RMB776 million, an increase of RMB450 million, or 138.0%, from RMB326 million in 2004, primarily as a result of an increase in profit from ZPMC.

Profit attributable to equity holders

As a result of the foregoing factors, profit attributable to equity holders for 2005 was RMB2,195 million, which represented an increase of RMB1,124 million, or 104.9%, as compared with RMB1,071 million for 2004. Profit margin with respect to profit attributable to equity holders for 2005 was 2.6%, compared to 1.6% in 2004.

2004 compared to 2003

Overview

The table below sets forth the turnover, gross profit and operating profit attributable to our major businesses for the periods indicated.

Business	Turnover		Gross Profit		Gross Profit Margin		Operating Profit(1)		Operating Profit Margin	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
	(RMB millions)		(RMB millions)		(%)		(RMB millions)		(%)	
Infrastructure Construction	33,119	44,863	2,362	2,775	*7.1*	*6.2*	708	766	*2.1*	*1.7*
% of total	*67.6*	*67.5*	*48.6*	*43.9*			*38.4*	*28.9*		
Infrastructure Design	2,150	3,416	698	1,097	*32.5*	*32.1*	329	587	*15.3*	*17.2*
% of total	*4.4*	*5.1*	*14.4*	*17.4*			*17.9*	*22.2*		
Dredging	4,134	5,051	741	902	*17.9*	*17.9*	341	458	*8.2*	*9.1*
% of total	*8.4*	*7.6*	*15.3*	*14.3*			*18.5*	*17.3*		
Port Machinery Manufacturing	5,982	8,778	641	1,184	*10.7*	*13.5*	314	780	*5.2*	*8.9*
% of total	12.2	13.2	13.2	18.7			17.0	29.5		
Other Businesses	3,609	4,344	413	358	*11.4*	*8.2*	152	55	*4.2*	*1.3*
% of total	*7.4*	*6.6*	*8.5*	*5.7*			*8.2*	*2.1*		
Subtotal	48,994	66,452	4,855	6,316			1,844	2,646		
Inter-segment Elimination and Unallocated Costs	(512)	(540)	10	18			(99)	(65)		
Total	48,482	65,912	4,865	6,334	*10.0*	*9.6*	1,745	2,581	*3.6*	*3.9*

(1) Total operating profit represents the total of segment results less unallocated costs.

Turnover for 2004 was RMB65,912 million, an increase of RMB17,430 million, or 36.0%, compared to RMB48,482 million in 2003, primarily due to an increase of RMB11,744 million, or 35.5% from the Infrastructure Construction Business (before elimination of inter-segment transactions), and an increase of RMB2,796 million, or 46.7%, from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions).

Cost of sales for 2004 was RMB59,578 million, an increase of RMB15,961 million, or 36.6%, compared to RMB43,617 million in 2003, primarily due to an increase of RMB11,331 million, or 36.8% from the Infrastructure Construction Business (before elimination of inter-segment transactions), and an increase of RMB2,253 million, or 42.2%. from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions).

As a result, the gross profit for 2004 was RMB6,334 million, an increase of RMB1,469 million, or 30.2%, as compared to RMB4,865 million in 2003. Gross profit margin decreased marginally from 10.0% in 2003 to 9.6% in 2004.

Operating profit for 2004 was RMB2,581 million, an increase of RMB836 million, or 47.9%, compared to RMB1,745 million in 2003, primarily due to an increase of RMB466 million, or 148.4%, from the Port Machinery Manufacturing Business (before elimination of inter-segment transactions), and an increase of RMB258 million, or 78.4% from the Infrastructure Design Business (before elimination of inter-segment transactions). Operating profit margin increased from 3.6% in 2003 to 3.9% in 2004.

Profits from operating activities for major businesses

Infrastructure Construction Business

The financial information for the Infrastructure Construction Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Infrastructure Construction Business for the periods indicated.

	For the year ended December 31, 2003	2004
	(RMB in millions)	
Turnover	33,119	44,863
Cost of sales	(30,757)	(42,088)
Gross profit	2,362	2,775
Selling and marketing expenses	(34)	(40)
Administrative expenses	(1,751)	(2,012)
Other income/(expenses), net	131	43
Segment result	708	766
Depreciation and amortization	788	869

Turnover. Turnover from the Infrastructure Construction Business in 2004 was RMB44,863 million, an increase of RMB11,744 million or 35.5%, as compared with RMB33,119 million in 2003 primarily due to an increase in the aggregate value of projects which we undertook, driven by demand for our services. This increase was primarily attributable to the growth in infrastructure spending by the PRC government. The value of new contracts entered into for the Infrastructure Construction Business in 2004 was RMB47,807 million, an increase of RMB8,084 million, or 20.4%, as compared with RMB39,723 million in 2003. No single project accounted for more than 5% of our total turnover in 2004 or in 2003.

Cost of sales and gross profit. Cost of sales for the Infrastructure Construction Business in 2004 was RMB42,088 million, an increase of RMB11,331 million or 36.8%, as compared with RMB30,757 million in 2003. Cost of sales as a percentage of turnover increased slightly from 92.9% in 2003 to 93.8% in 2004. This increase was primarily attributable to an increase in raw materials and consumables costs, in line with a general increase in market prices of these materials over this period. Gross profit from the Infrastructure Construction Business in 2004 was RMB2,775 million, an increase of RMB413 million or 17.5%, as compared with RMB2,362 million in 2003 and gross profit margin decreased from 7.1% in 2003 to 6.2% in 2004.

Selling and marketing expenses. Selling and marketing expenses for the Infrastructure Construction Business in 2004 was RMB40 million, an increase of RMB6 million, or 17.6%, as compared with RMB34 million in 2003.

Administrative expenses. Administrative expenses for the Infrastructure Construction Business in 2004 was RMB2,012 million, an increase of RMB261 million, or 14.9%, as compared with RMB1,751 million in 2003. Administrative expenses as a percentage of turnover decreased from 5.3% in 2003 to 4.5% in 2004 primarily due to the growth in our business, which enhanced our economies of scale.

Other income/(expenses), net. Other income/(expenses), net for Infrastructure Construction Business in 2004 was RMB43 million, a decrease of RMB88 million as compared with RMB131 million in 2003.

Segment result. As a result of the above, segment result for Infrastructure Construction Business in 2004 was RMB766 million, an increase of RMB58 million, or 8.2%, as compared with RMB708 million in 2003. Segment result margin decreased from 2.1% in 2003 to 1.7% in 2004.

Infrastructure Design Business

The financial information for the Infrastructure Design Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Infrastructure Design Business for the periods indicated.

	For the year ended December 31,	
	2003	2004
	(RMB in millions)	
Turnover	2,150	3,416
Cost of sales	(1,452)	(2,319)
Gross profit	698	1,097
Selling and marketing expense	(67)	(100)
Administrative expenses	(305)	(413)
Other income, net	3	3
Segment result	329	587
Depreciation and amortization	55	71

Turnover. Turnover from the Infrastructure Design Business in 2004 was RMB3,416 million, an increase of RMB1,266 million, or 58.9%, as compared with RMB2,150 million in 2003. This increase was primarily attributable to an increase in the aggregate value of design contracts, including comprehensive contracts. We experienced an increase in the aggregate value of design contracts primarily due to an increase in infrastructure spending by the PRC government and higher demand for our specialized design skills and experience with sophisticated projects. The value of new contracts entered into for the Infrastructure Design Business in 2004 was RMB5,090 million, an increase of RMB1,471 million, or 40.6%, as compared with RMB3,619 million in 2003.

Cost of sales and gross profit. Cost of sales for Infrastructure Design Business in 2004 was RMB2,319 million, an increase of RMB867 million, or 59.7%, as compared with RMB1,452 million in 2003. Cost of sales as a percentage of turnover increased from 67.5% in 2003 to 67.9% in 2004. This increase was primarily as a result of the increase in subcontracting costs and raw materials and consumables related to construction projects undertaken by the Infrastructure Design Business. Gross profit from the Infrastructure Design Business in 2004 was RMB1,097 million, an increase of RMB399 million or 57.2%, as compared with RMB698 million in 2003. Gross profit margin for the Infrastructure Design Business decreased marginally from 32.5% in 2003 to 32.1% in 2004.

Selling and marketing expenses. Selling and marketing expenses for the Infrastructure Design Business in 2004 were RMB100 million, an increase of RMB33 million, or 49.3%, as compared with RMB67 million in 2003, primarily due to the increase in marketing activities and bidding related expenses.

Administrative expenses. Administrative expenses for the Infrastructure Design Business in 2004 was RMB413 million, an increase of RMB108 million, or 35.4%, as compared with RMB305 million in 2003. Administrative expenses as a percentage of turnover decreased from 14.2% in 2003 to 12.1% in 2004.

Other income/(expenses), net. Other income/(expenses), net for the Infrastructure Design Business remained level at RMB3 million in 2003 and 2004.

Segment result. As a result of the above, segment result for the Infrastructure Design Business in 2004 was RMB587 million, an increase of RMB258 million, or 78.4%, as compared with RMB329 million in 2003. Margin of segment result increased from 15.3% in 2003 to 17.2% in 2004.

Dredging Business

The financial information for the Dredging Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Dredging Business for the periods indicated.

	For the year ended December 31,	
	2003	2004
	(RMB in millions)	
Turnover	4,134	5,051
Cost of sales	(3,393)	(4,149)
Gross profit	741	902
Selling and marketing costs	(16)	(19)
Administrative expenses	(384)	(486)
Other income/(expenses), net	—	61
Segment result	341	458
Depreciation and amortization	234	298

Turnover. Turnover from the Dredging Business in 2004 was RMB5,051 million, an increase of RMB917 million, or 22.2%, as compared with RMB4,134 million in 2003. The increase in turnover was primarily attributable to increased port development activities in the PRC, which led to higher demand for our dredging services. The value of new contracts entered into for the Dredging Business in 2004 was RMB7,810 million, an increase of RMB2,469 million, or 46.2%, as compared with RMB5,341 million in 2003.

Cost of sales and gross profit. Cost of sales for the Dredging Business in 2004 was RMB4,149 million, an increase of RMB756 million, or 22.3% as compared with RMB3,393 million in 2003. Cost of sales as a percentage of turnover for the Dredging Business remained unchanged at 82.1% in both 2003 and 2004. Cost of sales increased primarily due to an increase in subcontracting costs and vessel rental costs, as growth in our business outpaced our capacity. Gross profit from the Dredging Business in 2004 was RMB902 million, an increase of RMB161 million, or 21.7%, as compared with RMB741 million in 2003. Gross profit margin for the Dredging Business remained unchanged at 17.9% for both 2003 and 2004.

Selling and marketing expenses. Selling and marketing expenses for the Dredging Business in 2004 was RMB19 million, an increase of RMB3 million, or 18.8%, as compared with RMB16 million in 2003, primarily due to the increase in turnover.

Administrative expenses. Administrative expenses for the Dredging Business in 2004 was RMB486 million, an increase of RMB102 million, or 26.6%, as compared with RMB384 million in 2003. Administrative expenses as a percentage of turnover increased slightly from 9.3% in 2003 to 9.6% in 2004.

Other income/(expenses), net. Other income/(expenses), net for the Dredging Business in 2004 was RMB61 million, an increase of RMB61 million, as compared with nil in 2003, primarily due to a gain in 2004 from the sale of a parcel of land.

Segment Results. As a result of the above, segment result for the Dredging Business in 2004 was RMB458 million, an increase of RMB117 million, or 34.3%, as compared with RMB341 million in 2003. Margin of segment result increased from 8.2% in 2003 to 9.1% in 2004.

Port Machinery Manufacturing Business

The financial information for the Port Machinery Manufacturing Business presented in this section is before elimination of inter-segment transactions and before unallocated expenses.

The following table sets out the principal profit and loss information for the Port Machinery Manufacturing Business for the periods indicated.

	Year ended December 31,	
	2003	2004
	(RMB in millions)	
Turnover	5,982	8,778
Cost of sales	(5,341)	(7,594)
Gross profit	641	1,184
Selling and marketing expenses	(22)	(29)
Administrative expenses	(243)	(302)
Other income/(expense), net	(62)	(73)
Segment result	314	780
Depreciation and amortization	188	257

Turnover. Turnover from the Port Machinery Manufacturing Business in 2004 was RMB8,778 million, an increase of RMB2,796 million, or 46.7%, as compared with RMB5,982 million in 2003, primarily due to increased market demand for our products, which we met by increasing our production capacity. The value of new contracts entered into for the Port Machinery Manufacturing Business in 2004 was RMB14,383 million, an increase of RMB4,029 million, or 38.9%, as compared with RMB10,354 million in 2003.

Cost of sales and gross profit. Cost of sales for the Port Machinery Manufacturing Business in 2004 was RMB7,594 million, an increase of RMB2,253 million, or 42.2%, as compared with RMB5,341 million in 2003. Cost of sales as a percentage of turnover decreased to 86.5% in 2004 from 89.3% in 2003. This decrease was primarily due to the implementation of cost controls and the increase in use of domestically produced electrical components, which are less expensive than imported components. Gross profit increased RMB543 million, or 84.7%, from RMB641 million in 2003 to RMB1,184 million in 2004. Gross profit margin for the Port Machinery Manufacturing Business increased from 10.7% in 2003 to 13.5% in 2004.

Selling and marketing expenses. Selling and marketing expenses for the Port Machinery Manufacturing Business in 2004 was RMB29 million, an increase of RMB7 million, or 31.8%, as compared with RMB22 million in 2003.

Administrative expenses. Administrative expenses for the Port Machinery Manufacturing Business in 2004 was RMB302 million, an increase of RMB59 million, or 24.3%, as compared with RMB243 million in 2003. Administrative expenses as a percentage of turnover decreased from 4.1% in 2003 to 3.4% in 2004.

Other income/(expense), net. Other income/(expense), net for the Port Machinery Manufacturing Business in 2004 was RMB73 million, as compared with RMB62 million in 2003.

Segment result. As a result of the above, segment result for the Port Machinery Manufacturing Business in 2004 was RMB780 million, an increase of RMB466 million, or 148.4%, as compared with RMB314 million in 2003. Margin of segment result increased from 5.2% in 2003 to 8.9% in 2004.

The following discussion relates to this business as a whole and is not specific to any individual business segments.

Interest income

Interest income for 2004 was RMB100 million, an increase of RMB3 million, or 3.1%, from RMB97 million in 2003.

Finance costs, net

Finance costs, net during 2004 was RMB933 million, a decrease of RMB39 million, or 4.0%, from RMB972 million in 2003. This decrease was due to net foreign exchange losses of RMB312 million in 2003 as compared to net foreign exchange losses of RMB176 million on foreign currency borrowings denominated in Japanese Yen and Euro in 2004, partially offset by an increase in interest expenses.

Share of profits of jointly controlled entities

Our share of profits from jointly controlled entities for 2004 was RMB5 million, which was the same amount as in 2003.

Share of profits of associates

Our share of profits from associates for 2004 was RMB101 million, a decrease of RMB12 million compared to a profit of RMB113 million in 2003.

Profit before income tax

As a result of the foregoing factors, profit before taxation for 2004 was RMB1,854 million, a 87.7%, or RMB866 million increase as compared with RMB988 million for 2003.

Income tax expense

Income tax expense for 2004 was RMB457 million, an increase of RMB96 million, or 26.6%, from RMB361 million in 2003. Our effective tax rate for 2004 and 2003 was 24.6% and 36.5%, respectively. In 2003, certain companies within our Group incurred losses but we did not recognize the deferred tax assets arising from such losses because we were uncertain about the availability of future taxable profit against which we could offset the tax losses. As a result, the effective tax rate in 2003 is higher than that of 2004. In 2004, the higher contribution to overall pre-tax income by certain of our subsidiaries, including principally ZPMC, that enjoyed preferential tax rates, resulted in our having a lower overall effective tax rate.

Profit attributable to minority interests

Minority interests for 2004 was RMB326 million, an increase of RMB134 million, or 69.8%, from RMB192 million in 2003, primarily as a result of an increase in profit from ZPMC.

Profit attributable to equity holders

As a result of the foregoing factors, profit for the year attributable to equity holders of the Company for 2004 was RMB1,071 million, an increase of RMB636 million, or 146.2%, as compared with RMB435 million for 2003. Our profit margin for 2004 was 1.6%, compared to 0.9% in 2003.

LIQUIDITY AND CAPITAL RESOURCES

Our business requires a significant amount of working capital to finance the purchase of raw materials and the performance of engineering, construction and other work on projects before payment is received from clients. We have historically met our working capital and other capital requirements principally from cash provided by operations, while financing the remainder of our requirements primarily through borrowings.

Cash flow data

The following table presents selected cash flow data from our combined cash flow statements for 2003, 2004, 2005 and the six months ended June 30, 2006.

	For the year December 31,			For the six months ended June 30,	
	2003	2004	2005	2005	2006
				(unaudited)	
	(RMB millions)				
Net cash generated from operating activities	2,551	2,154	2,914	(281)	863
Net cash used in investing activities	(2,428)	(3,516)	(4,942)	(1,557)	(2,978)
Net cash generated from financing activities	1,260	4,535	2,884	1,721	3,625
Net increase in cash and cash equivalents	1,383	3,173	856	(117)	1,510
Cash and cash equivalents at the beginning of the year/period	5,414	6,812	9,993	9,993	10,797
Exchange gains/(losses) on cash and cash equivalents	15	8	(52)	(22)	(3)
Cash and cash equivalents at end of the year/period	6,812	9,993	10,797	9,854	12,304

Cash flow from operating activities

For the six months ended June 30, 2006, net cash generated from operating activities was RMB863 million, an increase of RMB1,144 million, compared to net cash used in operating activities of RMB281 million for the six months ended June 30, 2005. This increase of RMB1,144 million was primarily due to an increase in cash generated from operations, partially offset by an increase in interest paid and income tax paid for the six months ended June 30, 2006. Cash generated from operations before changes in working capital increased to RMB3,830 million for the six months ended June 30, 2006 from RMB2,480 million for the six months ended June 30, 2005, primarily as a result of increased profit for the six months ended June 30, 2006. For the six months ended June 30, 2006, changes in working capital amounted to RMB1,982 million, primarily as a result of cash of RMB7,134 million used by increases in trade and other receivables and cash of RMB1,294 million used by increases in contract work-in-progress; partially offset by cash of RMB7,491 million provided by increases in trade and other payables.

In 2005, net cash generated from operating activities increased to RMB2,914 million from RMB2,154 million in 2004. This increase of RMB760 million was primarily due to an increase in cash generated from operations, partially offset by an increase in interest paid and income tax paid in 2005. Cash generated from operations before changes in working capital increased to RMB5,902 million in 2005 from RMB4,618 million in 2004, primarily as a result of increased profit for the year in 2005. In 2005, changes in working capital amounted to RMB1,780 million, primarily as a result of cash of RMB4,733 million used by increases in trade and other receivables and cash of RMB4,396 million used by increases in contract work-in-progress, partially offset by cash of RMB8,167 million provided by increases in trade and other payables.

In 2004, net cash generated from operating activities decreased to RMB2,154 million from RMB2,551 million in 2003. This decrease of RMB397 million was primarily due to a decrease in cash generated from operations and an increase in interest paid in 2004. Cash generated from operations before changes in working capital increased to RMB4,618 million in 2004 from RMB3,523 million in 2003, primarily as a result of increased profit for the year in 2004. In 2004, changes in working capital amounted to RMB1,686 million, primarily as a result of cash of RMB4,085 million used by increases in trade and other receivables and cash of RMB1,918 million used by increases in contract work-in-progress, partially offset by cash of RMB5,003 million provided by increases in trade and other payables.

In 2003, net cash generated from operating activities was RMB2,551 million, principally as a result of cash generated from operations of RMB3,202 million and interest paid of RMB497 million. Cash generated from operations before working capital changes was RMB3,523 million. In 2003, changes in working capital amounted to RMB321 million, primarily as a result of cash of RMB2,258 million used by increases in trade and other receivables, cash of RMB2,579 million used by increases in contract work-in-progress, and offset by cash of RMB4,852 million provided by increases in trade and other payables.

Cash flow from investing activities

Net cash used in investing activities for the six months ended June 30, 2006 was RMB2,978 million as compared with RMB1,557 million for the six months ended June 30, 2005. The increase of RMB1,421 million was primarily due to an increase in capital expenditures for property, plant and equipment and an increase in investment in BOT projects. For the six months ended June 30, 2006, we had purchases of property, plant and equipment of RMB3,099 million and acquisition of intangible assets principally concession assets in BOT projects of RMB319 million, partially offset by proceeds from disposal of assets of RMB263 million and interest and dividends received of RMB156 million.

Net cash used in investing activities in 2005 was RMB4,942 million as compared with RMB3,516 million in 2004. The increase of RMB1,426 million was primarily due to an increase in capital expenditures for property, plant and equipment and an increase in investment in BOT projects. In 2005, we had purchases of property, plant and equipment of RMB4,396 million and acquisition of intangible assets, principally concession assets in BOT projects, of RMB701 million, partially offset by proceeds from disposal of property, plant and equipment of RMB283 million and dividends and interest received of RMB212 million.

Net cash used in investing activities in 2004 was RMB3,516 million as compared with RMB2,428 million in 2003. The increase of RMB1,088 million was primarily due to an increase in capital expenditures for property, plant and equipment, an increase in investment in BOT projects and a decrease in proceeds from disposal of property, plant and equipment. In 2004, we had purchases of property, plant and equipment of RMB4,060 million and acquisition of intangible assets, principally concession assets in BOT projects, of RMB250 million, partially offset by proceeds from disposal of property, plant and equipment of RMB565 million and dividends and interest received of RMB225 million.

Net cash used in investing activities in 2003 was RMB2,428 million and was primarily a result of purchases of property, plant and equipment of RMB3,697 million, partially offset by proceeds from disposal of plant, property and equipment of RMB984 million, proceeds from disposal of other financial assets at fair value through profit or loss of RMB170 million and dividends and interest received of RMB189 million.

Cash flow from financing activities

Net cash generated from financing activities for the six months ended June 30, 2006 was RMB3,625 million as compared to RMB1,721 million for the six months ended June 30, 2005. The increase of RMB1,904 million was primarily due to an increase in proceeds from borrowing of RMB4,833 million for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005, which was partially offset by an increase in repayments of borrowings of RMB2,957 million as compared to the six months ended June 30, 2005.

Net cash generated from financing activities in 2005 was RMB2,884 million as compared with RMB4,535 million in 2004. In 2005, net cash generated from financing activities principally consisted of proceeds from borrowings of RMB18,650 million (including a RMB1,166 million debenture issued by ZPMC in May 2005), which was partially offset by repayments of borrowings of RMB15,804 million.

Net cash generated from financing activities in 2004 was RMB4,535 million as compared with RMB1,260 million in 2003. The increase of RMB3,275 million was primarily due to an increase in proceeds from borrowings of RMB2,721 million (as compared to 2003) and the issuance of equity securities by ZPMC to its minority shareholders of RMB1,171 million. In 2004, net cash generated from financing activities principally consisted of proceeds from borrowings of RMB14,140 million, which was partially offset by repayments of borrowings of RMB10,696 million.

Net cash generated from financing activities in 2003 was RMB1,260 million, principally consisting of proceeds from borrowings of RMB11,419 million, which was partially offset by repayments of borrowings of RMB10,164 million.

Capital expenditures

Our capital expenditures principally comprises expenditures from the building of plants, purchases of property and equipment and investment in BOT projects. The following table set forth our capital expenditures by business for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
	(RMB millions)			
Infrastructure Construction Business	2,189	2,379	2,739	1,410
Infrastructure Design Business	163	195	186	142
Dredging Business	663	936	676	486
Port Machinery Manufacturing Business	600	842	1,606	1,443
Other	48	80	121	70
Total	3,663	4,432	5,328	3,551

The following table shows our current estimate of capital expenditures for the periods indicated.

	For the year ended December 31,	
	2006	2007
	(RMB millions)	
Infrastructure Construction Business	3,019	3,762
Infrastructure Design Business	293	196
Dredging Business	1,107	1,633
Port Machinery Manufacturing Business	2,850	2,200
Total	7,269	7,791

Our planned capital expenditures for the Infrastructure Construction Business will primarily consist of expenditures for BOT projects, including a section of the Guangming Highway in Guangdong province with a planned investment amount of approximately RMB2 billion over three years and with a concession period of 30 years, and the purchase of additional vessels and equipment. Our planned capital expenditure for the Dredging Business will primarily consist of the purchase of additional dredgers. Our planned capital expenditure for the Port Machinery Manufacturing Business will primarily consist of capital expenditures on the building of additional production bases. We plan to fund a substantial part of our capital expenditure for 2006 and 2007 primarily with the proceeds from the Global Offering. See ''Future Plans and Use of Proceeds''.

The estimated amounts of expenditures set out above may vary from actual amounts of expenditures for a variety of reasons, including changes in market conditions and other factors. Any expansion of our capacity beyond the projects listed may require additional debt or equity funding. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC and Hong Kong, and the PRC government's policies relating to foreign currency borrowings.

Working capital

Taking into account a portion of the net proceeds available to us from the Global Offering, our available credit facilities and our operating cash flow, our Directors are of the opinion that we have sufficient working capital for our present requirements and for the next 12 months from the date of this Prospectus.

Inventory analysis

The following table sets forth the components of our inventory as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Raw materials	2,306	2,732	3,270	4,323
Work-in-progress	136	175	306	329
Finished goods	326	340	269	271
	2,768	3,247	3,845	4,923
Less: provision for write-down of inventories	(52)	(44)	(40)	(89)
	2,716	3,203	3,805	4,834

Our inventory balances have been increasing over 2003, 2004 and 2005 and for the six months ended June 30, 2006. The increases are primarily because we purchase large quantities of raw materials in anticipation of increased new contracts in our core businesses and increasing raw material prices.

Contract work-in-progress

The following table sets out our contract work-in-progress as at the balance sheet date indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Contract cost incurred plus recognised profit less recognised losses	76,427	114,072	145,684	172,200
Less: Progress billings	(72,387)	(108,592)	(136,103)	(161,468)
Contract work-in-progress	4,040	5,480	9,581	10,732
Representing:				
Amount due from customers for contract work	6,751	9,540	14,001	16,136
Amount due to customers for contract work	(2,711)	(4,060)	(4,420)	(5,404)
	4,040	5,480	9,581	10,732

The annual increase in contract work-in-progress is primarily attributable to the growth in business from our core businesses primarily the Infrastructure Construction Business and the Port Machinery Manufacturing Business.

Accounts receivable and accounts payable

The following table sets forth the turnover of our average accounts receivable and average accounts payable for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2003	2004	2005	2006
	(days)			
Turnover of average trade and bills receivable[1]	63	54	54	57
Turnover of average accounts payable and bills payable[2]	79	74	77	89

(1) Average accounts receivable equals accounts receivable net of provisions at the beginning of the period plus accounts receivable at the end of the period divided by 2. Turnover of average accounts receivable (in days) equals average accounts receivable divided by turnover and multiplied by the number of days for the relevant period.

(2) Average accounts payable equals accounts payable at the beginning of the period plus accounts payable at the end of the period divided by 2. Turnover of average accounts payable (in days) equals average accounts payable divided by cost of sales and multiplied by the number of days for the relevant period.

The following table sets forth an ageing analysis of trade and bills receivable as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Less than 6 months	5,766	7,944	10,690	13,592
6 months to 1 year	1,850	1,780	2,102	1,706
1 year to 2 years	1,241	1,240	1,182	1,369
2 years to 3 years	423	527	426	474
Over 3 years	1,006	1,121	1,065	1,083
	10,286	12,612	15,465	18,224

As at June 30, 2006, a portion of our trade and bills receivables are aged over the credit period granted to our customers, which is not an uncommon issue in current Chinese construction market in light of the bargaining power of large customers who may not settle the outstanding receivable balances on a timely basis. In particular, for those customers that are government related agencies/entities, it may take a longer period to complete their internal procedure for acceptance of the construction work and processing of payments to the Group. Our management closely monitors the recoverability of our overdue trade and bills receivables on a regular basis, and, when appropriate, provides for impairment of these trade and bills receivable. As at June 30, 2006, we had a provision for impairment of RMB1,948 million, which covers all trade and bills receivables aged over two years and approximately 28.6% of trade and bills receivables aged between one year and two years.

The following table sets forth an ageing analysis of trade and bills payable as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Within 1 year	9,547	12,265	16,885	21,522
1 year to 2 years	658	745	914	1,329
2 years to 3 years	232	282	275	244
Over 3 years	222	193	184	233
	10,659	13,485	18,258	23,328

For purchase of raw materials, our suppliers typically grant us a credit period ranging from 30 to 90 days. Payment of subcontracting charges is made in accordance with the terms of the contracts governing the relevant transactions which normally range from 45 to 60 days.

Payments to suppliers and subcontractors may be delayed as a result of delays in settlement from our customers. Nevertheless there has been no material disputes arising from the non-timely payment of outstanding balances under our supplier contracts or contracts with subcontractors.

Retentions

The following table sets forth the fair value of the retentions as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Current	1,530	1,756	2,315	2,092
Non-current portion	532	770	784	1,008
Total	2,062	2,526	3,099	3,100

The following table sets forth the ageing analysis of retention receivables as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB million)			
Less than 1 year	1,947	2,363	2,948	2,894
1 to 2 years	101	123	122	159
2 to 3 years	14	40	29	47
Total	2,062	2,526	3,099	3,100

As at June 30, 2006, approximately RMB582 million of our retentions had not been released by the customers after the relevant maintenance period. This delay is mainly due to the fact that customers may take some time to settle outstanding balances, particularly government-related customers. As at June 30, 2006, approximately RMB425 million of such retentions have been overdue (i.e., remain outstanding after the maintenance period) for less than one year, RMB121 million have been overdue for more than one year but less than two years, and RMB36 million have been overdue more than two years. As at June 30, 2006, we had a provision for impairment of doubtful retention receivables of RMB145 million.

INDEBTEDNESS

Borrowings

Our borrowings as at the balance sheet dates indicated are set forth below.

	As at December 31,			As at June 30,	As at October 31,
	2003	2004	2005	2006	2006
					(unaudited)
	(RMB millions)				
Non-current					
Long-term bank borrowings					
— secured	3,255	3,531	3,187	3,398	3,840
— unsecured	1,107	1,229	1,727	2,398	4,404
	4,362	4,760	4,914	5,796	8,244
Other borrowings					
— secured	23	1	19	1	33
— unsecured	46	98	47	58	18
	69	99	66	59	51
Total non-current borrowings	4,431	4,859	4,980	5,855	8,295
Current					
Current portion of long-term bank borrowings					
— secured	2,172	2,024	1,229	956	692
— unsecured	1,085	1,267	1,548	2,227	1,842
	3,257	3,291	2,777	3,183	2,534
Short-term bank borrowings					
— secured	4,805	6,426	7,739	5,539	7,100
— unsecured	2,945	3,888	4,649	10,277	10,477
	7,750	10,314	12,388	15,816	17,577
Other borrowings					
— secured	—	—	—	2	12
— unsecured	973	1,062	1,119	1,131	1,212
— debentures	—	—	1,186	294	297
	973	1,062	2,305	1,427	1,521
Total current borrowings	11,980	14,667	17,470	20,426	21,632
Total borrowings	16,411	19,526	22,450	26,281	29,927

Before the Global Offering, we repaid all loans granted by CCCG and all guarantees provided by CCCG to support our credit facilities were released. All secured borrowings were secured by our property, plant and equipment and guarantees provided by certain of our subsidiaries.

The following table sets out the maturities of our total borrowings as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Total borrowings				
— Within 1 year	11,980	14,667	17,470	20,426
— Between 1 and 2 years	1,607	1,606	1,100	1,479
— Between 2 and 5 years	1,422	1,856	3,044	2,412
Wholly repayable within 5 years	15,009	18,129	21,614	24,317
— Over 5 years	1,402	1,397	836	1,964
	16,411	19,526	22,450	26,281

Our borrowings are primarily denominated in Renminbi, U.S. dollars, and to a lesser extent, Hong Kong dollars and Japanese Yen. The following table sets out the carrying amounts of our borrowings by currencies as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
	(RMB millions)			
Total borrowings				
— Renminbi	9,097	9,506	12,047	15,314
— U.S. dollars	3,543	5,824	6,375	6,952
— Japanese yen	1,622	1,728	1,557	1,586
— Hong Kong dollars	843	917	915	563
— Euro	1,306	1,547	1,548	1,864
— Others	—	4	8	2
	16,411	19,526	22,450	26,281

The following table sets out the weighted average effective interest rates as at the balance sheet dates indicated.

	As at December 31,			As at June 30,
	2003	2004	2005	2006
Bank borrowings				
— Renminbi	4.48%	4.74%	5.00%	5.20%
— U.S. dollars	2.22%	3.64%	5.35%	5.98%
— Japanese yen	3.23%	3.23%	3.23%	3.23%
— Hong Kong dollars	2.61%	3.31%	3.09%	3.60%
— Euro	5.30%	5.46%	5.48%	4.85%
— Others	—	3.37%	1.33%	5.20%
Other borrowings				
— Renminbi	4.57%	4.59%	4.79%	5.26%

Contingent liabilities

The table below sets forth our contingent liabilities as at the balance sheet dates indicated.

	As at December 31,			As at June 30,	As at October 31,
	2003	2004	2005	2006	2006 (unaudited)
	(RMB millions)				
Pending lawsuits(1)(2)	12	38	67	51	48
Outstanding loan guarantees(2)(3)					
— Jointly controlled entities and associates	130	248	293	278	218
— Other state-owned enterprises	327	252	128	128	128
— Third parties	123	126	52	46	42
	592	664	540	503	436

(1) We have been named in a number of lawsuits arising in the ordinary course of business. A provision, as set out in Note 26 to ''Appendix I — Accountants' Report'', has been made for our probable losses on those claims when our management can reasonably estimate the outcome of the lawsuits taking into account legal advice received. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or our management believes the probability of loss is remote.

(2) The amounts do not include those items for which provisions have been made as disclosed in Note 26 to ''Appendix I — Accountants' Report''. The amounts also do not include guarantees that we have agreed to provide but where the availability period of the guaranteed loans is yet to commence.

(3) We have acted as the guarantor for various external borrowings made by certain jointly controlled entities and associates of our Group and certain third party entities.

As at June 30, 2006, the aggregate amounts for which we had agreed to provide guarantees were approximately RMB1,452 million and all the guaranteed debtors are independent third parties, i.e., none of them is our connected person. Depending on the competitiveness of the bidding process for particular projects, we occasionally may agree to provide credit support to strategic and creditworthy clients of our construction business by providing guarantees for their bank loans, which are earmarked as their payment to us for our construction services. To support the business growth of our associates, we at times, together with other shareholders of the relevant associate and in proportion to our equity interest in the relevant associate, also provide guarantees to financial institution who lend to our associates.

We confirm that there has been no material change in the indebtedness and contingent liabilities since October 31, 2006.

NET CURRENT LIABILITIES

We had net current liabilities of RMB3,098 million as at September 30, 2006. The following table sets forth our current assets and current liabilities as at the balance sheet dates indicated.

	As at December 31,			As at June 30,	As at September 30,
	2003	2004	2005	2006	2006
					(unaudited)
			(RMB millions)		
Current assets					
Inventories	2,716	3,203	3,805	4,834	5,050
Trade and other receivables	16,181	19,867	24,984	31,780	33,437
Amount due from customers for contract work	6,751	9,540	14,001	16,136	19,147
Other financial assets at fair value through profit or loss	244	125	118	15	15
Derivative financial instruments	—	—	72	—	—
Restricted cash	54	102	80	62	147
Cash and cash equivalents	6,812	9,993	10,797	12,304	11,259
	32,758	42,830	53,857	65,131	69,055
Current liabilities					
Trade and other payables	20,334	25,826	34,100	41,846	44,065
Amount due to customers for contract work	2,711	4,060	4,420	5,404	5,993
Current income tax liabilities	520	694	699	700	864
Borrowings	11,980	14,667	17,470	20,426	20,684
Derivative financial instruments	19	86	13	44	12
Early retirement and supplemental benefit obligations	202	195	221	208	202
Provisions	284	298	299	299	333
	36,050	45,826	57,222	68,927	72,153
Net current liabilities	(3,292)	(2,996)	(3,365)	(3,796)	(3,098)

Our net current liabilities position decreased from RMB3,292 million in 2003 to RMB2,996 million in 2004 but increased to RMB3,365 million in 2005 and to RMB3,796 million for the six months ended June 30, 2006. Although we had net current liabilities as at December 31, 2003, 2004 and 2005, and for the six months ended June 30, 2006, as at each of the above balance sheet dates, we had undrawn borrowing facilities of RMB7,314 million, RMB8,071 million, RMB8,477 million and RMB8,929 million, respectively, which was in excess of our net current liability positions as of each respective balance sheet date.

We had net current liability positions for each of the three years ended December 31, 2005 and for the six months ended June 30, 2006 primarily due to our large amounts of short-term borrowings, principally from commercial banks in China.

Historically, we have repaid a significant portion of our short-term borrowings by rolling over the loans on an annual basis. During the three years ended December 31, 2005 the six months ended June 30, 2006 we have not experienced any difficulties in rolling over our short term loans with our principal banks upon maturity of these short-term loans. Based upon our experience in the past and our relationship with our principal lending banks, we believe that we will be able to roll over our existing short-term borrowings upon their maturity in the coming year.

MARKET RISKS

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates as we have no significant interest-bearing assets.

Our exposure to changes in interest rates is mainly attributable to our borrowings. Borrowings at variable rates expose us to cash flow interest-rate risk. Borrowings at fixed rates expose us to fair value interest-rate risk. As at December 31, 2003, 2004, 2005 and June 30, 2006, respectively, approximately RMB1,593 million, RMB1,668 million, RMB1,459 million and RMB1,487 million of our borrowings were at fixed rates. The interest rates and terms of repayment of our group's borrowings are disclosed in Note 23 in ''Appendix I — Accountant's Report''.

During the Relevant Periods, certain of our group companies used interest rate swaps to hedge its exposure to interest rate risk. See Note 4 and Note 23 in ''Appendix I — Accountants' Report'' for a discussion of the interest rates and terms of repayment of the our borrowings.

Foreign exchange risk

Our functional currency is the Renminbi with most of our transactions settled in Renminbi. We use, however, foreign currencies to settle our invoices from overseas operations, to settle our purchases of machinery and equipment from overseas suppliers and for certain expenses. In addition, a significant proportion of our bank borrowings are denominated in foreign currencies, particularly the U.S. dollar, the Euro and the Japanese Yen. The Renminbi is not freely convertible into other foreign currencies and conversion of the Renminbi into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government. In July 2005, the PRC government introduced a managed floating exchange rate system to allow the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and may in the future make further adjustments to the exchange rate system. When the Renminbi appreciates, the value of foreign currency denominated assets will decline against the Renminbi.

Fluctuations in foreign exchange currency rates could adversely affect us by decreasing any revenues from our sales which are denominated in foreign currency and increasing our borrowings which are denominated in foreign currencies. See ''Risk Factors — Risks relating to our business and the industries in which we operate — We are exposed to foreign currency fluctuations''.

Details of our cash and bank balances and borrowings as at December 31, 2003, 2004, 2005 and June 30, 2006 denominated in foreign currencies, mainly U.S. dollars, Euro, Japanese Yen and Hong Kong dollars, see Note 19 and Note 23, respectively, in ''Appendix I — Accountants' Report''.

During the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, certain of our group companies used foreign currency forward contracts transacted with domestic and overseas registered banks, to hedge our exposure to foreign currency risk on individual transactions in connection with Renminbi.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China

Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 1.2% in 2003, 3.9% in 2004 and 1.8% in 2005.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the date of this Prospectus there is not any circumstance which, has we been required to comply with Listing Rules 13.13 to 13.19 of the Hong Kong Listing Rules, would have given rise to a disclosure requirement under those Listing Rules.

INTERIM PRC FINANCIAL STATEMENTS AND ONGOING DISCLOSURE OF INFORMATION REGARDING ZPMC

ZPMC, our subsidiary listed on the Shanghai Stock Exchange, has published its unaudited quarterly financial statements for the three months ended September 30, 2006 prepared in accordance with the Accounting Standard for Business Enterprises ''Interim Financial Reporting'' issued by the Ministry of Finance of the PRC (''PRC GAAP'') (the ''Interim PRC Financial Statements''). The text of the Interim PRC Financial Statements together with a reconciliation of the net profit of ZPMC for the three months ended September 30, 2006 and its owners' equity as at September 30, 2006 to International Financial Reporting Standards has been included in Appendix IV to this Prospectus.

In accordance with Rule 13.09(2) of the Hong Kong Listing Rules, we are required to simultaneously release in Hong Kong, among other things, the quarterly and interim reports of ZPMC, our subsidiary listed on the Shanghai Stock Exchange, when ZPMC is required to release these reports to Shanghai Stock Exchange.

PROFIT FORECAST

On the bases and assumptions set out in Appendix III to this Prospectus, and including the assumption that the current group structure had been in existence throughout the year ending December 31, 2006, and in the absence of unforeseen circumstances, we forecast that our combined profit attributable to the equity holders of the Company for the year ending December 31, 2006 will be not less than RMB2,806 million.

On a weighted average basis based on the above profit forecast and assuming that (i) we had been established and 10,800,000,000 Shares were issued and outstanding as of January 1, 2006; (ii) the Shares to be issued pursuant to the Global Offering will be issued on December 15, 2006; and that (iii) the Over-allotment Option will not be exercised, the forecast earnings per Share on a weighted basis are equivalent to HK$0.253, representing weighted average price to earnings multiples of 13.4 times and 18.2 times based on the Offer Prices of HK$3.40 and HK$4.60 per Share respectively. On a pro forma fully diluted basis and on the assumption that the Global Offering had been completed and a total of 14,300,000,000 Shares were in issue and outstanding throughout the year ending December 31, 2006 (taking no account of any Share that may be issued pursuant to the exercise of the Over-allotment Option), the forecast earnings per Share on a pro forma fully diluted basis for the year ending December 31, 2006 would be HK$0.194, representing fully diluted price to earnings multiples of approximately 17.5 times and 23.7 times based on the Offer Prices of HK$3.40 and HK$4.60 per Share respectively.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to distribute any dividends would require the approval of our Board and will be at their discretion, and will be subject to shareholders' approval. During the years ended December 31, 2003, 2004 and 2005 and the six months ended June 30, 2006, we did not distribute any dividends to our shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important.

In any case, we will pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to a discretionary common reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory funds are 10% of our after-tax profit, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required.

Under PRC law, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

Considering our present financial position, we currently intend, subject to the abovementioned limitations and in the absence of any circumstances which might reduce the amount of distributable profits whether by losses or otherwise, to distribute to our shareholders not less than 25% of our distributable profits (i) in respect of the year ending December 31, 2006, for the period between December 1, 2006 to December 31, 2006; and (ii) for the years ending December 31, 2007 and December 31, 2008.

There is, however, no assurance that we will be able to declare dividends of such amount or any amount in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

SPECIAL DISTRIBUTION AND SPECIAL DIVIDEND

Pursuant to the ''Provisional Regulations Relating to Corporate Reorganization of Enterprise and Related Management of State-owned Capital and Financial Treatment'' issued by the Ministry of Finance, we are required to make a distribution to CCCG, our sole shareholder prior to the Global Offering, in an amount equal to the profit for the period generated during the period from January 1, 2006 to October 7, 2006, being the date immediately prior to our incorporation (''Relevant Profit Period'') as determined in accordance with PRC GAAP (the ''Special Distribution''). In connection with our incorporation, we issued 10,800,000,000 Shares to CCCG based on a valuation of our net assets as at December 31, 2005. As no valuation of our assets later than December 31, 2005 was available at the time of our incorporation, the profits earned after December 31, 2005 up to our incorporation date were not taken into account in determining the number of Shares we issued to CCCG in connection with our incorporation. Accordingly, there is a surplus between the value of our net assets as at our incorporation date over the value of net assets as at the last valuation date, being December 31, 2005, and we are required to return such surplus to CCCG. The Special Distribution, therefore, represents the amount of such surplus that we are required to pay to CCCG.

We have determined the Special Distribution to amount to RMB1,556 million. We have based such determination on an aggregation of (a) the net profits as recorded in our management accounts under PRC GAAP for the nine months ended September 30, 2006, which has been reviewed by independent accountants, and (b) our estimate of the net profits generated during the seven days ended October 7, 2006. We estimated our net profits for the seven days ended October 7, 2006 by calculating on a pro rata basis the net profits shown in our reviewed management accounts for the nine months ended September 30, 2006. We paid the Special Distribution to CCCG in November 2006 from our internal financial resources.

At a general meeting held on November 25, 2006, we resolved that CCCG, being our then sole shareholder, shall be entitled to all of the distributable profits generated from October 8, 2006 to November 30, 2006 (the ''Special Dividend'').

We currently estimate the Special Dividend to amount to approximately RMB374 million. Such estimate is calculated on a pro rata basis using the number of days in the period between October 8, 2006 and November 30, 2006, and the net profits as recorded in our management accounts under PRC GAAP for the three months ended September 30, 2006. We will engage a firm of independent accountants to perform a special audit of our accounts for the period from October 8, 2006 to November 30, 2006 to determine the actual amount of the Special Dividend. We will only pay the Special Dividend to CCCG after completing that special audit, which is currently expected to be by April 30, 2007, following which we will publish an announcement of the outcome of that special audit and the actual amount of the Special Dividend. We will pay the Special Dividend out of our distributable profits for the relevant period as determined by taking into account the lower of net profit determined under PRC GAAP and IFRS and after making allocations for the required statutory reserves. We expect to finance the payment of the Special Dividend from our internal cash resources on hand prior to the Global Offering.

The Special Distribution referred to above relates to a period which falls prior to the formation of our Company and was made to comply with the regulations issued by the Ministry of Finance. The distribution of the Special Dividend was decided based on our commercial discretion. Neither the Special Distribution nor the Special Dividend was determined in accordance with our dividend policy as described in the section headed ''Financial Information — Dividend Policy''. Purchasers of H Shares in the Global Offering will not be entitled to participate in the Special Distribution or the Special Dividend.

DISTRIBUTABLE RESERVES

As at June 30, 2006, we had no distributable reserves as the Company had yet to be incorporated.

Adjusted Net Tangible Assets

The following unaudited pro forma adjusted net tangible assets is based on our audited combined net tangible assets attributable to the equity holders of our company as at June 30, 2006, as shown in the Accountants' Report set forth in Appendix I to this Prospectus, adjusted as described below.

	Adjusted combined net tangible assets of the Group attributable to the equity holders of our Company as at 30 June 2006(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company (3)(4)	Unaudited pro forma adjusted net tangible assets per Share(5)(6)	
		(RMB millions)		RMB	HK$
Based on an Offer Price of HK$3.40 per Share	9,385	11,345	20,730	1.45	1.44
Based on an Offer Price of HK$4.60 per Share	9,385	15,441	24,826	1.74	1.72

(1) Our adjusted combined net tangible assets attributable to the equity holders of our Company as at June 30, 2006 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited combined net assets of our Group attributable to the equity holders of our Company as at June 30, 2006 of RMB10,649 million with an adjustment for the intangible assets as at June 30, 2006 of RMB1,264 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.40 and HK$4.60 per Share, respectively, after deduction of estimated related fees and expenses, and do not take into account of any Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of our Company and unaudited pro forma adjusted net tangible assets per Share will increase. The estimated net proceeds are converted into Renminbi at the PBOC Rate of HK$1.00 to RMB1.01007 prevailing on November 22, 2006.

(3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2006. The unaudited pro forma adjusted net tangible assets has not taken into account of the following items occurred subsequent to June 30, 2006:

(i) Subsequent to the incorporation of our Company on October 8, 2006, all the Retained Operations, buildings and lease prepayments that do not have perfected titles and ownership certificates with an aggregate net carrying amount of approximately RMB394 million are retained by CCCG pursuant to the Reorganization.

(ii) Pursuant to the Reorganization, our Company made a Special Distribution of RMB1,556 million to CCCG in November 2006.

(iii) At a shareholder's meeting in November 2006, we resolved that CCCG shall be entitled to the Special Dividend. We estimate that the Special Dividend would amount to approximately RMB374 million.

(iv) After the incorporation of our Company in October 2006, CCCG agreed to assume the role of the guarantor for a corporate guarantee amounting to RMB220 million provided by our Group to an associate of CCCG. A provision of the same amount in respect of such guarantee is recorded in the Group's financial statements as at June 30, 2006, which is no longer needed upon the assumption of such guarantee by CCCG and will be accounted for as an equity contribution in the Group's financial statements for the year ending December 31, 2006.

(4) Details of valuation of our properties as at September 30, 2006 are set out in Appendix V to this Prospectus. We will not incorporate the revaluation surplus in our financial statements for the year ending December 31, 2006. It is our accounting policy to state property, plant and equipment at cost less accumulated depreciation and any impairment loss rather than at revalued amounts. With reference to the valuation of our properties as set out in Appendix V to this Prospectus, there was a revaluation surplus of our buildings of approximately RMB1,579 million. If the revaluation surplus were to be incorporated in our financial statements for the year ending December 31, 2006, additional depreciation charge would be approximately RMB159 million per annum.

(5) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 14,300,000,000 Shares are issued and outstanding during the entire year, and that the Over-Allotment Option has not been exercised.

(6) Unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB1.01007 prevailing on November 22, 2006.

PROPERTY VALUE RECONCILIATION

Particulars of the Group's property interests are set out in Appendix V to this Prospectus. Sallmanns (Far East) Limited has valued the property interests of the Group as at September 30, 2006. A summary of values and valuation certificates issued by Sallmanns (Far East) Limited are included in Appendix V to this Prospectus.

The table below sets forth the reconciliation of aggregate amounts of buildings from the Group's audited combined financial statements as at June 30, 2006 to the unaudited net book value of the Group's property interests as at September 30, 2006:

	RMB millions
Net book value of property interests of the Group as at June 30, 2006	3,852
Additions	69
Depreciation	(84)
Disposals	(51)
Net book value as at September 30, 2006	3,786
Valuation surplus as at September 30, 2006	1,579
Valuation on land use right as at September 30, 2006 per ''Appendix V — Property Valuation Report''	3,737
Valuation as at September 30, 2006 per ''Appendix V — Property Valuation Report''	9,102

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since June 30, 2006 (being the date of our latest audited combined financial results as set out in ''Appendix I — Accountants' Report'' to this Prospectus.

FUTURE PLANS AND PROSPECTS

Our objective is to become one of the world's leading transportation infrastructure groups. We intend to achieve this through our business strategies, details of which are set out in the section of this Prospectus headed ''Business — Business Strategies''.

USE OF PROCEEDS

We estimate that the net proceeds to us from the Global Offering, after deducting underwriting commissions and our estimated offering expenses, will be approximately HK$13,260 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$4.00 per H Share, being the mid-point of the price range set forth on the cover page of this Prospectus.

We intend to use such net proceeds for the following purposes:

- up to 53%, or approximately HK$7,028 million, for the purchase and upgrade of equipment and vessels, comprising
  - — up to 33%, or approximately HK$4,376 million, for our Dredging Business;
  - — up to 20%, or approximately HK$2,652 million, for our Infrastructure Construction Business;
- up to 11%, or approximately HK$1,458 million, for investment in our BOT projects including a BOT project relating to a section of Guangming Expressway in Guangdong province;
- up to 20%, or approximately HK$2,652 million, for the construction of production bases in Shanghai for our Port Machinery Manufacturing Business;
- up to 8%, or approximately HK$1,061 million, for repayment of short-term bank loans that were used for working capital purposes with interest rates ranging from 5.02% to 5.27% per annum; and
- up to 8%, or approximately HK$1,061 million, for additional working capital and other general corporate purposes.

The above allocations of the proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at the highest or at the lowest point of the indicative Offer Price range. If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to the Company from the offering of these additional H Shares will be approximately HK$2,026 million, after deducting the underwriting commissions and our estimated offering expenses, assuming an Offer Price of HK$4.00 per H Share, being the mid-point of the price range set forth on the cover page of this Prospectus. Any additional proceeds received from any exercise of the Over-allotment Option will also be allocated to the above uses on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by PRC law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITERS FOR THE HONG KONG PUBLIC OFFERING

Joint Lead Managers
BOCI Asia Limited
Merrill Lynch Far East Limited
UBS AG

Co-Lead Managers
China Merchants Securities (HK) Co., Ltd.
Taifook Securities Company Limited

Co-Managers
China Everbright Securities (HK) Limited
CITIC Securities Corporate Finance (HK) Limited
Core Pacific-Yamaichi International (H.K.) Limited
First Shanghai Securities Limited
Guotai Junan Securities (Hong Kong) Limited
ICEA Capital Limited
Sun Hung Kai International Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on and subject to the terms and conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering as mentioned in this Prospectus (including any additional H Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers to subscribe for the Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters) may (after consultation with us, to the extent practicable) terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to us at any time at or prior to 8:00 a.m. on the Listing Date if:

(a) there has come to the notice of any of the Joint Global Coordinators or the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

   (i) that any of our representations and warranties given by us in the Hong Kong Underwriting Agreement is (or would if repeated at that time be) untrue, inaccurate, misleading or breached in a respect which has a material adverse effect on the Global Offering; or

   (ii) any breach of any of our obligations under the Hong Kong Underwriting Agreement which has a material adverse effect on the Global Offering; or

(b) there develops, occurs, exists or comes into force:

(i) any event or series of events resulting in or representing a change, or prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the United States, or the United Kingdom (collectively, the ''Relevant Jurisdictions''); or

(ii) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, terrorism, civil commotion, acts of war, acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) the imposition or declaration of (A) any suspension or material limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange or, the London Stock Exchange or (B) any moratorium on banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong, the PRC, New York or, London; or

(vi) any change or prospective change in taxation or exchange controls adversely affecting any of the Relevant Jurisdictions or affecting an investment in the H Shares; or

(vii) any material litigation or claim being threatened or instigated against us; or

(viii) any event which gives rise or would give rise to a material liability on the part of the Company pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or

(ix) any material adverse change in the business or in the financial or trading position of our Group taken as a whole,

and which, in any such case and in the opinion of the Joint Global Coordinators, will or is likely to (A) be materially adverse to, or materially and prejudicially affect, the business, financial or trading position or prospects of our Group taken as a whole or (B) make it impracticable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged or (C) make it impracticable to proceed with the Hong Kong Public Offering and/or the Global Offering.

Undertakings

We have undertaken to the Hong Kong Underwriters that we will not, except pursuant to the Global Offering (including the Over-allotment Option), the PRC Public Offering and the Share Appreciation Plan or with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and unless in compliance with the Hong Kong Listing Rules, that we will not:

(i) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise; or

(iii) announce any intention to effect any such transaction,

within six months from the Listing Date (the ''First Six Months Period'') (whether or not such issue of Shares or securities will be completed within the First Six Months Period); and in the event of us doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six Months Period (the ''Second Six Months Period''), we will take all steps to ensure that any such act will not create a disorderly or false market for any Offer Shares of the Company.

CCCG has undertaken to the Hong Kong Stock Exchange that except pursuant to the Global Offering (including the Over-allotment Option):

(a) it will not, without the prior written consent of the Hong Kong Stock Exchange and unless in compliance with the requirements of the Hong Kong Listing Rules, during the First Six-month Period, dispose of any of the Shares in respect of which CCCG is shown by this Prospectus to be the beneficial owner; and

(b) it will not, without the prior written consent of the Hong Kong Stock Exchange, in the Second Six-month Period dispose of any of the Shares in respect of which CCCG is shown by this Prospectus to be the beneficial owner if, immediately following such disposal, CCCG would cease to be our controlling shareholder (as defined in the Hong Kong Listing Rules).

CCCG has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this Prospectus and ending on the date which is 12 months from the date on which dealings in the H Shares first commence on the Hong Kong Stock Exchange, it shall:

(a) when it pledges/charges any securities of the Company beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Hong Kong Listing Rules, immediately inform us in writing of such pledge/charge together with the number of the securities so pledged/charged; and

(b) when it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged securities of the Company beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in (1) and (2) above by CCCG and disclose such matters by way of an announcement in compliance with the Hong Kong Listing Rules.

Further, CCCG has undertaken to each of us, the Joint Global Coordinators and the Hong Kong Underwriters that, except pursuant to the Over-allotment Option, it will not, without the prior written consent of the Joint Global Coordinators (for themselves on behalf of the Hong Kong Underwriters), directly or indirectly, and will procure that none of it or its associates or companies controlled by it or any nominee or trustee holding in trust for it shall:

(i) offer, pledge, sell, mortgage, assign, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of the Company or any interest therein); or

(ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(iii) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, at any time during the First Six Month Period, and in the event of a disposal of any Shares or any interest therein at any time during the Second Six Months Period, such disposal shall not result in CCCG ceasing to be the controlling shareholder of the Company for the purposes of the Hong Kong Listing Rules at any time during the Second Six Months Period; and it shall take all steps to ensure that any such act, if done, will not create a disorderly or false market for any shares or other securities of the Company or any interest therein.

CCCG has also undertaken to each of us, the Joint Global Coordinators and the Hong Kong Underwriters that within the First Six Months Period and the Second Six Months Period, it shall:

(a) if and when it pledges or charges, directly or indirectly, any shares or other securities of the Company beneficially owned by it, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(b) if and when it receives indications, either verbal or written, from any pledgee or chargee that any securities in the Company pledged or charged by it will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

We will also notify the Hong Kong Stock Exchange as soon as we have been informed of such event and shall make a public disclosure by way of press announcement in accordance with the Hong Kong Listing Rules.

Commission

The Hong Kong Underwriters will receive an aggregate underwriting and selling commission of 2.5% on the aggregate Offer Price payable for the Hong Kong Offer Shares, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

International Offering

International Underwriting Agreement

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase the International Offering Shares being offered pursuant to the International Offering.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 525,000,000 additional H Shares, representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering. These H Shares will be issued at the Offer Price and will be for the purpose of, among other things, covering over-allocations (which may not exceed 525,000,000 H Shares), if any, in the International Offering.

We will agree to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

Total expenses

The aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering, which are estimated to amount in aggregate to approximately HK$740 million assuming an Offer Price of HK$4.00 per H Share (being the mid-point of the Offer Price range of HK$3.40 and HK$4.60) and the Over-allotment Option is not exercised at all, are payable and borne by us.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$4.60 per H Share and is expected to be not less than HK$3.40 per H Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$4.60 per H Share plus 1% brokerage, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK$4,646.41 per board lot of 1,000 H Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$4.60 per H Share, being the maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the sections headed ''How to apply for the Hong Kong Offer Shares'' and ''Further Terms and Conditions of the Hong Kong Public Offering''.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or before December 9, 2006.

The Offer Price will not be more than HK$4.60 per H Share and is expected to be not less than HK$3.40 per H Share. The Offer Price is expected to fall within the Offer Price range as stated in this Prospectus unless otherwise announced, as further explained below, not later than the morning of the latest day for lodging applications under the Hong Kong Public Offering. The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time prior to the morning of the latest day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the latest day for the lodging of applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and Hong Kong Economics Times (in Chinese) notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in ''Summary'', and any other financial information which may change as a result of such reduction. **If applications for Hong Kong Offer Shares have been submitted, then even if the number of Offer Shares and/or the Offer Price range is so reduced such applications cannot be subsequently withdrawn.** In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus on or before the morning of the latest day for lodging applications under the Hong Kong Public Offering, the number of Hong Kong Offer Shares and/or the Offer Price, if agreed upon with us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this Prospectus.

If we and the Joint Global Coordinators (on behalf of the Underwriters), are unable to reach agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

An announcement of the Offer Price and the results of application and basis of allotment of the Hong Kong Offer Shares are expected to be published on or before December 14, 2006.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

(a) the Listing Committee granting the listing of, and permission to deal in, the H Shares to be issued or sold pursuant to the Global Offering (including the additional H Shares which may be made available pursuant to the exercise of the Over-allotment Option) and any H Shares, converted from Domestic Shares, which are to be held by NSSF in connection with the Global Offering (subject only to allotment and the dispatch of share certificates in respect thereof), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(b) the Offer Price having been duly determined and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date; and

(c) the execution of the International Underwriting Agreement, and the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse.

In the above situation, all application monies will be returned to the applicants, without interest and on the terms set out under ''How to apply for the Hong Kong Offer Shares'' and ''Further Terms and Conditions of the Hong Kong Public Offering''. In the meantime, all application monies will be held in a separate bank account or separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Thursday, December 14, 2006 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

THE GLOBAL OFFERING

The Global Offering comprises the Hong Kong Public Offering and the International Offering. We will initially make available 3,500,000,000 H Shares under the Global Offering. Of the H Shares made available by us under the Global Offering, 3,325,000,000 H Shares will initially be conditionally placed pursuant to the International Offering and the remaining 175,000,000 H Shares will initially be offered to the public in Hong Kong under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under ''The Hong Kong Public Offering''). The H Shares included in the International Offering will be conditionally placed pursuant to the International Offering with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for the H Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S, and in the United States with QIBs in reliance on Rule 144A.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters in each case on a several basis, each being subject to the conditions set out under ''Underwriting-Underwriting arrangements and expenses''. The Hong Kong Underwriting Agreement was entered into on November 30, 2006 and, subject to an agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters), the International Underwriting Agreement is expected to be entered into on or about the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be inter-conditional upon each other.

Investors may apply for the H Shares under the Hong Kong Public Offering or indicate an interest for the H Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve selective marketing of the H Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such H Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as ''book-building'', is expected to continue up to, and to cease on or before Saturday, December 9, 2006.

Allocation of the H Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, H Shares, after the listing of H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of H Shares on a basis which would lead to the establishment of a solid shareholder base to our benefit and the shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Over-allotment Option

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the right, exercisable at any time from the date of the International Underwriting Agreement up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 525,000,000 additional H Shares, representing 15% of the initial Offer Shares, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional H Shares will represent approximately 3.5% of our enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

The 3,500,000,000 H Shares initially being offered in the Global Offering will represent approximately 24.5% of our enlarged share capital immediately after completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the number of H Shares being offered under the Global Offering will increase to 4,025,000,000, representing approximately 27.2% of our enlarged share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to the Offer Price having been duly determined and satisfaction or waiver of the other conditions described in the section headed ''Conditions of the Global Offering'' above) for the subscription in Hong Kong of, initially, 175,000,000 H Shares at the Offer Price (representing 5% of the total number of H Shares initially available under the Global Offering). Subject to the reallocation of H Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.2% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The total number of the H Shares available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The H Shares in pool A will be allocated on an equitable basis to applicants who have applied for the H Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The H Shares in pool B will be allocated on an equitable basis to applicants who have applied for the H Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the H Shares in one (but not both) of the pools are undersubscribed, the surplus H Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this paragraph only, the ''subscription price'' for the H Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the H Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 175,000,000 H Shares initially included in the Hong Kong Public Offering (that is, 87,500,000 H Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any H Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of H Shares available under the Hong Kong Public Offering to certain percentage of the total number of H Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, in the event of over-applications, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of H Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of H Shares available under the Hong Kong Public Offering will be 262,500,000 H Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;

- if the number of H Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of H Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of H Shares available under the Hong Kong Public Offering will be 350,000,000 H Shares, representing 10% of the Offer Shares initially available under the Global Offering; and

- if the number of H Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of H Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of H Shares available under the Hong Kong Public Offering will be 700,000,000 H Shares, representing 20% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate H Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

References in this Prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

We are initially offering 3,325,000,000 H Shares pursuant to the International Offering, representing approximately 95% of the Offer Shares under the Global Offering and approximately 23.3% of our enlarged issued share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised.

Pursuant to the International Offering, the International Offering Shares will be conditionally placed by the International Underwriters or through selling agents appointed by them. H Shares will be placed with certain professional, institutional, corporate and other investors anticipated to have a sizeable demand for H Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S, and in the United States with QIBs in reliance on Rule 144A. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

PLACEMENT TO CORPORATE INVESTORS

As part of the International Offering, each of our corporate investors, China Life Insurance (Group) Company, Chow Tai Fook Nominee Limited and Government of Singapore Investment Corporation Pte Ltd., will purchase the number of our H Shares that can be purchased for HK$650 million at the Offer Price. The H Shares purchased by China Life Insurance (Group) Company, Chow Tai Fook Nominee Limited and Government of Singapore Investment Corporation Pte Ltd. will not be subject to the reallocation or clawback of H Shares between the International Offering and the Hong Kong Public Offering in the event the Hong Kong Public Offering is over-subscribed. These shares will also be subject to lock-up arrangements, as described in ''Our Corporate Investors''.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 15, 2006, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Friday, December 15, 2006.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Offering are subject to the conditions set out in the section headed ''Underwriting — Underwriting Arrangements and Expenses''. In particular, the Joint Global Coordinators (on behalf of the Underwriters) and us must agree on the Offer Price. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

We expect on or about Saturday, December 9, 2006, shortly after determination of the Offer Price, to enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed ''Underwriting''.

THE PRC PUBLIC OFFERING

Proposed PRC Public Offering

We are in the process of preparing for a PRC Public Offering and intend to pursue such offering as soon as practicable after completion of the Global Offering. The precise timing of the PRC Public Offering would depend on a number of factors, including market conditions. We would require a number of additional regulatory approvals and consents to allow us to proceed with the PRC Public Offering. We are working with our A Share financial advisors on the PRC Public Offering plan. However, we have not obtained any commitment from any underwriter to underwrite or to purchase the A Shares to be offered. We currently expect the key features of our PRC Public Offering to include the following:

(a) the proposed PRC Public Offering will initially comprise not more than 3,500,000,000 A Shares subject to an over-allotment option of up to 15% of the number of A Shares initially offered under the PRC Public Offering, all of which will be newly issued shares;

(b) the offer price for the proposed PRC Public Offering will be determined based on market conditions at the time when the PRC Public Offering takes place and in accordance with domestic customary pricing consultation mechanisms;

(c) the A Shares will be listed on the Shanghai Stock Exchange in the PRC; and

(d) subject to obtaining the relevant approvals and market conditions, we currently intend to complete the PRC Public Offering by no later than February 7, 2008.

We will inform the Hong Kong Stock Exchange and our shareholders as soon as the details of the proposed PRC Public Offering are finalized.

At the time of our establishment as a joint stock limited company in October 2006, we had plans to issue A Shares and H Shares. Accordingly, assuming that we complete our PRC Public Offering by February 7, 2008, we may issue the A Shares pursuant to our Articles of Association and Rule 13.36(2)(b) of the Listing Rules as amended by Rule 19A.38 applicable to PRC incorporated issuers without the need for a specific approval of holders of our H Shares in a class meeting.

In the event that we undertake our PRC Public Offering after February 7, 2008, in the absence of any other applicable waiver from the Listing Rule requirements, we would be required to obtain the approval of our shareholders in a general meeting and the approval of our H shareholders in a class meeting pursuant to our Articles of Association and Rule 13.36(1) of the Listing Rules as amended by Rule 19A.38 as applicable to PRC-incorporated issuers.

We have not made a formal application to the CSRC for its approval of the PRC Public Offering and are currently unable to specify a definitive timetable for the PRC Public Offering. We have applied for and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rule 10.08, which will allow us to make the PRC Public Offering within six months after the completion of the Global Offering.

You should note that the Global Offering is not conditional on the completion of the PRC Public Offering. Because of the factors and uncertainty described above, we may not be able to complete the PRC Public Offering and the size and other details in respect of the PRC Public Offering set out above may change. We believe our business and operations will not be materially and adversely affected if the PRC Public Offering is not completed.

The A Shares that we intend to offer in the PRC Public Offering will be identical in all respects to the H Shares except that the A Shares will be listed and traded on the Shanghai Stock Exchange in the PRC and may only be held by PRC investors and/or qualified foreign institutional investors and dividends on A Shares will be payable in Renminbi. The two classes of Shares will not be fungible.

1. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the designated website of the eIPO Service Provider, referred to herein as the ''**White Form eIPO**'' service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Global Coordinators (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We and the Joint Global Coordinators in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors, Supervisors or chief executive of their respective associates or any other connected persons (as defined in the Hong Kong Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for H Shares under the Hong Kong Public Offering or indicate an interest for H Shares under the International Offering, but may not do both.

2. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are four ways to make an application for the Hong Kong Offer Shares:

- You may apply for the Hong Kong Offer Shares by using a **white** Application Form. Use a **white** Application Form if you want the H Shares issued in your own name;
- Instead of using a **white** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the eIPO Service Provider at www.eipo.com.hk. Use **White Form IPO** if you want the H Shares issued in your own name;
- You may apply for the Hong Kong Offer Shares by using a **yellow** Application Form. Use a **yellow** Application Form if you want the H Shares issued in the name of HKSCC Nominees

and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or

- Instead of using a **yellow** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

3. WHERE TO COLLECT THE PROSPECTUS AND APPLICATION FORMS

You can collect a **white** Application Form and a Prospectus from:

Any of the following addresses of the Hong Kong Underwriters:

BOCI Asia Limited
26th Floor Bank of China Tower
1 Garden Road
Hong Kong

Merrill Lynch Far East Limited
17th Floor, ICBC Tower
3 Garden Road
Hong Kong

UBS AG
52nd Floor, Two International Finance Center
8 Finance Street
Hong Kong

China Everbright Securities (HK) Limited
36th Floor, Far East Finance Centre,
16 Harcourt Road
Hong Kong

China Merchants Securities (HK) Co., Ltd.
48th Floor, One Exchange Square,
8 Connaught Place
Central,
Hong Kong

CITIC Securities Corporate Finance (HK) Limited
26th Floor, CITIC Tower,
1 Tim Mei Avenue,
Central,
Hong Kong

Core Pacific — Yamaichi International (H.K.) Limited
36th Floor, Cosco Tower,
Grand Millenium Plaza,
183 Queen's Road Central,
Hong Kong

First Shanghai Securities Limited
19th Floor, Wing On House,
71 Des Voeux Road Central,
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block,
Grand Millenium Plaza,
181 Queen's Road Central,
Hong Kong

ICEA Capital Limited
26th Floor, ICBC Tower,
3 Garden Road,
Central,
Hong Kong

Sun Hung Kai International Limited
Level 12, One Pacific Place,
88 Queensway,
Hong Kong

Taifook Securities Company Limited
25th Floor, New World Tower,
16-18 Queen's Road Central,
Hong Kong

VC Brokerage Limited
28th Floor, The Centrium,
60 Wyndham Street,
Central,
Hong Kong

or any of the following branches of **Bank of China (Hong Kong) Limited:**

Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Taikoo Shing Branch	Shop G1006-7, Hoi Sing Mansion, Taikoo Shing
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon:	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Festival Walk Branch	Unit LG256, Festival Walk, Kowioon Tong
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
New Territories:	Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan
	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Sheung Shui Branch	61 San Fung Avenue, Sheung Shui

	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

or any of the following branches of **Bank of Communications Co., Ltd Hong Kong Branch:**

Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central, Hong Kong
	King's Road Sub-Branch	67-71 King's Road, North Point
	Quarry Bay Sub-Branch	C-D, 981 King's Road, Quarry Bay
Kowloon:	Wong Tai Sin Sub-Branch	Shops 127-129, 1/F Lung Cheung Mall, 136 Lung Cheung Road, Wong Tai Sin
New Territories:	Ma On Shan Sub-Branch	Shop 3038A, Level 3, Sunshine Plaza, Ma On Shan
	Fanling Sub-Branch	No. 84A-84B, G/F, Flora Plaza, Fanling

or any of the following branches of **The Bank of East Asia, Limited:**

Hong Kong Island:	Kennedy Town Centre Branch	Shop D, G/F, Kennedy Town Centre, 23 Belcher's Street
	Main Branch	10 Des Voeux Road Central
	Chai Wan Branch	345 Chai Wan Road
Kowloon:	Yaumatei Branch	G/F, 526 Nathan Road, Kowloon
	Mongkok North Branch	G/F, Kalok Building, 720 - 722 Nathan Road, Mongkok
New Territories:	Shatin Plaza Branch	Shop Nos. 3 - 4, Level 1, Shatin Plaza
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza
	Park Central Branch	Shop G6, G/F, Park Central, 9 Tong Tak Street, Tseung Kwan O

or any of the following branches of **Hang Seng Bank Limited:**

Hong Kong Island:	Head Office	83 Des Voeux Road Central
	Wanchai Branch	200 Hennessy Road
	Causeway Bay Branch	28 Yee Wo Street
Kowloon:	Hung Hom Branch	21 Ma Tau Wai Road
	Mongkok Branch	677 Nathan Road
	Kwun Tong Branch	70 Yue Man Square

or any of the following branches of **Industrial and Commercial Bank of China (Asia) Limited:**

Hong Kong Island:	Queen's Road Central Branch	122-126 Queen's Road Central, Central
	Wanchai Branch	117-123 Hennessy Road, Wanchai
Kowloon:	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui
	To Kwa Wan Branch	G/F, 287-289 To Kwa Wan Road
	Kwun Tong Branch	G/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong
New Territories:	Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City Plaza II, 8 Yan King Road, Tseung Kwan O

or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited:**

Hong Kong Island:	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
Kowloon:	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Telford Gardens Branch	Shop P9-12, Telford Centre,Telford Gardens, Tai Yip Street, Kwun Tong
	Kwun Tong Branch	88-90 Fu Yan Street, Kwun Tong
New Territories:	Metroplaza Branch	Shop Nos. 186-188, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tsuen Wan Branch	Shop C G/F & 1/F, Jade Plaza, no. 298 Sha Tsui Road, Tsuen Wan

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Friday, December 1, 2006	**— 9:00 a.m. to 4:30 p.m.**
Saturday, December 2, 2006	**— 9:00 a.m. to 12:30 p.m.**
Monday, December 4, 2006	**— 9:00 a.m. to 4:30 p.m.**
Tuesday, December 5, 2006	**— 9:00 a.m. to 4:30 p.m.**
Wednesday, December 6, 2006	**— 9:00 a.m. to 12:00 noon**

You can collect a **yellow** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Friday, December 1, 2006 until 12:00 noon on Wednesday, December 6, 2006, from the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this Prospectus available.

4. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain an Application Form as described in the section headed ''—3. Where to Collect the Prospectus and Application Forms,'' above.

(b) Complete the Application Form in English using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully, If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the application form.

(d) Lodge the application form in one of the collection boxes by the time and at one of the locations as described in paragraph (a) of the section headed ''—7. When May Applications be Made,'' below.

In order for an application made on **yellow** Application Form to be valid;

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(A) the designated CCASS Participant or its authorized signatories must sign in the appropriate box; and

(B) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) If the application is made by an individual CCASS Investor Participant:

(A) the application form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(B) the CCASS Investor Participant must insert its participant I.D. and sign in the appropriate box in the application form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(A) the application form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all joint CCASS Investor Participants; and

(B) the participant I.D. must be inserted and the authorized signatory(ies) of the CCASS Investor Participant's stock account must sign in the appropriate box in the application form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(A) the application form must contain the CCASS Investor Participant's name and Hong Kong Business Registration number; and

(B) the participant I.D. and company chop (bearing its company name) endorsed by its authorized signatory(ies) must be inserted in the appropriate box in the application form.

Signature(s), number of signatories and form of chops, where appropriate, on each yellow Application Form should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorized signatory(ies) (if applicable), participant I.D. or other similar matters may render the application invalid.

5. HOW TO APPLY THROUGH WHITE FORM eIPO

(a) If you are an individual and meet the criteria set out above in ''1. Who can apply for the Hong Kong Offer Shares'', you may apply through **White Form eIPO** by submitting an application to the eIPO Service Provider through the designated website of the eIPO Service Provider at www.eipo.com.hk. If you apply through **White Form eIPO** the H Shares will be issued in your own name.

(b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the eIPO Service Provider and may not be submitted to our company.

(c) In addition to the terms and conditions set out in this Prospectus, the eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the eIPO Service Provider to transfer the details of your application to our company and our registrars.

(e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website www.eipo.com.hk.

(f) You should give electronic application instructions through **White Form eIPO** at the times set out in paragraph (b) of the section headed ''7. When may applications be made'' below.

(g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, December 6, 2006, or such later time as described under the section headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists'' in the section headed ''7. When May Applications be Made,'' below, the eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website www.eipo.com.hk.**

(h) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the eIPO Service Provider to public investors. **Our company, our Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our company or that you will be allotted any Hong Kong Offer Shares.**

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the

White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **white** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **white** Application Form. See ''—8. How many applications may be made'' below.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time).

HKSCC can also input electronic application instructions for yon if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instruction** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our company and our registrars.

(b) Minimum Subscription Amount and Permitted Multiples

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms.

(c) Warning

The subscription for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our company, the Directors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor

Participants are advised not to wait until the last minute to input their electronic application instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either:

(i) submit a **white** or **yellow** Application Form; or

(ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on December 6, 2006, or such later time as described under the section headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists'' in the section headed ''— 7. When May Applications be Made,'' below.

7. WHEN MAY APPLICATIONS BE MADE

(a) Applications on White or Yellow Application Forms

Your completed **white** or **yellow** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed under the section headed ''3. Where to Collect the Prospectus and Application Forms'' above at the following times:

Friday, December 1, 2006	**— 9:00 a.m. to 4:30 p.m.**
Saturday, December 2, 2006	**— 9:00 a.m. to 12:30 p.m.**
Monday, December 4, 2006	**— 9:00 a.m. to 4:30 p.m.**
Tuesday, December 5, 2006	**— 9:00 a.m. to 4:30 p.m.**
Wednesday, December 6, 2006	**— 9:00 a.m. to 12:00 noon**

Completed **white** or **yellow** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, December 6, 2006, or if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists'' below.

(b) White Form eIPO

You may submit your application to the eIPO Service Provider through the designated website www.eipo.com.hk from 9:00 a.m. on Friday, December 1, 2006 until 11:30 a.m. on Wednesday, December 6, 2006 or such later time as described under the sub-paragraph headed ''Effects of Bad Weather Conditions on the Opening of the Applications Lists'' below (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, December 6, 2006, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists'' below.

You will not be permitted to submit your application to the eIPO Service Provider through the designated website www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(c) Electronic Application Instructions to HKSCC via CCASS

CCASS Broker/Custodian Participants should input **electronic application instructions** at the following times on the following dates:

Friday, December 1, 2006	**— 9:00 a.m. to 8:30 p.m.(1)**
Saturday, December 2, 2006...	**— 8:00 a.m. to 1.00 p.m.(1)**
Monday, December 4, 2006 ...	**— 8:00 a.m. to 8:30 p.m.(1)**
Tuesday, December 5, 2006 ...	**— 8:00 a.m. to 8:30 p.m.(1)**
Wednesday, December 6, 2006	**— 8:00 a.m.(1) to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investors Participants can input **electronic application instructions** from 9:00 a.m. on Friday, December 1, 2006 until 12:00 noon on Wednesday, December 6, 2006 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Wednesday, December 6, 2006, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists'' below.

(d) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, December 6, 2006, except as provided in the paragraph headed ''Effects of Bad Weather Conditions on the Opening of the Application Lists,'' below.

Applicants should note that cheques or banker's cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(e) Effects of Bad Weather Conditions on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a ''black'' rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, December 6, 2006. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. For this purpose, ''Business Day'' means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

8. HOW MANY APPLICATIONS MAY BE MADE

Multiple applications or suspect multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) and; (ii) lodging more than one application form in your own name if each application is made on behalf of different beneficial owners. In the box on the application form marked ''For nominees'' you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving electronic application instructions to the eIPO Service Provider through the designated website and completing payment in respect of such electronic application instructions, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

For further information, please see ''Further Terms and Conditions of the Hong Kong Public Offering — 5. Multiple Applications.''

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$4.60 per H Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 H Shares you will pay approximately HK$4,646.41. The Application Forms have tables showing the exact amount payable for multiples of H Shares up to 87,500,000 H Shares.

If the Offer Price as finally determined is less than HK$4.60 per H Share, appropriate refund payments (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the section headed ''10. Publication of Results, Dispatch/Collection of H Share Certificates and Refunds of Application Monies.''

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange (or the Hong Kong Stock Exchange, as the case may be), the Hong Kong Stock Exchange trading fee is paid to the Hong Kong Stock Exchange, and the SFC transaction levy is paid to the SFC.

10. PUBLICATION OF RESULTS, DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUNDS OF APPLICATIONS MONIES

We expect to announce the basis of allotment, the results of applications and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering on Thursday, December 14, 2006 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

Refund cheques for surplus application monies (if any) under **white** or **yellow** Application Forms and H Shares certificates for successful applicants under **white** Application Forms and **White Form eIPO** will be posted and/or available for collection (as the case may be) on Thursday, December 14, 2006.

H Share certificates will only become valid certificates of title 8:00 a.m., on Friday, December 15, 2006 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled ''Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination'' has not been exercised.

For further information on arrangements for the dispatch/collection of H Share certificates and refunds of application monies, please refer to the section headed ''Further Terms and Conditions of the Hong Kong Public Offering — 7. If your Application for Hong Kong Offer Shares is Successful (in whole or in part)'' and ''— 8. Refund of Application Monies.''

FURTHER TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

1. GENERAL

(a) If you apply for Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with the Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) as set out below.

(b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf, you will have authorized HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) If you give **electronic application instructions** to the eIPO Service Provider through the designated website at www.eipo.com.hk, you will have authorized the eIPO Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In this section, references to ''you,'' ''applicants,'' ''joint applicants'' and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the eIPO Service Provider is applying for Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by submitting an application to the eIPO Service Provider through the designated website for the **White Form eIPO** service.

(e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the application forms or imposed by HKSCC and or the eIPO Service Provider prior to making any application for Hong Kong Offer Shares.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

(a) You offer to purchase from us at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this Prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable thereto), will be sent to you at your own risk to the address stated on your application form on or before Thursday, December 14, 2006.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed ''—7. If your application for the Hong Kong Offer Shares is successful (in whole or in part),'' ''—8. Refund of application monies'' ''—10. Additional information for applicants applying by giving **electronic application Instructions** to HKSCC'' in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Hong Kong Companies Ordinance.

3. ACCEPTANCE OF YOU OFFER

(a) The Hong Kong Offer Shares will be allocated after the application lists close. We expect to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on Thursday, December 14, 2006.

(b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong identity card numbers, passports numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Thursday, December 14, 2006 in the manner described in the section headed ''How to Apply for Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of H Share Certificates and Refund of Applications.''

(c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed ''Structure of the Global Offering.''

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

(a) By completing and submitting any application you:

- **instruct** the Company and the Joint Global Coordinators (or their respective agents or nominees) as agent of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s), or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this Prospectus and the relevant Application Form;

- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles of Association;

- **represent and warrant** that the H Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form and are not a United States person (as defined in Regulation S of the U.S. Securities Act);

- **confirm** that you have received a copy of this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Joint Global Coordinators, the Underwriters, other parties involved in the Global Offering nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **white** or **yellow** Application form or by giving **electronic application instructions** to HKSCC via CCASS or to the eIPO Service Provider via **White Form eIPO** service;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that this is the only application which has been or will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the eIPO Service Provider via **White Form eIPO** service, and that you are duly authorized to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the International Offering Shares in the International Offering, nor otherwise participate in the International Offering;
- **warrant** the truth and accuracy of the information contained in the application;
- **agree** to disclose to the Company, and/or its registrar, receiving bankers, advisers and agents and the Joint Global Coordinators, the Underwriters and their respective advisers and agents, any information about you which they require or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- If you apply by using an Application form, **authorize** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you respectively, and the Company and/or its agents to send any H Share certificates (where applicable) and/or refund cheques (if any) to you (or in the case of joint applicants), the first-named applicant on the Application Form, by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you wish to collect your H Share certificate(s) and/or refund cheque(s) (if any) in person, you can collect your H Share certificate(s) (where applicable and/or refund cheques(s) (if any) in person from Computershare Hong Kong Investor Services Limited between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of dispatch of H Share certificate(s) and refund check(s)). The date of dispatch of H Share certificate(s) and refund cheques(s) is expected to be Thursday, December 14, 2006;

- **understand** that these declarations and representations will be relied upon by the Company and the Joint Global Coordinators in deciding whether or not to make any allotment of any Hong Kong Offer Shares in response to your application and that you may be prosecuted if you make a false declaration;

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Underwriters, and the other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this Prospectus;

- **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of the Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

- **agree** with the Company, each shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder (and if applicable, with each CCASS Participant giving **electronic application instructions**), to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

- **agree** with the Company and each shareholder of the Company that H Shares in the Company are freely transferable by the holders thereof; and

- **authorize** the Company to enter into a contract on behalf of you with each Director, Supervisor and officer of the Company whereby such Directors, Supervisors and officers undertake to observe and comply with their obligations to shareholders stipulated in the Articles of Association.

(b) If you apply for the Hong Kong Offer Shares using a **yellow** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, (each of you jointly and severally) **agree** that:

- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the application form;

- each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Hong Kong Offer Shares allotted to you in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the name of the first-named applicant) and in such a case, to post the H Share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your application form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of Hong Kong Offer Shares alloted to you and issued in the name of HKSCC Nominees;
- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this Prospectus and the application form; and
- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things or the breach of the terms and conditions of the **white** Application Form or this Prospectus:

- **instruct** and **authorize** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- **instruct** and **authorize** HKSCC to arrange payment of the maximum Offer Price, brokerage, the Hong Kong Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$4.60 per Hong Kong Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorize** HKSCC to cause HKSCC Nominees to do on your behalf all the things which is stated to be done on your behalf on the **white** Application Form and the following;
- **agree** that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input **electronic application instructions** on your behalf;
- **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given **electronic application Instructions,** or any lesser number;
- (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (If you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;
- **understand** that the above declaration will be relied upon by the Company and the Joint Global Coordinators in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- **authorize** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send H Share certificates

and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- **confirm** that you have only relied on the information and representations in this Prospectus in giving your **electronic application instructions** or instructing your CCASS Broker Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

- **agree** that the Company, the Underwriters and any other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus;

- **agree** (without prejudice to any other rights which you may have) that, once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this Prospectus;

- **agree** to disclose your personal data to the Joint Global Coordinators, the Company, the Underwriters, the share registrars, receiving bankers, agents and advisers and any other information about you which they may reasonably require;

- **agree** that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable on or before Sunday, December 31, 2006, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions, and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Sunday, December 31, 2006, except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application on or before Sunday, December 31, 2006 if a person responsible for this Prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus;

- **agree** that, once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by the Company; and

- **agree** to the arrangements, undertakings and warranties specified In the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

(d) The Company, the Joint Global Coordinators, the Underwriters, other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.

(e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. MULTIPLE APPLICATIONS

(a) It will be a term and condition of all applications that by completing and delivering an Application Form or giving **electronic application instructions**, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider through the **White Form eIPO** service;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.

(b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or your and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider through the **White Form eIPO** service;
- both apply (whether individually or jointly) on one **white** Application Form and one **yellow** Application Form or on one **white** or **yellow** Application Form and give **electronic application instructions** to HKSCC or to the eIPO Service Provider through the **White Form eIPO** service;
- apply on one **white** or **yellow** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the eIPO Service Provider through the **White Form eIPO** service for more than 50% of the H Shares initially being offered for public subscription under the Hong Kong Public Offering (that is, 87,500,000 H Shares), as more particularly described in the section entitled ''Structure of the Global Offering — The Hong Kong Public Offering''; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Offering.

(c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

— control the composition of the board of directors of that company; or;

— control more than half of the voting power of that company; or

— hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allotted to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an application form you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before December 31, 2006. This agreement will take effect as a collateral contract with our company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to the eIPO Service Provider. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before December 31, 2006 except by means of one of the procedures referred to in this Prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before December 31, 2006 if a person responsible for this Prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus.

If any supplement to this Prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this Prospectus as supplemented.

If your application or the application made, by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our company, the Joint Global Coordinators or the eIPO Service Provider (where applicable) or their respective agents exercise their discretion to reject your application:

We and the Joint Global Coordinators (as agent for our company) and the eIPO Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **yellow** Application Form) will be void if the Listing Committee does not grant permission to list the H Shares either:

- within 3 weeks from the closing of the application lists; or
- within, a longer period of up to 6 weeks if the Listing Committee notifies our Company of that longer period within 3 weeks of the closing date of the application lists.

(d) In the following circumstances:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the Application Forms or **giving electronic instructions** to HKSCC or to the eIPO Service Provider through the **White Form eIPO** service, you agree not to apply for Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
- you apply for more than 50% of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering (that is, 87,500,000 H Shares);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed and in accordance with the instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website www.eipo.com.hk;
- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement does not become unconditional; or
- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement is terminated in accordance with their respective terms.

7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the H Shares.

No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on yellow Application Forms or by electronic application instructions to HKSCC via CCASS, in which case share certificates will be deposited in CCASS).

H share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 15, 2006 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting —

Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — grounds for Termination'' has not been exercised.

(a) If you apply using a white Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **white** Application Form and have indicated your intention in your Application Form to collect your H Share certificate(s) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect it/them in person from Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 14, 2006 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/refund cheques.

If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or H Share certificate(s) (where applicable) in person, your refund cheque(s) and/or H Share certificate(s) (where applicable) will be sent to the address on your Application Form on Thursday, December 14, 2006 by ordinary post and at your own risk.

(b) If you apply using a yellow Application Form:

If you apply for Hong Kong Offer Shares using a **yellow** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, December 14, 2006, or in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **yellow** Application Form for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, December 14, 2006 in the manner described in ''How To Apply For Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of H Share Certificates and Refund of Applications.'' You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 14, 2006 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **yellow** Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **white** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your application form that you will collect your refund cheque (is any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your application form on Thursday, December 14, 2006, by ordinary post and at your own risk.

(c) If you apply through White Form eIPO:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your H Share certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p,m. on Thursday, December 14, 2006, or such other date as notified by our company in the newspapers as the date of dispatch/collection of H Share certificates/refund cheques.

If you do not collect your H Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the eIPO Service Provider on Thursday, December 14, 2006 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the eIPO Service Provider set out below in ''9. Additional Information for Applicants Applying Through **White Form eIPO**.''

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares for any of the reasons set out above in the section headed ''6. Circumstances in which you will not be allotted Hong Kong Offer Shares;''
- the Offer Price as finally determined is less than the Offer Price of HK$4.60 per H Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed ''Structure of the Global Offering — Conditions of the Hong Kong Public Offering;''
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our company and the Joint Global Coordinators, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, December 14, 2006 in accordance with the various arrangements as described above. All refunds will be made by a cheque crossed ''Account Payee Only'' made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH WHITE FORM eIPO

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the eIPO Service Provider through the designated website will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the eIPO Service Provider, the eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the eIPO Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in ''—8. Refund of Application Monies'' shall be made pursuant to the arrangements described above in ''—7. If your application for Hong Kong Offer Shares is successful (in whole or in part) — (c) If you apply through White Form eIPO.''

10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instructions is given will be treated as an applicant

(b) Deposit of H Share Certificates into CCASS and Refund of Application Monies

- No temporary document of title will be issued. No receipt will be issued for sums on paid application.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, December 14, 2006, or, in event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

- Our Company expects to publish the application results of the CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering on Thursday, December 14, 2006 in the manner described in ''How To Apply For Hong Kong Offer Shares — 10. Publication of Results, Dispatch/Collection of H Share Certificates and Refund of Applications.'' You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 14, 2006 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's ''An Operating Guide for Investor Participants'' in effect from time to time) on Thursday, December 14, 2006. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per H Share initially paid on application in each case including brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 14, 2006. No interest will be paid thereon.

11. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the ''Ordinance'') came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of our H Shares of the policies and practices of our Company and our share registrars in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our H Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the registrars.

Failure to supply, the requested data may result in your application for securities being rejected or in delay or inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s), and/or the dispatch or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and our H Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the application forms and this Prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registrars of holders of securities of our Company;
- conducting or assisting in the conduct of signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our company and our H Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and our H Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our H Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- our Company or our respective appointed agents such as financial advisors and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our H Share Registrar in connection with the operation of their business;
- the Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or, governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an application form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether our Company or our H Share Registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Ordinance, our Company and our H Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in the ''Corporate Information'' section in this Prospectus or as notified from time to time in accordance with applicable law, for the attention of the company secretary, or our H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

1 December 2006

The Directors
China Communications Construction Company Limited

BOCI Asia Limited
Merrill Lynch Far East Limited
UBS AG

Dear Sirs,

We set out below our report on the financial information relating to China Communications Construction Company Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') for each of the three years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2005 and 2006 (the ''Relevant Periods'') for inclusion in the prospectus of the Company dated 1 December 2006 (the ''Prospectus'') in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Hong Kong Stock Exchange'').

The Company was established in the People's Republic of China (the ''PRC'' or ''China'') on 8 October 2006 as a joint stock company with limited liability under the Company Law of China. Pursuant to a group reorganisation (the ''Reorganisation'') of China Communications Construction Group Ltd. (''CCCG'' or the ''Parent Company''), a state-owned enterprise in the PRC, as described in the Note 1 of Section II below, the Company became the holding company of the Group.

All entities now comprising the Group, jointly controlled entities, and associates, have adopted 31 December as their financial year end date (see Note 42 of Section II for particulars of principal subsidiaries, jointly controlled entities and associates). The management accounts of these entities were prepared in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprises (''PRC GAAP'') or other accounting principles applicable to those companies in their respective jurisdictions.

For the purpose of the Reorganisation, the Directors of the Company (the ''Directors'') have prepared combined financial statements of the Group for the three years ended 31 December 2003, 2004 and 2005 in accordance with PRC GAAP (the ''PRC GAAP Financial Statements''). The PRC GAAP Financial Statements were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (“普华永道中天会计师事务所有限公司”).

For the purpose of this report, the Directors have prepared the combined financial information of the Group (the ''Financial Information'') for the Relevant Periods in accordance with International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board, based on the PRC GAAP Financial Statements and the unaudited management accounts for the six months ended 30 June 2005 and 2006 on the basis set out in Note 2 of

Section II below, and after making such adjustments as are appropriate. The directors of the respective companies now comprising the Group, jointly controlled entities and associates, during the Relevant Periods, are responsible for preparing financial statements which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently.

For the purpose of this report, we have carried out independent audit procedures on the Financial Information for each of the three years ended 31 December 2003, 2004 and 2005 and the six months ended 30 June 2006 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''), and have examined the Financial Information and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' issued by HKICPA.

We have reviewed the Financial Information for the six months ended 30 June 2005 in accordance with Statement of Auditing Standards 700 ''Engagements to review interim financial reports'' issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Financial Information for the six months ended 30 June 2005.

The Directors are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination and review, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, and prepared on the basis set out in Note 2 of Section II below, gives a true and fair view of the state of affairs of the Group as at 31 December 2003, 2004 and 2005 and 30 June 2006 and of the results and cash flows of the Group for the years and the six months then ended.

Moreover, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Financial Information for the six months ended 30 June 2005.

I. COMBINED FINANCIAL STATEMENTS

1. Combined Balance Sheets

	Note	As at 31 December 2003	As at 31 December 2004	As at 31 December 2005	As at 30 June 2006
		RMB million	RMB million	RMB million	RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	7	11,329	13,299	15,616	17,593
Lease prepayments	8	835	996	1,115	1,104
Investment properties	9	227	226	212	209
Intangible assets	10	15	257	948	1,264
Investments in jointly controlled entities	11	144	138	205	281
Investments in associates	12	1,271	1,334	1,400	1,442
Available-for-sale financial assets	13	2,941	2,645	3,045	4,619
Held-to-maturity financial assets		20	20	2	2
Deferred income tax assets	24	1,950	1,862	1,663	1,663
Trade and other receivables	14	532	782	996	1,356
		19,264	21,559	25,202	29,533
Current assets					
Inventories	15	2,716	3,203	3,805	4,834
Trade and other receivables	14	16,181	19,867	24,984	31,780
Amount due from customers for contract work	16	6,751	9,540	14,001	16,136
Other financial assets at fair value through profit or loss		244	125	118	15
Derivative financial instruments	17	—	—	72	—
Restricted cash	18	54	102	80	62
Cash and cash equivalents	19	6,812	9,993	10,797	12,304
		32,758	42,830	53,857	65,131
Total assets		52,022	64,389	79,059	94,664

	Note	As at 31 December 2003	As at 31 December 2004	As at 31 December 2005	As at 30 June 2006
		RMB million	RMB million	RMB million	RMB million
EQUITY					
Owner's equity	21	5,272	6,542	8,942	10,649
Minority interests		1,619	2,707	3,505	4,318
Total equity		6,891	9,249	12,447	14,967
LIABILITIES					
Non-current liabilities					
Borrowings	23	4,431	4,859	4,980	5,855
Deferred income		7	55	93	159
Deferred income tax liabilities	24	581	533	671	1,207
Early retirement and supplemental benefit obligations	25	4,062	3,867	3,646	3,549
		9,081	9,314	9,390	10,770
Current liabilities					
Trade and other payables	22	20,334	25,826	34,100	41,846
Amount due to customers for contract work	16	2,711	4,060	4,420	5,404
Current income tax liabilities		520	694	699	700
Borrowings	23	11,980	14,667	17,470	20,426
Derivative financial instruments	17	19	86	13	44
Early retirement and supplemental benefit obligations	25	202	195	221	208
Provisions	26	284	298	299	299
		36,050	45,826	57,222	68,927
Total liabilities		45,131	55,140	66,612	79,697
Total equity and liabilities		52,022	64,389	79,059	94,664
Net current liabilities		3,292	2,996	3,365	3,796
Total assets less current liabilities		15,972	18,563	21,837	25,737

2. Combined Income Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
		RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Turnover	6	48,482	65,912	83,265	34,008	47,187
Cost of sales	30	(43,617)	(59,578)	(75,110)	(30,722)	(42,073)
Gross profit		4,865	6,334	8,155	3,286	5,114
Other gains/(losses), net	27	37	33	205	141	(45)
Selling and marketing expenses	30	(270)	(363)	(463)	(184)	(199)
Administrative expenses	30	(2,878)	(3,459)	(4,117)	(1,693)	(2,473)
Other income	28	706	785	1,001	452	561
Other expenses	29	(715)	(749)	(972)	(462)	(441)
Operating profit		1,745	2,581	3,809	1,540	2,517
Interest income		97	100	117	53	71
Finance costs, net	32	(972)	(933)	(433)	(245)	(684)
Share of profit/(loss) of jointly controlled entities		5	5	(47)	1	10
Share of profit of associates		113	101	117	52	48
Profit before income tax		988	1,854	3,563	1,401	1,962
Income tax expense	33	(361)	(457)	(592)	(382)	(502)
Profit for the year / period		627	1,397	2,971	1,019	1,460
Attributable to:						
Equity holders of the Company		435	1,071	2,195	689	1,084
Minority interests		192	326	776	330	376
		627	1,397	2,971	1,019	1,460

3. Combined Statements of Changes in Equity

	Note	Owner's equity RMB million	Minority interests RMB million	Total RMB million
At 1 January 2003		4,378	1,540	5,918
Profit for the year		435	192	627
Exchange differences arising on translation of the accounts of subsidiaries, jointly controlled entities and associates		10	—	10
Changes in fair value of available-for-sale financial assets, net of deferred tax		333	—	333
Dividends paid to minority shareholders of subsidiaries		—	(57)	(57)
Derecognition of minority interests		116	(116)	—
Contribution from minority shareholders of subsidiaries		—	60	60
At 31 December 2003		5,272	1,619	6,891
Profit for the year		1,071	326	1,397
Exchange differences arising on translation of the accounts of subsidiaries, jointly controlled entities and associates		9	—	9
Changes in fair value of available-for-sale financial assets, net of deferred tax		(132)	—	(132)
Gain on deemed disposal of the Company's interest in a subsidiary		322	—	322
Dividends paid to minority shareholders of subsidiaries		—	(87)	(87)
Contribution from minority shareholders of subsidiaries		—	849	849
At 31 December 2004		6,542	2,707	9,249
Profit for the year		2,195	776	2,971
Exchange differences arising on translation of the accounts of subsidiaries, jointly controlled entities and associates		(18)	—	(18)
Changes in fair value of available-for-sale financial assets, net of deferred tax		223	—	223
Dividends paid to minority shareholders of subsidiaries		—	(116)	(116)
Contribution from minority shareholders of subsidiaries		—	138	138
At 31 December 2005		8,942	3,505	12,447
Profit for the period		1,084	376	1,460
Exchange differences arising on translation of the accounts of subsidiaries, jointly controlled entities and associates		8	—	8
Changes in fair value of available-for-sale financial assets, net of deferred tax		1,111	—	1,111
Transactions with minority shareholders resulting from share reform schemes of subsidiaries	21	(496)	496	—
Dividends paid to minority shareholders of subsidiaries		—	(189)	(189)
Contribution from minority shareholders of subsidiaries		—	130	130
At 30 June 2006		10,649	4,318	14,967

Unaudited combined statement of changes in equity for the six months ended 30 June 2005:

	Owner's equity	Minority interests	Total
	RMB million	RMB million	RMB million
At 1 January 2005	6,542	2,707	9,249
Profit for the period	689	330	1,019
Exchange difference arising on translation of the accounts of subsidiaries, jointly controlled entities and associates	2	—	2
Changes in fair value of available-for-sale financial assets, net of deferred tax	98	—	98
Dividends paid to minority shareholders of subsidiaries	—	(97)	(97)
Contribution from minority shareholders of subsidiaries	—	100	100
At 30 June 2005 (unaudited)	7,331	3,040	10,371

4. Combined Cash Flow Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
		RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Cash flows from operating activities						
Cash generated from operations	38	3,202	2,932	4,122	372	1,848
Interest paid		(497)	(599)	(850)	(376)	(509)
Income tax paid		(154)	(179)	(358)	(277)	(476)
Net cash generated from/(used in) operating activities		2,551	2,154	2,914	(281)	863
Cash flows from investing activities						
Purchases of property, plant and equipment (''PPE'')		(3,697)	(4,060)	(4,396)	(1,417)	(3,099)
Increase in lease prepayments		(25)	(214)	(171)	(61)	(16)
Purchases of investment properties		(9)	(12)	—	—	(1)
Increase of intangible assets		(7)	(250)	(701)	(213)	(319)
Proceeds from disposal of PPE		984	565	283	125	263
Proceeds from disposal of lease prepayments		8	23	18	—	6
Proceeds from disposal of investment properties		22	5	4	—	—
Additional investments in jointly controlled entities		(41)	(28)	(112)	(19)	(75)
Additional investments in associates		(8)	(54)	(62)	(13)	(21)
Purchases of available-for-sale financial assets		(61)	(23)	(73)	(42)	(21)
Purchases of other financial assets at fair value through profit or loss		(77)	(65)	—	—	(15)
Proceeds from disposal of jointly controlled entities		—	41	—	—	10
Proceeds from disposal of associates		16	15	29	8	17
Proceeds from disposal of available-for-sale financial assets		106	123	4	1	10
Proceeds from disposal of held-to-maturity financial assets		2	—	18	—	—
Proceeds from disposal of other financial assets at fair value through profit or loss		170	193	5	1	127

	Note	Year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
		RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Interest received		94	100	111	46	80
Dividends received		95	125	101	27	76
Net cash used in investing activities		(2,428)	(3,516)	(4,942)	(1,557)	(2,978)
Cash flows from financing activities						
Proceeds from borrowings		11,419	14,140	18,650	9,507	14,340
Repayments of borrowings		(10,164)	(10,696)	(15,804)	(7,861)	(10,818)
Additional investments from minority shareholders of subsidiaries		60	1,171	138	100	130
Dividends paid to minority shareholders of subsidiaries		(55)	(80)	(100)	(25)	(27)
Net cash generated from financing activities		1,260	4,535	2,884	1,721	3,625
Net increase/(decrease) in cash and cash equivalents		1,383	3,173	856	(117)	1,510
Cash and cash equivalents at the beginning of the year/period		5,414	6,812	9,993	9,993	10,797
Exchange gains/(losses) on cash and cash equivalents		15	8	(52)	(22)	(3)
Cash and cash equivalents at the end of the year/period		6,812	9,993	10,797	9,854	12,304

II NOTES TO THE FINANCIAL INFORMATION

1. Principal activities, organisation and reorganisation

1.1 Principal activities

The Group is principally engaged in infrastructure construction, infrastructure design, dredging and manufacturing of port machinery and other businesses.

1.2 Organisation and reorganisation

(a) The Company was established in the PRC on 8 October 2006 as a joint stock company with limited liability as part of the Reorganisation of CCCG in preparation for a listing of the Company's shares on the Hong Kong Stock Exchange. The address of the Company's registered office is No. 88C, An Ding Men Wai Street, Dongcheng District, Beijing, PRC. The initial registered capital of the Company is RMB10,800,000,000 consisting of 10,800,000,000 shares of par value of RMB1.00 per share.

Under the directive order of the State-owned Assets Supervision and Administration Commission (''SASAC'') of the State Council of the PRC, CCCG was established on 8 December 2005 by combining (the ''Merger'') China Harbour Engineering Company Group (''CHEC'') and China Road and Bridge Corporation (''CRBC''). Both CHEC and CRBC were owned by SASAC prior to the Merger.

Prior to the establishment of CCCG and the Company, the operations of infrastructure construction, infrastructure design, dredging, port machinery manufacturing and other businesses were carried out by various companies owned or controlled by CHEC and CRBC (the ''Predecessor Operations''). Pursuant to the Merger, all the Predecessor Operations were transferred to CCCG on 8 December 2005.

(b) In connection with the Reorganisation, the principal operations and businesses of CCCG (the ''Core Operations'') were transferred to the Company which include:

(i) all operating assets and liabilities relating to the infrastructure construction of ports, roads and bridges;

(ii) all operating assets and liabilities relating to the infrastructure design;

(iii) all operating assets and liabilities relating to dredging;

(iv) all operating assets and liabilities relating to the manufacturing of port machinery; and

(v) substantially all of the other core operating assets and liabilities relating to other business operations of CCCG.

(c) On 8 October 2006, in consideration for CCCG transferring the above Core Operations to the Company, the Company issued 10,800,000,000 ordinary shares of RMB 1.00 per share to CCCG. The shares issued to CCCG represented the entire registered and paid-up share capital of the Company. In connection with the Reorganisation, the following assets and liabilities (the ''Retained Operations'') were not transferred to the Company and were retained by CCCG:

(i) certain operating assets and liabilities historically associated with the Predecessor Operations, which mainly represented companies engaged in development, design and manufacture of road construction machinery and accessories, including motor and electronic products and equipment sets.

(ii) equity interests in certain companies not strategically complementary to the Company's business, which mainly represented companies engaged in properties investment holding activities and those became dormant in recent years; and

(iii) other auxiliary facilities.

2. Basis of presentation

(a) Prior to the Merger (of CHEC and CRBC), all of the Core Operations were controlled and owned by SASAC. Since the incorporation of CCCG on 8 December 2005, all the Core Operations had been transferred to CCCG. Upon the incorporation of the Company on 8 October 2006, the Core Operations were transferred to the Company. As CCCG is also under the control of SASAC and there is no change of controlling shareholders in the Reorganisation, the Financial Information for the Relevant Periods has been prepared as a combination of business under control in a manner similar to pooling-of-interest. Accordingly, the assets and liabilities transferred to the Company have been stated at historical carrying amounts.

The Financial Information presents the results of operations of the Group as if the Group had been in existence throughout the period from 1 January 2003 to 8 October 2006 (the date of the Reorganisation) and as if the Core Operations were transferred to the Company from CHEC and CRBC as of the beginning of the periods presented.

The Financial Information includes the operating results and financial position of the Retained Operations that were historically associated with the Predecessor Operations (see (b) below) but excludes those that strategically not complementary to the Group's business (see (c) below). Although these Retained Operations were not transferred to the Company, those associated with the Predecessor Operations have been included in the Financial Information up to the effective date of the Reorganisation because the Directors consider that the historical financial information should reflect all of the Group's costs of doing businesses, and include all relevant activities that have been part of the history of the Group's businesses and operations.

In evaluating whether the Financial Information prior to the Reorganisation fairly presents the history of the Group's businesses, the Directors consider, among others, the following:

(i) whether the Retained Operations were in dissimilar businesses;

(ii) whether the Retained Operations were and will be operated autonomously both before and after the Reorganisation; and

(iii) whether the Retained Operations have no more than incidental common facilities and costs.

(b) Certain operating assets and liabilities historically associated with the Predecessor Operations were mainly engaged in development, design and manufacture of road construction machinery and accessories that either were similar to the Group's business operations, did not operate autonomously or, their principal activities were integral to the Predecessor Operations before the Reorganisation. The tables below reflect the combined financial position and results of operations of these operating assets and liabilities that have been included in the combined financial statements:

(i) Financial position

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Non-current assets	227	190	179	177
Current assets	127	127	165	145
Non-current liabilities	(78)	(73)	(70)	(68)
Current liabilities	(301)	(302)	(352)	(334)
Net liabilities	(25)	(58)	(78)	(80)

(ii) Result of operations

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Turnover	235	209	204	90	114
Profit/(loss) for the year/period	84	(33)	(20)	(9)	(2)

Pursuant to the Reorganisation, these operating assets and liabilities historically associated with the Predecessor Operations as mentioned above will be retained by CCCG after incorporation of the Company on 8 October 2006.

(c) The financial information of equity interests in certain companies not strategically complementary to the Group's business and auxiliary facilities have not been included in the Financial Information throughout the Relevant Periods as they have distinct and separate management personnel, maintained separate accounting records and have been financed historically as if they were autonomous and they are in dissimilar business and operations as compared with the Core Operations and were not transferred to the Group pursuant to the Reorganisation.

3. Principal accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to the Relevant Periods presented, unless otherwise stated.

3.1 Basis of preparation

The Financial Information has been prepared in accordance with IFRS issued by the IASB. IFRS includes International Accounting Standards (''IAS'') and interpretations. IFRS 1 ''First-time Adoption of International Financial Reporting Standards'' has been applied in preparing the Financial Information. The Financial Information is the first set of the Group's financial statements prepared in accordance with IFRS. As the Merger of CHEC and CRBC was effective on 8 December 2005 (Note 1.2), no general purpose financial information under PRC GAAP has been prepared by the Group during the Relevant Periods.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 of this section. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Information and the reported amounts of revenues and expenses during the Relevant Periods. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from those estimates.

The Group has applied the draft interpretations issued by The International Financial Reporting Interpretations Committee (''IFRIC'') with respect to the accounting for assets constructed under concession arrangements. These draft interpretations (D12, D13 and D14) are currently under consultation and yet to be approved by the IASB. Further details of this accounting treatment are set out in Note 3.9 in this section. Management will continue to monitor the progress of the consultation process on these draft interpretations.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted by the Group:

- IFRIC-Int 7, 'Applying the Restatement Approach under IFRS 29', effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant to the Group;
- IFRIC-Int 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. Management is currently assessing the impact of IFRIC-Int 8 on the Group's operations;
- IFRIC-Int 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Group already assesses if embedded derivative should be separated using principles consistent with IFRIC-Int 9; and
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. If the Group has less than one half of the voting rights but has de facto control in an entity, such entity is also considered as subsidiary of the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Except for the group reorganisation transactions which have been accounted for as a combination of businesses under common control in a manner similar to pooling-of-interests as explained in Note 2 of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group ceases to have control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable tangible and intangible assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity participants of the Company. Gains and losses for the Group resulting from disposals to minority interests are recorded in the Company's equity. Difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary resulting from purchases from minority interests are recorded in the Company's equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition which is initially recognised at cost and thereafter adjusted for share of profit plus equity movement less any impairment of the equity-accounted investment.

The Group's share of its associates' post-acquisition profits or losses is recognised in the combined income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3 Jointly controlled entities

A jointly controlled entity is a joint venture where the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investment in jointly controlled entity is accounted for under the equity method of accounting, whereby the investment is initially recorded at cost and is adjusted thereafter to recognise the Group's share of the post-acquisition results and distributions received of the jointly controlled entity, and other necessary alternations in the

Group's proportionate interest in jointly controlled entity arising from changes in equity of jointly controlled entity that have not been included in the combined income statement.

The Group's share of post-acquisition results after taxation of jointly controlled entities is included in the combined income statement.

3.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (''the functional currency''). The Financial Information is presented in Renminbi (''RMB''), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to owner's equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the combined income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Repairs and maintenance costs are charged to the combined income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

— Buildings	20-30 years
— Machinery	5-10 years
— Vessels	10-14 years
— Motor vehicles	5 years
— Other equipments	5 years

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the combined income statement.

3.7 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated using the straight-line method to write off the cost of the asset over its estimated useful life of 30 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the combined income statement.

3.8 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights and leasehold land and are expensed in the combined income statement on a straight line basis over the period of the lease or when there is impairment, the impairment is expensed in the combined income statement.

3.9 Intangible assets

(a) Patent and proprietary technologies

Patent and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives as stated in the contracts.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

(c) Concession assets

The Group engaged in certain service concession arrangements in which the Group carries out the construction work (e.g. toll highways and bridges) for the granting authority and receives in exchange a right to operate the asset concerned in accordance with pre-established conditions set by the granting authority. In accordance with the content of the draft interpretations issued by IFRIC (D12, D13 and D14), the assets under the concession arrangements may be classified as intangible assets (D-14 — intangible asset model) or receivables from the authority that grants the concession rights (D-13 — financial asset model). The assets are classified as intangibles if the users pay the tolls deriving from the concession or as receivables if paid by the granting authority. While waiting for the final interpretation decision from the IFRIC, the Group classified the non-current assets linked to the long-term investment in these concession arrangements as ''concession assets'' within intangible assets classification on the balance sheet if intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements is completed, the concession assets will be amortised over the term of the concession on a straight-line basis under the intangible asset model.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.11 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as ''trade and other receivables'' in the balance sheet (Note 3.14).

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the combined income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the ''financial assets at fair value through profit or loss'' category, including dividend income, are presented in the combined income statement within ''other income'' in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the combined income statement as ''gains and losses from investment securities''. Interest on available-for-sale securities calculated using the effective interest method is recognised in the combined income statement. Dividends on available-for-sale equity instruments are recognised in the combined income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the combined income statement. Impairment losses recognised in the combined income statement on equity instruments are not reversed through the combined income statement. Impairment testing of trade receivables is described in Note 3.14.

3.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in the combined income statement within ''Other gains/(losses), net''.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the combined income statement.

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed when incurred.

3.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.19 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC excluding Hong Kong and Macau (''Mainland China''), are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service.

The Group also provided supplementary pension subsidies to retired employees in Mainland China for the Relevant Periods. Such supplementary pension subsidies are considered as under defined benefit plans. The liability recognised in the balance sheet in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income statements, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Employees who retire after the date of Reorganisation will no longer be entitled to such supplementary pension subsidies.

(b) Other post-employment obligations

Some companies within the Group in Mainland China provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income statements over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(c) Termination and early retirement benefits

Employee termination and early retirement benefits are recognised in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned.

(d) Housing funds

All full-time employees of the Group in Mainland China are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Reorganisation provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the combined income statement on a straight line basis over the expected lives of the related assets.

3.22 Contract work

Contract costs are recognised when incurred.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the ''percentage of completion method'' to determine the appropriate amount to be recognised in a given period. Depending on the nature of contracts, the stage of completion is measured by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineer; or (c) completion of physical proportion of the contract work. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Contract work-in-progress is valued at the cost price of the work done, plus a part of the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost price. The cost price includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, other direct costs and rental charges and maintenance costs for the equipment used. The progress of a project is determined on the basis mentioned in preceding paragraph. Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are ''amount due from customers for contract work'' and ''amount due to customers for contract work''.

3.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the construction contracts, sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Revenue from construction, design, dredging and port machinery contracts

Revenue from individual construction, design, dredging and port machinery contracts is recognised under the percentage of completion method, when the contract has progressed to a stage where the stage of completion and expected profit on the contract can be reliably determined and , depending on the nature of the contract, is measured mainly by reference to (a) the proportion of contract costs incurred for work performed to date to estimated total contract costs; (b) the amount of work certified by site engineer; or (c) completion of physical proportion of the contract work. Anticipated losses are fully provided on contracts when identified.

(b) Services rendered

Revenue for services rendered including surveying and maintenance of channels is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(c) Sales of products

Sales of products are recognised when a group entity has delivered the products to the customer, and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(d) Rental income

Rental income under operating leases of vessels and buildings is recognised on a straight-line basis over the lease term

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined income statements on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment on the combined balance sheets. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

3.25 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

Development assets are tested for impairment annually, in accordance with IAS 36.

3.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's directors/shareholders.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Foreign exchange risk

The Group's functional currency is RMB with most of the transactions settled in RMB. However, foreign currencies are used to settle the Group's revenue from overseas operations, settle the Group's purchases of machinery and equipment from overseas suppliers and certain expenses. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC Government.

Details of the Group's cash and bank balances and borrowings as at 31 December 2003, 2004, 2005 and 30 June 2006 denominated in foreign currencies, mainly United States Dollars (''US$''), Euro, Japanese Yen (''JPY'') and Hong Kong Dollars (''HK$''), are disclosed in Notes 19 and 23 respectively.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks, and a portion of those risks is hedged by using derivative financial instruments. During the Relevant Periods, certain subsidiaries of the Group used foreign currency forward contracts transacted with domestic and overseas registered banks, to hedge the exposure to foreign currency risk on individual transactions in connection with RMB.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets.

The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2003, 2004, 2005 and 30 June 2006, approximately RMB1,593 million, RMB1,668 million, RMB1,459 million and RMB1,487 million of the Group's borrowings respectively were at fixed rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 23.

During the Relevant Periods, certain subsidiaries of the Group used interest rate swaps to hedge its exposure to interest rate risk.

(c) Hedging

Certain subsidiaries of the Group used forward foreign currency contracts to hedge the exposure to foreign exchange risk, and interest rate swaps to hedge the exposure to interest rate risk. These derivative instruments do not qualify for hedge accounting and changes in their fair value are recognised immediately in the combined income statements during the Relevant Periods.

(d) Price risk

The Group is exposed to equity securities price risk because the Group's investments are classified as available-for-sale financial assets which are required to be stated at their fair values (see fair value estimation below).

(e) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, investments and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group's major customers are PRC Government agencies at the national, provincial and local levels, and other state-owned enterprises, which accounted for significant amounts of the Group's total operating revenue during the Relevant Periods. The Group also has policies in place to ensure that services are rendered to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. No single customer accounted for more than 10% of the Group's total revenues during the Relevant Periods.

Transactions involving derivative financial instruments that hedge foreign exchange and interest rate are with counterparties that have high credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(f) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

4.2 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, investments, trade and other receivables; and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair values of derivative financial instruments are determined by reference to the market available information, while the fair values of available-for-sale investments are determined by reference to methods below:

— the quoted market price when the related investment is traded in an active market;

— valuation techniques (including pricing models or discounted cash flow models); and

— the price for similar recent transactions, with adjustment on the difference in market conditions.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current borrowings are disclosed in Note 23. Other techniques, such as estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

(c) Current tax and deferred tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

(d) Construction contracts

Revenue from individual contract is recognised under the percentage of completion method which requires estimation made by management. Anticipated losses are fully provided on contracts when identified. The Group's management estimates the amount of foreseeable losses of construction work based on the estimation prepared for the construction contracts. Because of the nature of the activity undertaken in construction, design, dredging and port machinery businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(e) Provision for impairment of accounts receivable

The Group's management determines the provision for impairment of accounts receivable. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis.

(f) Pension benefits

The present value of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 25.

5.2 Critical judgments in applying the Group's accounting policies

(a) Impairment of available-for sale financial assets

The Group follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(b) Contingent liabilities in respect of litigations and claims

The Group has been engaged in a number of litigations and claims in respect of certain construction works in the past. Contingent liabilities arising from these litigations and claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments.

(c) Concession arrangements

In determining the appropriate accounting policy for the Group's activities in concession arrangements, the Directors have considered the current status of the draft IFRIC interpretations, D12, D13 and D14. These draft interpretations were issued in 2005 and IFRIC is currently reviewing the responses it has received. However, the final form of the interpretations and the timetable for their finalisation by IFRIC remains uncertain. In view of the fact that current IFRS contains no accounting requirements that specifically apply to concession arrangements, the Directors consider that it is appropriate to apply the approach set out in Note 3.9 in determining the accounting model to be applied to the Group's concession arrangements. This involves determining whether an intangible asset model or financial asset model should be followed. Once the accounting model has been determined, the assets and liabilities of the concession arrangements will be accounted for in accordance with these draft interpretations.

6. Segment information

6.1 Primary reporting format — business segments

The Group is organised on a worldwide basis into five main business segments: (i) infrastructure construction of ports, roads and bridges (the ''Construction Segment''); (ii) infrastructure design of ports, roads and bridges (the ''Design Segment''); (iii) dredging (the ''Dredging Segment''); (iv) manufacturing of port machinery (the ''Port Machinery Segment''), and (v) others (the ''Other Segment'').

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed amongst those business segments.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated costs.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation, investments and financial instruments.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises mainly additions to property, plant and equipment (Note 7), lease prepayments (Note 8), investment properties (Note 9) and intangible assets (Note 10).

(a) As at and for the year ended 31 December 2003

The segment results for the year ended 31 December 2003 and other segment items included in the combined income statement are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Total gross segment turnover	33,119	2,150	4,134	5,982	3,609	(512)	48,482
Inter-segment turnover	(54)	(1)	(149)	(252)	(56)	512	—
Turnover	33,065	2,149	3,985	5,730	3,553	—	48,482
Segment result	708	329	341	314	152		1,844
Unallocated costs							(99)
Operating profit							1,745
Interest income							97
Finance costs, net							(972)
Share of profit of jointly controlled entities							5
Share of profit of associates							113
Profit before income tax							988
Income tax expense							(361)
Profit for the year							627
Other segment items							
Depreciation	770	51	233	186	30		1,270
Amortisation	18	4	1	2	4		29
(Reversal of)/provision for impairment of inventories	(11)	—	—	1	—		(10)
Provision for foreseeable losses on construction contracts	294	9	134	10	—		447
Provision for/(reversal of) impairment of trade and other receivables	128	1	(5)	40	(4)		160

The segment assets and liabilities as at 31 December 2003 and capital expenditure for the year then ended are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	25,394	2,048	6,194	8,756	2,402	(512)	44,282
Investments in jointly controlled entities							144
Investments in associates							1,271
Unallocated assets							6,325
Total assets							52,022
Segment liabilities	23,571	1,277	4,416	7,656	2,107	(512)	38,515
Unallocated liabilities							6,616
Total liabilities							45,131
Capital expenditure	2,189	163	663	600	48		3,663

(b) As at and for the year ended 31 December 2004

The segment results for the year ended 31 December 2004 and other segment items included in the combined income statement are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Total gross segment turnover	44,863	3,416	5,051	8,778	4,344	(540)	65,912
Inter-segment turnover	(142)	(3)	(96)	(220)	(79)	540	—
Turnover	44,721	3,413	4,955	8,558	4,265	—	65,912
Segment result	766	587	458	780	55		2,646
Unallocated costs							(65)
Operating profit							2,581
Interest income							100
Finance costs, net							(933)
Share of profit of jointly controlled entities							5
Share of profit of associates							101
Profit before income tax							1,854
Income tax expense							(457)
Profit for the year							1,397
Other segment items							
Depreciation	846	63	297	255	32		1,493
Amortisation	23	8	1	2	4		38
Reversal of impairment of inventories	—	—	—	(8)	—		(8)
Provision for/(reversal of) foreseeable losses on construction contracts	558	—	(80)	—	—		478
Provision for/(reversal of) impairment of trade and other receivables	162	2	15	(37)	3		145

The segment assets and liabilities as at 31 December 2004 and capital expenditure for the year then ended are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	31,532	3,230	7,454	13,028	2,764	(437)	57,571
Investments in jointly controlled entities							138
Investments in associates							1,334
Unallocated assets							5,346
Total assets							64,389
Segment liabilities	28,047	1,896	5,347	10,153	2,509	(437)	47,515
Unallocated liabilities							7,625
Total liabilities							55,140
Capital expenditure	2,379	195	936	842	80		4,432

(c) As at and for the year ended 31 December 2005

The segment results for the year ended 31 December 2005 and other segment items included in the combined income statement are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Total gross segment turnover	54,723	4,441	6,823	13,947	4,409	(1,078)	83,265
Inter-segment turnover	(276)	(1)	(67)	(717)	(17)	1,078	—
Turnover	54,447	4,440	6,756	13,230	4,392	—	83,265
Segment result	941	716	540	1,577	124		3,898
Unallocated costs							(89)
Operating profit							3,809
Interest income							117
Finance costs, net							(433)
Share of loss of jointly controlled entities							(47)
Share of profit of associates							117
Profit before income tax							3,563
Income tax expense							(592)
Profit for the year							2,971
Other segment items							
Depreciation	1,082	85	370	317	39		1,893
Amortisation	28	8	1	3	4		44
(Reversal of)/provision for impairment of inventories	(5)	—	(1)	2	—		(4)
Provision for/(reversal of) foreseeable losses on construction contracts	325	—	(30)	—	—		295
Provision for/(reversal of) impairment of trade and other receivables	80	19	(54)	27	(3)		69

The segment assets and liabilities as at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	40,770	3,852	8,914	15,944	3,293	(629)	72,144
Investments in jointly controlled entities							205
Investments in associates							1,400
Unallocated assets							5,310
Total assets							79,059
Segment liabilities	36,617	2,073	6,449	11,914	2,919	(629)	59,343
Unallocated liabilities							7,269
Total liabilities							66,612
Capital expenditure	2,739	186	676	1,606	121		5,328

(d) For the six months ended 30 June 2005

The unaudited segment results for the six months ended 30 June 2005 and other segment items included in the combined income statement are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)
Total gross segment turnover	21,150	1,616	3,211	6,477	2,034	(480)	34,008
Inter-segment turnover	(204)	(2)	(56)	(214)	(4)	480	—
Turnover	20,946	1,614	3,155	6,263	2,030	—	34,008
Segment result	195	268	305	724	77		1,569
Unallocated costs							(29)
Operating profit							1,540
Interest income							53
Finance costs, net							(245)
Share of profit of jointly controlled entities							1
Share of profit of associates							52
Profit before income tax							1,401
Income tax expense							(382)
Profit for the period							1,019
Other segment items							
Depreciation	529	34	180	147	14	—	904
Amortisation	10	3	1	1	3	—	18
Provision for/(reversal of) impairment of inventories	4	—	(1)	2	—	—	5
Provision for/(reversal of) foreseeable losses of construction contracts	144	—	(13)	—	—	—	131
Provision for/(reversal of) impairment of trade and other receivables	60	9	(42)	(8)	4	—	23

(e) As at and for the six months ended 30 June 2006

The segment results for the six months ended 30 June 2006 and other segment items included in the combined income statement are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Total gross segment turnover	28,845	2,360	5,017	9,041	2,494	(570)	47,187
Inter-segment turnover	(232)	(36)	(22)	(273)	(7)	570	—
Turnover	28,613	2,324	4,995	8,768	2,487	—	47,187
Segment result	624	343	453	1,005	115		2,540
Unallocated costs							(23)
Operating profit							2,517
Interest income							71
Finance costs, net							(684)
Share of profit of jointly controlled entities							10
Share of profit of associates							48
Profit before income tax							1,962
Income tax expense							(502)
Profit for the period							1,460
Other segment items							
Depreciation	571	37	183	179	25		995
Amortisation	15	4	1	2	2		24
Provision for impairment of inventories	39	—	—	10	—		49
Provision for foreseeable losses on construction contracts	111	—	32	—	—		143
Provision for impairment of trade and other receivables	99	14	17	13	5		148

The segment assets and liabilities as at 30 June 2006 and capital expenditure for the six months then ended are as follows:

	Construction	Design	Dredging	Port machinery	Other	Elimination	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	48,059	4,279	10,215	19,841	3,855	(678)	85,571
Investments in jointly controlled entities							281
Investments in associates							1,442
Unallocated assets							7,370
Total assets							94,664
Segment liabilities	43,357	2,309	7,332	15,514	3,409	(678)	71,243
Unallocated liabilities							8,454
Total liabilities							79,697
Capital expenditure	1,410	142	486	1,443	70		3,551

6.2 Secondary reporting format — geographical segments

(a) Turnover

Turnover is allocated based on the country or jurisdiction in which the customer is located.

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Turnover					
Mainland China	41,721	57,723	70,572	28,800	38,951
Hong Kong and Macau	2,670	2,723	2,420	992	1,177
Other countries	4,091	5,466	10,273	4,216	7,059
	48,482	65,912	83,265	34,008	47,187

(b) Total assets

Total assets are allocated based on where the assets are located.

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Total assets				
Mainland China	40,587	53,950	67,236	80,180
Hong Kong and Macau	1,486	1,524	1,859	1,861
Other countries	2,209	2,097	3,049	3,530
	44,282	57,571	72,144	85,571
Investment in associates and jointly controlled entities	1,415	1,472	1,605	1,723
Unallocated assets	6,325	5,346	5,310	7,370
	52,022	64,389	79,059	94,664

(c) Capital expenditures

Capital expenditure is allocated based on where the assets are located.

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Capital expenditure					
Mainland China	3,509	4,248	4,851	1,613	3,374
Hong Kong and Macau	94	59	64	12	6
Other countries	60	125	413	51	171
	3,663	4,432	5,328	1,676	3,551

7. Property, plant and equipment

	Buildings	Machinery	Vessels and vehicles	Other equipment	Construction-in-progress	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2003						
Cost	3,926	4,220	7,737	2,080	1,192	19,155
Accumulated depreciation	(1,095)	(2,393)	(4,824)	(917)	—	(9,229)
Net book amount	2,831	1,827	2,913	1,163	1,192	9,926
Year ended 31 December 2003						
Opening net book amount	2,831	1,827	2,913	1,163	1,192	9,926
Additions	121	502	604	352	2,043	3,622
Disposals	(188)	(73)	(140)	(556)	—	(957)
Reclassification	347	286	712	141	(1,486)	—
Depreciation charge	(128)	(400)	(400)	(334)	—	(1,262)
Closing net book amount	2,983	2,142	3,689	766	1,749	11,329
At 31 December 2003						
Cost	4,165	4,648	8,766	1,938	1,749	21,266
Accumulated depreciation	(1,182)	(2,506)	(5,077)	(1,172)	—	(9,937)
Net book amount	2,983	2,142	3,689	766	1,749	11,329
Year ended 31 December 2004						
Opening net book amount	2,983	2,142	3,689	766	1,749	11,329
Additions	193	532	686	383	2,162	3,956
Disposals	(117)	(58)	(177)	(149)	—	(501)
Reclassification	666	285	2,158	130	(3,239)	—
Depreciation charge	(177)	(453)	(525)	(330)	—	(1,485)
Closing net book amount	3,548	2,448	5,831	800	672	13,299
At 31 December 2004						
Cost	4,879	5,120	11,112	2,083	672	23,866
Accumulated depreciation	(1,331)	(2,672)	(5,281)	(1,283)	—	(10,567)
Net book amount	3,548	2,448	5,831	800	672	13,299
Year ended 31 December 2005						
Opening net book amount	3,548	2,448	5,831	800	672	13,299
Additions	149	670	579	368	2,690	4,456
Disposals	(45)	(58)	(95)	(58)	—	(256)
Reclassification	332	178	1,162	98	(1,770)	—
Depreciation charge	(260)	(513)	(735)	(375)	—	(1,883)
Closing net book amount	3,724	2,725	6,742	833	1,592	15,616
At 31 December 2005						
Cost	5,193	5,559	12,471	2,329	1,592	27,144
Accumulated depreciation	(1,469)	(2,834)	(5,729)	(1,496)	—	(11,528)
Net book amount	3,724	2,725	6,742	833	1,592	15,616
Six months ended 30 June 2006						
Opening net book amount	3,724	2,725	6,742	833	1,592	15,616
Additions	106	403	262	222	2,222	3,215
Disposals	(54)	(42)	(13)	(138)	—	(247)
Reclassification	271	284	627	7	(1,189)	—
Depreciation charge	(125)	(251)	(429)	(186)	—	(991)
Closing net book amount	3,922	3,119	7,189	738	2,625	17,593
At 30 June 2006						
Cost	5,499	6,060	13,189	2,284	2,625	29,657
Accumulated depreciation	(1,577)	(2,941)	(6,000)	(1,546)	—	(12,064)
Net book amount	3,922	3,119	7,189	738	2,625	17,593

(a) Depreciation of the Group's property, plant and equipment has been charged to combined income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Cost of sales	999	1,196	1,491	702	794
Administrative expenses	246	268	371	187	183
Selling and marketing expenses	17	21	21	11	14
	1,262	1,485	1,883	900	991

(b) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB188 million, RMB206 million, RMB218 million, and RMB180 million at 31 December 2003, 2004, 2005 and 30 June 2006, respectively (Note 23).

(c) As at the date of this report, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties with an aggregate carrying value of approximately RMB849 million as at 30 June 2006. The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.

(d) In addition, as at 30 June 2006, approximately RMB356 million of the Group's buildings has no ownership certificates and such buildings will be retained by CCCG after the incorporation of the Company on 8 October 2006.

8. Lease prepayments

Lease prepayments represent the Group's interests in land which are held on leases of between 30 to 50 years. The movement is as follows:

	Lease prepayments
	RMB million
At 1 January 2003	
Cost	910
Accumulated amortisation	(68)
Net book amount	842
Year ended 31 December 2003	
Opening net book amount	842
Additions	25
Disposals	(8)
Amortisation charge	(24)
Closing net book amount	835
At 31 December 2003	
Cost	925
Accumulated amortisation	(90)
Net book amount	835
Year ended 31 December 2004	
Opening net book amount	835
Additions	214
Disposals	(23)
Amortisation charge	(30)
Closing net book amount	996
At 31 December 2004	
Cost	1,114
Accumulated amortisation	(118)
Net book amount	996
Year ended 31 December 2005	
Opening net book amount	996
Additions	171
Disposals	(18)
Amortisation charge	(34)
Closing net book amount	1,115
At 31 December 2005	
Cost	1,265
Accumulated amortisation	(150)
Net book amount	1,115
Six months ended 30 June 2006	
Opening net book amount	1,115
Additions	16
Disposals	(6)
Amortisation charge	(21)
Closing net book amount	1,104
At 30 June 2006	
Cost	1,274
Accumulated amortisation	(170)
Net book amount	1,104

(a) Amortisation of the Group's lease prepayments has been charged to the combined income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Cost of sales	20	22	25	12	14
Administrative expenses	4	8	9	4	7
	24	30	34	16	21

(b) As at the date of this report, the Group is in the process of applying for or changing registration of the title certificates for certain of its land use rights with an aggregate carrying value of approximately RMB168 million as at 30 June 2006. The Directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these land use rights.

(c) In addition, as at 30 June 2006, the Group has not obtained land use rights in respect of certain land occupied by the Group amounting to approximately RMB101 million. All these land use rights will be retained by CCCG after the incorporation of the Company on 8 October 2006.

9. Investment properties

	Year ended 31 December			Six months ended 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
At beginning of the year/period				
Cost	275	262	269	265
Accumulated depreciation	(27)	(35)	(43)	(53)
Net book amount	248	227	226	212
For the year/period				
Opening net book amount	248	227	226	212
Additions	9	12	—	1
Disposals	(22)	(5)	(4)	—
Depreciation charge	(8)	(8)	(10)	(4)
Closing net book amount	227	226	212	209
At end of the year/period				
Cost	262	269	265	266
Accumulated depreciation	(35)	(43)	(53)	(57)
Net book amount	227	226	212	209
Fair value at end of the year/period[a]	609	655	674	665

(a) The fair value of the Group's investment properties is valued by Sallmanns (Far East) Ltd., an independent and professionally qualified valuer. Valuations are based on current prices in an active market for all properties except for some of the properties located in Mainland China because this information is not available there. For these properties, the Group used discounted cash flow projections.

(b) Depreciation of the Group's investment properties has been charged to the combined income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Other expenses	8	8	10	4	4

10. Intangible assets

Intangible assets mainly represent the cost of acquiring patent, proprietary technologies, computer software and concession assets. The movement is as follows:

	Patent and proprietary technologies	Computer software	Concession assets	Others	Total
	RMB million	RMB million	RMB million (note a)	RMB million	RMB million
At 1 January 2003					
Cost	9	8	—	3	20
Accumulated amortisation	(4)	(1)	—	(2)	(7)
Net book amount	5	7	—	1	13
Year ended 31 December 2003					
Opening net book amount	5	7	—	1	13
Additions	—	7	—	—	7
Amortisation charge	(1)	(4)	—	—	(5)
Closing net book amount	4	10	—	1	15
At 31 December 2003					
Cost	9	15	—	3	27
Accumulated amortisation	(5)	(5)	—	(2)	(12)
Net book amount	4	10	—	1	15
Year ended 31 December 2004					
Opening net book amount	4	10	—	1	15
Additions	—	18	232	—	250
Amortisation charge	(1)	(6)	—	(1)	(8)
Closing net book amount	3	22	232	—	257
At 31 December 2004					
Cost	9	33	232	3	277
Accumulated amortisation	(6)	(11)	—	(3)	(20)
Net book amount	3	22	232	—	257

	Patent and proprietary technologies	Computer software	Concession assets	Others	Total
	RMB million	RMB million	RMB million (note a)	RMB million	RMB million
Year ended 31 December 2005					
Opening net book amount	3	22	232	—	257
Additions	—	10	691	—	701
Amortisation charge	—	(10)	—	—	(10)
Closing net book amount	3	22	923	—	948
At 31 December 2005					
Cost	9	43	923	3	978
Accumulated amortisation	(6)	(21)	—	(3)	(30)
Net book amount	3	22	923	—	948
Six months ended 30 June 2006					
Opening net book amount	3	22	923	—	948
Additions	—	7	312	—	319
Amortisation charge	—	(3)	—	—	(3)
Closing net book amount	3	26	1,235	—	1,264
At 30 June 2006					
Cost	9	50	1,235	3	1,297
Accumulated amortisation	(6)	(24)	—	(3)	(33)
Net book amount	3	26	1,235	—	1,264

(a) As at 31 December 2004, 2005 and 30 June 2006, all the concession assets are still under construction and no amortisation has been made in respective years/period.

(b) Amortisation of the Group's intangible assets has been charged to the combined income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Cost of sales	1	1	1	—	—
Administrative expenses	2	7	9	2	3
Selling and marketing expenses	2	—	—	—	—
	5	8	10	2	3

11. Investments in jointly controlled entities

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Share of net assets	193	184	249	324
Less: Provision for impairment	(49)	(46)	(44)	(43)
	144	138	205	281

(a) Movements of investment in jointly controlled entities are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Beginning of the year/period	112	144	138	205
Additions	41	28	112	75
Disposals	—	(41)	—	(10)
Share of profit/(loss)	5	5	(47)	10
Dividend distribution	(16)	(1)	—	—
Reversal of impairment	2	3	2	1
End of the year/period	144	138	205	281

(b) The Group's share of assets and liabilities, revenues and results of jointly controlled entities are set out as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Assets:				
Non-current assets	143	129	236	208
Current assets	162	161	374	597
	305	290	610	805
Liabilities:				
Non-current liabilities	(37)	(3)	(52)	(63)
Current liabilities	(75)	(103)	(309)	(418)
	(112)	(106)	(361)	(481)
Net assets	193	184	249	324

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Income	176	206	415	90	349
Expenses	(169)	(198)	(458)	(88)	(337)
Profit/(loss) before income tax	7	8	(43)	2	12
Income tax expense	(2)	(3)	(4)	(1)	(2)
Profit/(loss) for the year/period	5	5	(47)	1	10

(c) There are no material contingent liabilities relating to the Group's interests in the jointly controlled entities and no material contingent liabilities of the jointly controlled entities themselves.

(d) As at the date of this report, the particulars of the Group's principal jointly controlled entities are set out in Note 42.

12. Investments in associates

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Share of net assets	1,281	1,340	1,410	1,452
Less: Provision for impairment	(10)	(6)	(10)	(10)
	1,271	1,334	1,400	1,442

(a) Movements of investments in associates are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Beginning of the year/period	1,190	1,271	1,334	1,400
Additions	8	54	62	21
Disposals	(16)	(15)	(29)	(17)
Share of profit	113	101	117	48
Dividend distribution	(24)	(76)	(80)	(10)
Impairment charge	—	(1)	(4)	—
End of the year/period	1,271	1,334	1,400	1,442

(b) The Group's share of assets and liabilities, revenue and results of associates are as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Total assets	1,671	1,783	1,808	2,128
Total liabilities	(390)	(443)	(398)	(676)
Net assets	1,281	1,340	1,410	1,452

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Revenue	405	470	676	296	322
Profit for the year/period	113	101	117	52	48

(c) As at the date of this report, the particulars of the Group's principal associates are set out in Note 42.

13. Available-for-sale financial assets

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Listed equity securities, at fair value				
— Mainland China	2,252	2,044	2,359	3,897
— Hong Kong	30	46	62	87
Unlisted equity investments, at fair value	659	555	624	635
	2,941	2,645	3,045	4,619

Movements of available-for-sale financial assets are set out as follows:

	Year ended 31 December			Six months ended
	2003	2004	2005	30 June 2006
	RMB million	RMB million	RMB million	RMB million
Beginning of the year/period	2,492	2,941	2,645	3,045
Fair value gain/(loss)	494	(196)	331	1,622
Additions	61	23	73	21
Disposals	(106)	(123)	(4)	(69)
End of the year/period	2,941	2,645	3,045	4,619

14. Trade and other receivables

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Trade and bills receivables	10,286	12,612	15,465	18,224
Less: Provision for impairment	(1,673)	(1,768)	(1,810)	(1,948)
Trade and bills receivables — net	8,613	10,844	13,655	16,276
Prepayments	3,589	4,310	5,211	8,670
Retentions	2,062	2,526	3,099	3,100
Deposits	1,641	2,115	2,976	3,574
Other receivables	517	543	442	680
Staff advances	291	299	385	488
Long-term receivables	—	12	212	348
	16,713	20,649	25,980	33,136
Less: non-current portion:				
— Retentions	(532)	(770)	(784)	(1,008)
— Long-term receivables	—	(12)	(212)	(348)
Current portion	16,181	19,867	24,984	31,780

Refer to Note 41 for receivables due from related parties.

(a) Ageing analysis of trade and bills receivables at respective balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Less than 6 months	5,766	7,944	10,690	13,592
6 months to 1 year	1,850	1,780	2,102	1,706
1 year to 2 years	1,241	1,240	1,182	1,369
2 years to 3 years	423	527	426	474
Over 3 years	1,006	1,121	1,065	1,083
	10,286	12,612	15,465	18,224

The Group's major customers are PRC Government agencies and other state-owned enterprises. Refer to Note 41 for trade receivables due from PRC state-owned enterprises.

Majority of the Group's revenues is generated through construction projects and settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. For sales of products, a credit period ranging from 30 to 90 days may be granted to large or long-established customers with good repayment history. Revenues from small, new or short-term customers are normally expected to be settled shortly after provision of services or delivery of goods.

(b) The effective interest rates on non-current receivables were as follows:

Year ended 31 December			Six months ended
2003	2004	2005	30 June 2006
5.49%	5.76%	5.76%	6.03%

(c) The carrying amounts of the current trade and other receivables approximate their fair value. In addition, as the Group's non-current trade and other receivables have been discounted based on the effective interest rates, the carrying amounts of non-current trade and other receivables approximate their fair value.

All non-current receivables are due within five years from the balance sheet date.

15. Inventories

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Raw materials	2,306	2,732	3,270	4,323
Work-in-progress	136	175	306	329
Finished goods	326	340	269	271
	2,768	3,247	3,845	4,923
Less: Provision for write-down of inventories	(52)	(44)	(40)	(89)
	2,716	3,203	3,805	4,834

As at 31 December 2003, 2004, 2005 and 30 June 2006, the Group's inventories of approximately RMB21 million, RMB34 million, RMB112 million and RMB138 million, respectively, are stated at net realisable value.

16. Contract work-in-progress

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Contract cost incurred plus recognised profit less recognised losses	76,427	114,072	145,684	172,200
Less: Progress billings	(72,387)	(108,592)	(136,103)	(161,468)
Contract work-in-progress	4,040	5,480	9,581	10,732
Representing:				
Amount due from customers for contract work	6,751	9,540	14,001	16,136
Amount due to customers for contract work	(2,711)	(4,060)	(4,420)	(5,404)
	4,040	5,480	9,581	10,732

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Contract revenue recognised as revenue in the year/period	43,047	57,501	73,363	29,525	42,055

17. Derivative financial instruments

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Assets				
— Forward foreign exchange contracts[(a)]	—	—	72	—
Liabilities				
— Interest rate swap[(b)]	—	—	(13)	(8)
— Forward foreign exchange contracts[(a)]	(19)	(86)	—	(36)
	(19)	(86)	(13)	(44)

(a) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts were RMB418 million, RMB3,361 million, RMB5,563 million and RMB659 million at 31 December 2003, 2004, 2005 and 30 June 2006, respectively.

(b) Interest rate swap

The Group had no interest rate swap contracts as at 31 December 2003 and 2004. At 31 December 2005 and 30 June 2006, the Group had purchased interest rate swap contracts in which the Group agreed to swap the floating rate at LIBOR with the fixed rate of 4%. The notional principal amount of the outstanding interest rate swap contracts at 31 December 2005 and 30 June 2006 were RMB 968 million and RMB 959 million, respectively.

18. Restricted cash

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Restricted cash denominated in:				
— RMB	50	98	76	59
— US$	4	4	4	3
	54	102	80	62

The restricted cash held in dedicated bank accounts under the name of the Group's companies are for the issuance of performance bonds to customers.

19. Cash and cash equivalents

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Cash at bank and in hand	247	296	330	612
Bank deposits:				
— Term deposits with initial term of over three months (Note 20)	291	238	358	314
— Other bank deposits (a)	6,274	9,459	10,109	11,378
Cash and cash equivalents	6,812	9,993	10,797	12,304
Denominated in:				
— RMB	5,213	8,121	8,716	9,776
— US$	1,060	1,391	1,435	1,608
— HK$	104	74	94	113
— JPY	69	57	57	14
— EUR	56	97	150	158
— Others	310	253	345	635
	6,812	9,993	10,797	12,304

(a) The weighted average effective interest rates on short-term bank deposits, with maturities ranging from one to three months, were 2.4%, 2.3%, 1.9% and 2.2% per annum as at 31 December 2003, 2004, 2005 and 30 June 2006, respectively.

(b) The Group's cash and cash equivalents denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

20. Term deposits with initial term of over three months

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Term deposits denominated in:				
— RMB	262	219	350	293
— US$	26	18	8	14
— HK$	1	1	—	—
— Others	2	—	—	7
	291	238	358	314

The weighted average effective interest rates on term deposits, with maturities ranging from 3 months to 1 year, were 2.0%, 2.0%, 2.1% and 2.2% per annum as at 31 December 2003, 2004, 2005 and 30 June 2006, respectively.

21. Owner's equity

As described in Note 2 above, the Financial Information has been prepared as if the current group structure had been in existence throughout the Relevant Periods. Owner's equity during the Relevant Periods represents the combined equities of the business owned and operated by the Group after the elimination of inter-company transactions and balances.

Pursuant to the rules and regulations promulgated by the relevant authorities in the PRC, two of the Company's subsidiaries, Shanghai Zhenhua Port Machinery Co., Ltd. (''ZPMC'') and CRBC International Co., Ltd. (''CRBCI''), have implemented their share reform schemes during the six months ended 30 June 2006. Through these share reform schemes, the Group has transferred some of its shareholdings in ZPMC and CRBCI to other shareholders and the Group's remaining shareholdings in ZPMC and CRBCI became tradable in the stock market. As this is a transaction with minority shareholders of the ZPMC and CRBCI, the effect of decrease of the Group's interests in ZPMC and CRBCI is charged to the owner's equity.

22. Trade and other payables

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Trade and bills payables	10,659	13,485	18,258	23,328
Advance from customers	5,818	6,981	9,025	11,344
Deposit from suppliers	1,304	1,885	1,899	2,463
Accrued payroll	430	624	563	449
Social securities	332	383	487	481
Other taxes	218	780	890	868
Accrued expenses	279	317	547	739
Retentions and deposits payable	—	—	739	683
Other payables	1,294	1,371	1,692	1,491
	20,334	25,826	34,100	41,846

Refer to Note 41 for payable due to related parties.

At 31 December 2003, 2004, 2005 and 30 June 2006, the ageing analysis of the trade and bills payables were as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Within 1 year	9,547	12,265	16,885	21,522
1 year to 2 years	658	745	914	1,329
2 years to 3 years	232	282	275	244
Over 3 years	222	193	184	233
	10,659	13,485	18,258	23,328

23. Borrowings

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Non-current				
Long-term bank borrowings				
— secured[(a)]	3,255	3,531	3,187	3,398
— unsecured[(b)]	1,107	1,229	1,727	2,398
	4,362	4,760	4,914	5,796
Other borrowings				
— secured[(a)]	23	1	19	1
— unsecured	46	98	47	58
	69	99	66	59
Total non-current borrowings	4,431	4,859	4,980	5,855
Current				
Current portion of long-term bank borrowings				
— secured[(a)]	2,172	2,024	1,229	956
— unsecured[(b)]	1,085	1,267	1,548	2,227
	3,257	3,291	2,777	3,183
Short-term bank borrowings				
— secured[(a)]	4,805	6,426	7,739	5,539
— unsecured	2,945	3,888	4,649	10,277
	7,750	10,314	12,388	15,816
Other borrowings				
— secured[(a)]	—	—	—	2
— unsecured[(c)]	973	1,062	1,119	1,131
— debentures[(d)]	—	—	1,186	294
	973	1,062	2,305	1,427
Total current borrowings	11,980	14,667	17,470	20,426
Total borrowings	16,411	19,526	22,450	26,281

(a) All these borrowings were secured by the Group's property, plant and equipment and guarantees provided by certain subsidiaries of the Group.

(b) Unsecured long-term bank borrowings included loans of approximately RMB1,593 million (equivalent to JPY20,612 million), RMB1,668 million (equivalent to JPY20,932 million), RMB1,459 million (equivalent to JPY21,226 million), and RMB1,487 million (equivalent to JPY21,409 million) payable to the Export-Import Bank of China (''EIBOC'') at 31 December 2003, 2004 and 2005 and 30 June 2006, respectively. Prior to the Merger of CHEC and CRBC on 8 December 2005, these loans were used by CHEC to finance the acquisition of machinery. Such loans were originally borrowed by CHEC from Ministry of Foreign Trade and Economic Cooperation (''MOFTEC'') via EIBOC, which in turn borrowed such loans from the Japanese Government. All these loans were denominated in Japanese Yen, bore interest at rates ranging from 2.5% to 3.5% per annum, repayable semi-annually by equal installments up to 2019, and were stated at amortised cost.

During the Relevant Periods, the Group had not settled any principal and interest to EIBOC in accordance with the original loan agreements, which did not provide for penalty in case of default. In July 2006, the Group signed a revised loan agreement with EIBOC in which the repayment terms have been amended and the Group is not demanded to pay any penalty arising from the non-settlement during the Relevant Periods.

(c) Other current borrowings included loans of approximately RMB935 million, RMB1,005 million, RMB1,046 million and RMB1,070 million payable to the China Orient Assets Management Corporation (''COAMC'') at 31 December 2003, 2004 and 2005 and 30 June 2006, respectively (the ''Iraq Loans''). Prior to the Merger of CHEC and CRBC on 8 December 2005, these loans were used by CRBC to finance a construction project in Iraq in the 1980s. Such loans were originally borrowed from Bank of China and bore interest at rates ranging from 4.16% to 6.23% per annum. Since the Gulf War in 1990, the Group had not settled any principal and interest to Bank of China in accordance with the original loan agreements. As certain portions of these loans had been overdue, all the balance of these loans was reclassified as current liabilities. In 2000, the Iraq Loans were transferred to COAMC from Bank of China. According to relevant regulations issued by the General Office of State Council of the PRC in 1997, since the construction project in Iraq was supported by the PRC Government, the Group was not demanded to pay any penalty arising from the non-settlement.

(d) As approved by the People's Bank of China, the Group has issued two tranches of debentures in May 2005 and January 2006 at nominal value of RMB1,200 million and RMB300 million, respectively, with a maturity of one year from issuance. The debentures were issued with a discount of RMB34 million and RMB9 million, respectively, and are stated at amortised cost.

(e) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Total borrowings				
— 6 months or less	2,500	4,188	7,198	7,169
— 6-12 months	12,318	13,670	13,793	17,625
— Over 5 years	1,593	1,668	1,459	1,487
	16,411	19,526	22,450	26,281

(f) The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Total borrowings				
— Within 1 year	11,980	14,667	17,470	20,426
— Between 1 and 2 years	1,607	1,606	1,100	1,479
— Between 2 and 5 years	1,422	1,856	3,044	2,412
Wholly repayable within 5 years	15,009	18,129	21,614	24,317
— Over 5 years	1,402	1,397	836	1,964
	16,411	19,526	22,450	26,281

(g) The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Total borrowings				
— RMB	9,097	9,506	12,047	15,314
— US$	3,543	5,824	6,375	6,952
— JPY	1,622	1,728	1,557	1,586
— HK$	843	917	915	563
— EUR	1,306	1,547	1,548	1,864
— Others	—	4	8	2
	16,411	19,526	22,450	26,281

(h) The weighted average effective interest rates at the respective balance sheet dates are set out as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Bank borrowings				
— RMB	4.48%	4.74%	5.00%	5.20%
— US$	2.22%	3.64%	5.35%	5.98%
— JPY	3.23%	3.23%	3.23%	3.23%
— HK$	2.61%	3.31%	3.09%	3.60%
— EUR	5.30%	5.46%	5.48%	4.85%
— Others	—	3.37%	1.33%	5.20%
Other borrowings				
— RMB	4.57%	4.59%	4.79%	5.26%

(i) The carrying amounts of current portion of long-term and short-term borrowings approximate their fair values.

The carrying value and fair value of non-current borrowings are set out as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Carrying amount	4,431	4,859	4,980	5,855
Fair value	4,085	4,473	4,513	5,101

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

(j) At each balance sheet date, the Group had the following undrawn borrowing facilities:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Floating rate				
— Expiring within 1 year	5	11	3	11
— Expiring beyond 1 year	9	—	30	21
Fixed rate				
— Expiring within 1 year	7,200	7,879	8,340	8,688
— Expiring beyond 1 year	100	181	104	209
	7,314	8,071	8,477	8,929

24. Deferred income tax

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Deferred tax assets				
— Deferred tax assets to be recovered within 12 months	309	329	301	250
— Deferred tax assets to be recovered more than 12 months	1,641	1,533	1,362	1,413
	1,950	1,862	1,663	1,663
Deferred tax liabilities				
— Deferred tax liabilities to be recovered within 12 months	(5)	(4)	(16)	(3)
— Deferred tax liabilities to be recovered more than 12 months	(576)	(529)	(655)	(1,204)
	(581)	(533)	(671)	(1,207)
	1,369	1,329	992	456

The gross movements on the deferred income tax are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
At beginning of the year/period	1,554	1,369	1,329	992
Recognised in the combined income statement (Note 33)	(24)	(104)	(229)	(25)
Recognised in equity	(161)	64	(108)	(511)
At end of the year/period	1,369	1,329	992	456

(b) The movements in deferred tax assets and liabilities during the years/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are set out as follows:

Deferred tax liabilities

	Available-for-sale financial assets	Investment in subsidiaries, jointly controlled entities and associates	Others	Total
	RMB million	RMB million	RMB million	RMB million
As at 1 January 2003	(398)	(18)	(14)	(430)
Recognised in the combined income statement	—	(15)	(12)	(27)
Recognised in equity	(161)	—	—	(161)
As at 31 December 2003	(559)	(33)	(26)	(618)
Recognised in the combined income statement	—	2	(21)	(19)
Recognised in equity	64	—	—	64
As at 31 December 2004	(495)	(31)	(47)	(573)
Recognised in the combined income statement	—	(75)	(17)	(92)
Recognised in equity	(108)	—	—	(108)
As at 31 December 2005	(603)	(106)	(64)	(773)
Recognised in the combined income statements	—	(34)	(10)	(44)
Recognised in equity	(511)	—	—	(511)
As at 30 June 2006	(1,114)	(140)	(74)	(1,328)

Deferred tax assets

	Provision for impairment of assets	Depreciation of property, plant, and equipment	Provision for foreseeable contract losses	Provision for employee benefits	Tax losses	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 1 January 2003	266	79	61	1,371	31	176	1,984
Recognised in the combined income statement	45	(13)	44	(60)	(5)	(8)	3
As at 31 December 2003	311	66	105	1,311	26	168	1,987
Recognised in the combined income statement	42	(14)	(13)	(60)	1	(41)	(85)
As at 31 December 2004	353	52	92	1,251	27	127	1,902
Recognised in the combined income statement	(9)	(20)	(36)	(59)	(9)	(4)	(137)
As at 31 December 2005	344	32	56	1,192	18	123	1,765
Recognised in the combined income statement	(1)	4	(5)	(33)	10	44	19
As at 30 June 2006	343	36	51	1,159	28	167	1,784

(c) Deferred tax liabilities have not been recognised in respect of temporary differences associated with the Group's underlying investments in subsidiaries amounting to RMB864 million, RMB1,186 million, RMB1,186 million and RMB690 million as at 31 December 2003, 2004, 2005 and 30 June 2006, respectively. These amounts mainly comprised:

(i) Deemed disposal of the Group's share in net assets of ZPMC arising from the issuance of shares by ZPMC in connection with its initial public offering on the Shanghai Stock Exchange in the year ended 31 December 1997, and the issuance of additional shares by ZPMC in the years ended 31 December 2000 and 2004. As a result, the Group's interest in ZPMC was decreased from 100% to 50.3% as at 31 December 2005. In addition, pursuant to the share reform scheme undertaken by ZPMC (see Note 21), the Group's interest in ZMPC has been decreased to 43.3% as at 30 June 2006; and

(ii) Deemed disposal of the Group's share in net assets of CRBCI arising from the issuance of shares by CRBCI in connection with its initial public offering on the Shanghai Stock Exchange in the year ended 31 December 2000. In addition, pursuant to the share reform scheme undertaken by CRBCI (see Note 21), the Group's interest in CRBCI has been decreased to 64.1% as at 30 June 2006.

(d) In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward against future taxable income. The Group did not recognise deferred tax assets of RMB37 million, RMB50 million, RMB63 million and RMB98 million in respect of tax losses amounting to RMB112 million, RMB153 million, RMB190 million and RMB298 million as at 31 December 2003, 2004, 2005 and 30 June 2006, respectively, as management believes it is more likely than not that such tax losses would not be realised before they expire. Losses amounting to RMB23 million, RMB32 million, RMB70 million, RMB29 million, RMB36 million and RMB108 million will expire in 2006, 2007, 2008, 2009, 2010 and 2011, respectively.

25. Early retirement and supplemental benefit obligations

The Group paid supplementary pension subsidies to its retired employees in Mainland China who retired prior to 1 January 2006. In addition, the Group was committed to make periodic benefits payments to certain former employees who were terminated or early retired in accordance with various rationalisation programmes adopted by the Group prior to 1 January 2006. Subsequent to 1 January 2006, the Group ceased to pay the supplemental pension subsidies and other post-employment medical benefits to its retired employees and early retired employees in Mainland China.

The amount of early retirement and supplemental benefit obligations recognised in the balance sheet are determined as follows:

	Year ended 31 December			Six months ended 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Present value of defined benefits obligations	4,162	3,525	3,808	3,698
Unrecognised actuarial gains	102	537	59	59
Liability on the balance sheet	4,264	4,062	3,867	3,757
Less: current portion	(202)	(195)	(221)	(208)
	4,062	3,867	3,646	3,549

The movements of early retirement and supplemental benefit obligations for the years ended 31 December 2003, 2004, 2005 and six months ended 30 June 2006 are as follows:

	Year ended 31 December			Six months ended 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
At beginning of the year/period	4,460	4,264	4,062	3,867
For the year/period				
— Provision (Note 31)	139	140	159	64
— Payment	(335)	(342)	(344)	(174)
— Actuarial gain	—	—	(10)	—
At end of the year/period	4,264	4,062	3,867	3,757

The above obligations were determined based on actuarial valuations performed by an independent actuary, Towers Perrin, Hong Kong, using the projected unit credit method.

The material actuarial assumptions used in valuing these obligations are as follows:

(a) Discount rates adopted (per annum):

2003	2004	2005	30 June 2006
3.50%	4.75%	3.50%	3.50%

(b) Early-retirees' salary and supplemental benefits inflation rate: 4.5%

(c) Medical cost trend rate: 4% - 8%;

(d) Mortality: Average life expectancy of residents in the PRC;

(e) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

26. Provisions

	Guarantee	Pending lawsuits	Others	Total
	RMB million (Note (a))	RMB million	RMB million	RMB million
As at 1 January 2003	220	39	4	263
Additional provision	—	20	1	21
As at 31 December 2003	220	59	5	284
Additional provision	—	11	9	20
Utilised during the year	—	—	(6)	(6)
As at 31 December 2004	220	70	8	298
Additional provision	—	—	18	18
Utilised during the year	—	—	(17)	(17)
As at 31 December 2005	220	70	9	299
Additional provision	—	29	7	36
Utilised during the period	—	(30)	(6)	(36)
As at 30 June 2006	220	69	10	299

(a) In 2002, the Group was named in a lawsuit regarding a corporate guarantee provided by the Group to an associate of CCCG amounting to RMB220 million. Prior to 2003, management estimated a provision for the probable loss of RMB220 million for the outcome of the lawsuit taking into account of the legal advice obtained.

27. Other gains/(loss), net

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Gain on disposal of property, plant and equipment	85	122	79	31	21
Derivative financial instruments					
— Foreign exchange forward contracts	(19)	(86)	72	69	(36)
— Interest rate swap	—	—	(13)	—	(8)
	(19)	(86)	59	69	(44)
Foreign exchange (loss)/ gain	(29)	(3)	67	41	(22)
	37	33	205	141	(45)

28. Other income

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Rental income	194	194	161	67	46
Income from sale of materials	127	154	396	203	225
Dividend income on available-for-sale financial assets	53	52	52	25	50
Government grants	18	24	22	9	19
Others	314	361	370	148	221
	706	785	1,001	452	561

29. Other expenses

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Loss on disposal of property, plant and equipment	58	58	52	20	5
Rental expenses	170	158	118	53	28
Cost of sale of materials	114	235	363	196	223
Loss on disposal of available-for-sale financial assets	—	—	—	—	59
Others	373	298	439	193	126
	715	749	972	462	441

30. Expense by nature

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Raw materials and consumables used	17,766	25,268	31,917	13,607	18,838
Subcontracting costs	10,564	13,471	19,165	7,331	10,572
Employee benefits (Note 31)	4,941	5,851	7,236	2,918	4,037
Equipment usage cost	2,323	3,325	3,442	1,220	1,547
Changes in contract work-in-progress	2,132	1,440	4,101	2,243	1,151
Transportation costs	1,581	2,207	2,761	1,278	1,737
Depreciation of property, plant and equipment and investment properties (Notes 7, 9)	1,270	1,493	1,893	904	995
Rentals	1,167	2,042	2,199	951	998
Business tax and other transaction taxes	1,143	1,657	2,042	808	1,075
Repair and maintenance expense	733	1,135	906	382	492
Fuel	730	802	1,020	415	850
Changes in inventories of finished goods and work-in-progress	(495)	53	60	(237)	25
Travel	502	567	652	276	338
Foreseeable losses on construction contracts	447	478	295	131	143
Provision for impairment of trade and other receivables	160	145	69	23	148
Insurance	88	83	89	37	77
Research and development costs	41	44	57	15	29
Amortisation of lease prepayments (Note 8)	24	30	34	16	21
Amortisation of intangible assets (Note 10)	5	8	10	2	3
Advertising	14	19	19	9	12
(Reversal of)/provision for impairment of inventories	(10)	(8)	(4)	5	49
Auditors' remuneration	9	15	12	6	5
Others	1,630	3,275	1,715	259	1,603
Total cost of sales, selling and marketing expenses and administrative expenses	46,765	63,400	79,690	32,599	44,745

31. Employee benefits

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Salaries, wages and bonuses	3,563	4,119	5,059	1,962	2,778
Contributions to pension plans[(a)]	329	415	505	214	450
Early retirement and supplemental pension benefits[(b)]					
— interest cost	139	140	159	80	64
— actuarial gains	—	—	(10)	(5)	—
Housing benefits[(c)]	157	208	287	135	158
Welfare, medical and other expenses	753	969	1,236	532	587
	4,941	5,851	7,236	2,918	4,037

(a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial government in Mainland China under which the Group is required to make monthly contributions to these plans at rates ranging from 17.0% to 27.5%, depending on the applicable local regulations, of the employees' basic salary for the Relevant Periods.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or jurisdictions outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service.

(b) Certain employees of the Group were retired early during the Relevant Periods. Early retirement benefits are recognised in the combined income statement in the period in which the Group entered into an agreement specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. These specific terms vary among the early retired employees depending on various factors including position, length of service and district of the employee concerned.

Prior to 1 January 2006, the Group also provided supplementary pension subsidies to retired employees. The costs of providing these pension subsidies are charged to the combined income statement so as to spread the service cost over the average service lives of the retirees. Employees who retire after 1 January 2006 will no longer be entitled to such pension subsidies.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 30% of the employees' basic salary) in Mainland China.

32. Finance costs, net

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Interest expenses					
— Bank borrowings	503	604	862	406	465
— Other borrowings	94	85	72	20	62
— Debentures	—	—	20	3	14
	597	689	954	429	541
Net foreign exchange losses/(gains) on borrowings (Note 34)	312	176	(591)	(221)	70
Others	63	68	70	37	73
	972	933	433	245	684

33. Taxation

(a) Income tax expense

Certain of the companies now comprising the Group are subject to Hong Kong profits tax, which has been provided at the rate of 16.0%, 17.5%, 17.5%, 17.5% and 17.5% for the years ended 31 December 2003, 2004 and 2005 and for the six months ended 30 June 2005 and 2006, respectively, on the estimated assessable profit of each of these companies during the Relevant Periods.

Certain of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided based on the statutory income tax rate of 33% of the assessable income of each of these companies now comprising the Group during the Relevant Periods as determined in accordance with the relevant PRC income tax rules and regulations except for certain subsidiaries of the Company, which were exempted or taxed at preferential rates of 7.5% to 16.5%.

Taxation of other companies of the Group has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which these companies operate.

The amount of income tax expense charged to the combined income statements represents:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Current income tax:					
— Hong Kong profits tax	1	2	—	—	—
— PRC enterprise income tax	332	347	353	237	475
— Others	4	4	10	3	2
	337	353	363	240	477
Deferred tax (Note 24)	24	104	229	142	25
	361	457	592	382	502

The difference between the actual income tax charge in the combined income statements and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Profit before income tax	988	1,854	3,563	1,401	1,962
Tax calculated at PRC statutory tax rate 33%	326	612	1,176	462	647
Income not subject to tax	(36)	(33)	(43)	(25)	(46)
Expenses not deductible for tax purposes	126	59	82	35	49
Tax losses for which no deferred income tax asset was recognised	118	129	29	66	40
Temporary differences for which no deferred income tax assets/liabilities were recognised	9	10	6	19	13
Tax credit available on certain notional employee cost and benefits[(i)]	—	—	(290)	—	—
Effect of differences in tax rates applicable to certain domestic and foreign subsidiaries	(182)	(320)	(368)	(175)	(201)
Tax expense	361	457	592	382	502

(i) In January 2005, according to the relevant regulations promulgated by Ministry of Finance and the applicable tax regulations, the Group is entitled to an income tax credit in respect of certain notional employee costs and benefits relating to prior years, which are determined in accordance with certain prescribed criteria. Such deduction was not previously available. Accordingly, the Group has offset the credit of RMB290 million against income tax expense in 2005.

(b) Business tax (''BT'') and related taxes

Certain of the companies now comprising the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax (''CCT'') and educational surcharge (''ES'') based on 7% and 3% of BT payable, respectively.

(c) Value-added tax (''VAT'') and related taxes

Certain of the companies now comprising the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Certain products of the subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The subsidiaries are also subject to CCT and ES based on 7% and 3% of net VAT payable, respectively.

34. Net foreign exchange losses/(gains)

The exchange differences recognised in the combined income statements are included as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Finance costs, net (note 32)	312	176	(591)	(221)	70
Other gains, net (note 27)	29	3	(67)	(41)	22
	341	179	(658)	(262)	92

35. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 1 above.

36. Dividends

The Company had not been incorporated during the Relevant Periods, and no dividend has been paid or declared by the Company during the Relevant Periods.

During the years ended 31 December 2003, 2004 and 2005, and the six months ended 30 June 2006, certain of the Group's non-wholly owned subsidiaries had paid dividends to minority shareholders of approximately RMB57 million, RMB87 million, RMB116 million and RMB189 million, respectively.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

37. Directors', supervisors' and senior management's emoluments

(a) Directors' and supervisors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Directors and supervisors					
— Basic salaries, housing allowances, other allowances and benefits-in-kind	950	907	1,069	607	1,145
— Contributions to pension plans	48	56	83	39	49
— Discretionary bonuses	451	659	1,703	—	—
	1,449	1,622	2,855	646	1,194

The emoluments received by individual Directors and supervisors are as follows:

For the year ended 31 December 2003:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors and supervisors				
— Mr. Zhou Jichang	308	12	151	471
— Mr. Fu Junyuan	227	12	141	380
— Mr. Xu Sanhao	241	12	120	373
— Mr. Wang Yongbin	174	12	39	225
	950	48	451	1,449

For the year ended 31 December 2004:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors and supervisors				
— Mr. Zhou Jichang	321	14	202	537
— Mr. Fu Junyuan	154	14	257	425
— Mr. Xu Sanhao	252	14	161	427
— Mr. Wang Yongbin	180	14	39	233
	907	56	659	1,622

For the year ended 31 December 2005:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB '000	RMB '000	RMB '000	RMB '000
Directors and supervisors				
— Mr. Zhou Jichang	236	16	411	663
— Mr. Meng Fengchao	216	16	411	643
— Mr. Fu Junyuan	199	16	359	574
— Mr. Liu Xiangdong	51	3	90	144
— Mr. Xu Sanhao	203	16	359	578
— Mr. Wang Yongbin	164	16	73	253
	1,069	83	1,703	2,855

For six months ended 30 June 2005:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Directors and supervisors				
— Mr. Zhou Jichang	164	8	—	172
— Mr. Meng Fengchao	100	8	—	108
— Mr. Fu Junyuan	134	8	—	142
— Mr. Xu Sanhao	128	8	—	136
— Mr. Wang Yongbin	81	7	—	88
	607	39	—	646

For six months ended 30 June 2006:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Directors and supervisors				
— Mr. Zhou Jichang	231	9	—	240
— Mr. Meng Fengchao	225	9	—	234
— Mr. Fu Junyuan	190	9	—	199
— Mr. Liu Xiangdong	196	4	—	200
— Mr. Xu Sanhao	191	9	—	200
— Mr. Wang Yongbin	112	9	—	121
	1,145	49	—	1,194

The emoluments of the Directors and supervisors of the Company fall within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
				(Unaudited)	
Directors and supervisors					
— Nil to HK$1,000,000 (equivalent to approximately RMB1,040,300)	4	4	6	5	6

During the Relevant Periods, no Directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Company to any of the Directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

None of the Directors' emoluments as disclosed in Note 37(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
— Basic salaries, housing allowances, other allowances and benefits-in-kind	9,225	3,829	3,728	2,539	2,026
— Contributions to pension plans	45	39	31	21	20
— Discretionary bonuses	1,069	2,281	1,241	1,180	566
	10,339	6,149	5,000	3,740	2,612

The emoluments of the above individuals fall within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005 (Unaudited)	2006
— Nil to HK$1,000,000 (equivalent to approximately RMB1,040,300)	—	—	1	5	5
— HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB1,040,301 to RMB1,564,500)	3	4	3	—	—
— HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,564,501 to RMB2,080,000)	1	1	1	—	—
— HK$4,500,001 to HK$5,000,000 (equivalent to approximately RMB4,693,500 to RMB5,201,500)	1	—	—	—	—
	5	5	5	5	5

38. Notes to combined cash flow statements

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Profit for the year/period	627	1,397	2,971	1,019	1,460
Adjustments for:					
— Income tax expense	361	457	592	382	502
— Depreciation of PPE and investment properties	1,270	1,493	1,893	904	995
— Amortisation of intangible assets and lease prepayments	29	38	44	18	24
— Net gain on disposal of property, plant and equipment (see below)	(27)	(64)	(27)	(11)	(16)
— Net fair value loss/(gain) on derivative financial instruments	19	86	(59)	(69)	44
— Fair value loss/(gain) on other financial assets at fair value through profit and loss	8	(9)	2	2	(9)
— Loss on disposal of available-for-sale financial assets	—	—	—	—	59
— (Reversal of)/Provision for impairment of jointly controlled entities and associates	(2)	(2)	2	(1)	(1)
— (Reversal of)/Provision for impairment of inventories	(10)	(8)	(4)	5	49
— Provision for impairment of trade and other receivables	160	145	69	23	148
— Provision for foreseeable losses on construction contracts	447	478	295	131	143
— Dividend income from available-for-sale financial assets	(53)	(52)	(52)	(25)	(50)
— Interest income	(97)	(100)	(117)	(53)	(71)
— Interest expense	597	689	954	429	541
— Share of (profit)/loss of jointly controlled entities	(5)	(5)	47	(1)	(10)
— Share of profit of associates	(113)	(101)	(117)	(52)	(48)
— Exchange losses/(gains) on borrowings	312	176	(591)	(221)	70
	3,523	4,618	5,902	2,480	3,830
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
— Inventories	(146)	(479)	(598)	(490)	(1,078)
— Trade and other receivables	(2,258)	(4,085)	(4,733)	(3,547)	(7,134)
— Contract work-in-progress	(2,579)	(1,918)	(4,396)	(2,374)	(1,294)
— Restricted cash	(17)	(48)	22	43	18
— Early retirement and supplemental benefit obligations	(196)	(202)	(195)	(98)	(110)
— Trade and other payables	4,852	5,003	8,167	4,413	7,491
— Derivative financial instruments	(2)	(19)	(86)	(86)	59
— Provisions	21	14	1	(1)	—
— Deferred income	4	48	38	32	66
Cash generated from operations	3,202	2,932	4,122	372	1,848

(a) Proceeds from sale of property, plant and equipment

In the combined cash flow statements, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Net book amount	957	501	256	114	247
Gain on disposal of property, plant and equipment	85	122	79	31	21
Loss on sale of property, plant and equipment	(58)	(58)	(52)	(20)	(5)
Proceeds from sale of property, plant and equipment	984	565	283	125	263

39. Contingencies

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Pending lawsuits[(a)]	12	38	67	51
Outstanding loan guarantees[(b)]	580	626	473	452
	592	664	540	503

Notes:

(a) The Group has been named in a number of lawsuits arising in the ordinary course of business. Provision as set out in Note 26 has been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits taking into account of the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the probability of loss is remote.

(b) The Group has acted as the guarantor for various external borrowings made by certain jointly controlled entities and associates of the Group (refer to details in Note 41) and certain third party entities.

(c) The above amounts do not include those items for which provisions have been made as disclosed in Note 26 of this section.

40. Commitments

(a) Capital commitments

Capital expenditure approved but not contracted for at the balance sheet date is as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Property, plant and equipment	357	359	627	662

Capital expenditure contracted for but not yet incurred at the balance sheet date is as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Property, plant and equipment, and intangible assets	650	2,172	5,505	5,503

(b) Investment commitments

According to relevant agreement, the Group has the following investment commitments at the balance sheet date:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Jointly controlled entities and associates	32	6	15	63

(c) Operating lease commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
No later than 1 year	51	57	82	228
Later than 1 year and no later than 5 years	132	70	66	67
Later than 5 years	116	87	90	74
	299	214	238	369

(d) Lease payments receivable

The Group rents out various offices under non-cancelable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payment receivable under non-cancelable operating leases are as follows:

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
No later than 1 year	65	82	65	68
Later than 1 year and no later than 5 years	97	96	82	107
Later than 5 years	42	71	52	45
	204	249	199	220

(e) Other commitment

In 2005, the Group signed an agreement and agreed to act as a guarantor for a loan of RMB1 billion to be made by an independent third party in 2009.

41. Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC Government which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the ''state-owned enterprises'').

In accordance with IAS 24 ''Related Party Disclosures'', other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group (''other state-owned enterprises''). For purpose of related party transactions disclosure, the Group has in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information disclosed in Note 1.2 in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the Relevant Periods and balances arising from related party transactions as at 31 December 2003, 2004 and 2005 and 30 June 2005 and 2006.

(a) Significant related party transactions

During the Relevant Periods, the Group had the following significant transactions with related parties, which will continue after the listing of shares of the Company on Hong Kong Stock Exchange.

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Transactions with fellow subsidiaries					
Expenses					
— Purchase of materials	—	28	10	10	5
— Services	2	1	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Transactions with jointly controlled entities and associates					
Revenue					
— Revenue from provision of construction services	—	—	1	—	—
— Revenue from provision of dredging services	—	—	6	6	—
— Revenue from sales of port machinery	50	34	85	65	—
Expenses					
— Subcontracting fees	—	15	113	27	76
— Purchase of materials	1	4	4	2	8
— Services	—	54	54	12	21
— Other costs	4	4	4	—	—
Others					
— Outstanding loan guarantees provided by the Group[(a)]	130	248	293	121	278
Transactions with other state-owned enterprises					
Revenue					
— Revenue from provision of construction services	15,749	22,274	31,218	10,931	17,420
— Revenue from provision of design services	1,228	1,876	2,201	763	1,010
— Revenue from provision of dredging services	3,118	4,111	6,624	3,004	4,384
— Revenue from sales of port machinery	3,089	4,149	5,179	2,144	1,726
— Revenue from provision of other services	38	48	50	42	64
Interest income					
— Interest income from bank deposits	213	186	200	32	45
Expenses					
— Subcontracting fees	240	268	612	153	551
— Rental expenses	—	13	43	1	5
— Purchase of materials	3,569	4,898	5,949	2,482	2,739
— Services	179	195	465	214	271
— Interest expense on bank borrowings	361	497	713	378	424
— Others	8	31	79	47	53
Others					
— Outstanding loan guarantees provided by the Group	327	252	128	241	128
Transactions with minority interests					
Revenue					
— Revenue from provision of construction services	1	2	121	1	75
Expense					
— Subcontracting fees	—	—	—	—	36
— Interest income	—	3	2	1	1

Note:

(a) Approximately RMB20 million of the guarantees have been released subsequent to 30 June 2006.

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

(b) Balances with related parties

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Trade and other receivables				
Trade receivables due from				
— Jointly controlled entities and associates	24	9	10	4
— Minority interest	—	—	15	36
— Other state-owned enterprises	5,377	6,413	10,262	10,461
	5,401	6,422	10,287	10,501
Other receivables due from				
— Fellow subsidiaries	19	24	18	35
— Jointly controlled entities and associates	124	123	121	174
— Minority interest	4	9	3	2
— Other state-owned enterprises	689	933	1,852	3,484
	836	1,089	1,994	3,695
	6,237	7,511	12,281	14,196

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Trade and other payables				
Trade and bills payable due to				
— Fellow subsidiaries	1	5	8	9
— Jointly controlled entities and associates	34	20	76	95
— Minority interest	—	—	—	6
— Other state-owned enterprises	370	332	577	696
	405	357	661	806
Other payables due to				
— Fellow subsidiaries	—	12	10	17
— Jointly controlled entities and associates	6	49	77	64
— Minority interest	3	64	53	77
— Other state-owned enterprises	4,562	5,414	8,555	8,886
	4,571	5,539	8,695	9,044
	4,976	5,896	9,356	9,850

Balances with fellow subsidiaries as at 30 June 2006 will be settled prior to listing of the Company's shares.

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Amount due from customers for contract work with				
— Other state-owned enterprises	3,523	5,096	7,339	8,901
— Jointly controlled entities and associates	—	—	—	12
	3,523	5,096	7,339	8,913
Amount due to customers for contract work with				
— Jointly controlled entities and associates	—	—	6	—
— Other state-owned enterprises	1,427	2,247	2,038	3,502
	1,427	2,247	2,044	3,502

	As at 31 December			As at 30 June
	2003	2004	2005	2006
	RMB million	RMB million	RMB million	RMB million
Other balances with other state-owned enterprises				
— Financial assets	22	22	3	—
— Restricted cash	54	102	80	62
— Cash and cash equivalents	5,505	8,566	9,363	8,732
— Borrowings	6,997	11,063	13,143	17,259

(c) Key management compensation:

	Year ended 31 December			Six months ended 30 June	
	2003	2004	2005	2005	2006
	RMB '000	RMB '000	RMB '000	RMB '000 (Unaudited)	RMB '000
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,571	2,431	2,638	1,561	2,651
Contributions to pension plans	142	168	215	102	122
Discretionary bonuses	1,732	2,651	4,536	—	—
	4,445	5,250	7,389	1,663	2,773

42. Particulars of principal subsidiaries, jointly controlled entities and associates

(a) Subsidiaries

As at the date of this report, the Company has direct and indirect interests in the following principal subsidiaries:

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Listed —								
Shanghai Zhenhua Port Machinery Co., Ltd.	PRC / 14 February 1992	Limited liability company	RMB 3,082	24.19%*	19.07%*	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	Years ended 2003, 2004 and 2005	Manufacturing of port machinery
CRBC International Co., Ltd.	PRC / 18 March 1999	Limited liability company	RMB 408	63.73%	0.34%	Huazheng Certified Public Accountants (華證會計師事務所)	Years ended 2003, 2004 and 2005	Infrastructure construction
Unlisted —								
China Harbour Engineering Co, Ltd.	PRC / 8 December 2005	Limited liability company	RMB 850	50%	50%	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
First Navigational Engineering Bureau Co Ltd. (Formerly known as CHEC Tianjin Port Construction Corp.)	PRC / 12 December 1945	Limited liability company	RMB 1,876	100%	—	Shulun Pan Certified Public Accountants (上海立信長江會計師事務所有限公司)	Year ended 2005	Infrastructure construction
						Beijing Huatongjian Certified Public Accountants (北京華通鑒會計師事務所)	Years ended 2003 and 2004	
Second Navigational Engineering Bureau Co. Ltd. (Formerly known as CHEC Wuhan Port Construction Corp.)	PRC / 4 May 1950	Limited liability company	RMB 902	100%	—	Beijing Asia CPA Co. Ltd. (北京亞洲會計師事務所有限公司)	Years ended 2004 and 2005	Infrastructure construction
						Hubei Fazhan Jingjiang Certified Public Accountants Co. Ltd. (湖北發展競江會計師事務所)	Year ended 2003	

* The Group is considered to have the power to control the operating and financial activities of this entity.

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Third Navigational Engineering Bureau Co. Ltd. (Formerly known as CHEC Shanghai Port Construction Corp.)	PRC / 30 June 1954	Limited liability company	RMB 1,970	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Years ended 2004 and 2005	Infrastructure construction
						Beijing Yongtuo Certified Public Accountants Co. Ltd. (北京永拓會計師事務所)	Year ended 2003	
Fourth Navigational Engineering Bureau Co. Ltd. (Formerly known as CHEC Guangzhou Port Construction Corp.)	PRC / 12 September 1958	Limited liability company	RMB 1,128	100%	—	Jonten Certified Public Accountants (中天運會計師事務所有限公司)	Year ended 2005	Infrastructure construction
						Beijing Zhengyi Certified Public Accountants Co. Ltd. (北京正義會計師事務所有限責任公司)	Years ended 2003 and 2004	
Tianjin Dredging Co. Ltd. (Formerly known as CHEC Tianjin Dredging Corp.)	PRC / 15 March 1952	Limited liability company	RMB 1,219	100%	—	Shulun Pan Certified Public Accountants Co. Ltd. (上海立信長江會計師事務所有限公司)	Year ended 2005	Dredging
						Beijing Huatongjian Certified Public Accountants (北京華通鑒會計師事務所)	Years ended 2003 and 2004	
Shanghai Dredging Co. Ltd. (Formerly known as CHEC Shanghai Dredging Corp.)	PRC / 6 June 1994	Limited liability company	RMB 2,142	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Years ended 2004 and 2005	Dredging
						Beijing Yongtuo Certified Public Accountants Co. Ltd. (北京永拓會計師事務所)	Year ended 2003	

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Guangzhou Dredging Co. Ltd. (Formerly known as CHEC Guangzhou Dredging Corp.)	PRC / 1 April 1973	Limited liability company	RMB 1,280	100%	—	Jonten Certified Public Accountants (中天運會計師事務所有限公司)	Year ended 2005	Dredging
						Beijing Zhengyi Certified Public Accountants Co. Ltd. (北京正義會計師事務所有限責任公司)	Years ended 2003 and 2004	
Shanghai Port Machinery Plant Co. Ltd. (Formerly known as Shanghai Port Machinery Plant)	PRC / 12 August 1996	Limited liability company	RMB 205	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Years ended 2004 and 2005	Manufacturing of port machinery
						Beijing Yongtuo Certified Public Accountants Co. Ltd. (北京永拓會計師事務所)	Year ended 2003	
Shanghai Equipment Engineering Co. Ltd. (Formerly known as Shanghai CHEC Equipment Engineering Co. Ltd.)	PRC / 24 January 1998	Limited liability company	RMB 10	55%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Maintenance and repairment of port machinery
						Shanghai Xingaoxin Certified Public Accountants (上海新高信會計師事務所)	Years ended 2003 and 2004	

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Water Transportation Planning and Design Institute Co. Ltd. (Formerly known as CTE Beijing Design & Consulting Corp.)	PRC / 2 February 1993	Limited liability company	RMB 138	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure design
						Reanda BDO Certified Public Accountants (利安達信隆會計師事務所有限責任公司)	Years ended 2003 and 2004	
First Navigational Engineering Design Institute Co. Ltd. (Formerly known as CTE Tianjin Design & Consulting Corp.)	PRC / 6 August 1958	Limited liability company	RMB 238	100%	—	Shulun Pan Certified Public Accountants Co. Ltd. (上海立信長江會計師事務所有限公司)	Year ended 2005	Infrastructure design
						Beijing Huatongjian Certified Public Accountants (北京華通鑒會計師事務所)	Years ended 2003 and 2004	
Second Navigational Engineering Design Institute Co. Ltd. (Formerly known as CTE Wuhan Design & Consulting Corp.)	PRC / 22 June 1958	Limited liability company	RMB 90	100%	—	Beijing Asia CPA Co. Ltd. (北京亞洲會計師事務所有限公司)	Years ended 2005 and 2004	Infrastructure design
						Hubei Fazhan Jingjiang Certified Public Accountants Co. Ltd. (湖北發展競江會計師事務所)	Year ended 2003	

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Third Navigational Engineering Design Institute Co. Ltd. (Formerly known as CTE Shanghai Design & Consulting Corp.)	PRC / 12 September 1954	Limited liability company	RMB 273	100%	—	China Rightson Certified Public Accountants (中瑞華恒信會計師事務所)	Year ended 2005	Infrastructure design
						Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2004	
						Beijing Yongtuo Certified Public Accountants Co. Ltd. (北京永拓會計師事務所)	Year ended 2003	
Fourth Navigational Engineering Design Institute Co. Ltd. (Formerly known as CTE Guangzhou Design & Consulting Corp.)	PRC / 25 August 1964	Limited liability company	RMB 222	100%	—	Jonten Certified Public Accountants (中天運會計師事務所有限公司)	Year ended 2005	Infrastructure design
						Beijing Zhengyi Certified Public Accountants Co. Ltd. (北京正義會計師事務所有限責任公司)	Years ended 2003 and 2004	
China Road and Bridge Engineering Co. Ltd.	PRC / 8 December 2005	Limited liability company	RMB 800	95%	5%	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
First Highway Engineering Bureau Co. Ltd. (Formerly known as The First Highway Engineering Bureau of CRBC)	PRC / 7 January 1987	Limited liability company	RMB 631	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
						Beijing Huatongjian Certified Public Accountants (北京華通鑒會計師事務所)	Years ended 2003 and 2004	

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Second Highway Engineering Bureau Co. Ltd. (Formerly known as The Second Highway Engineering Bureau of CRBC)	PRC / 15 January 1964	Limited liability company	RMB 500	100%	—	Zhong Peng Certified Public Accountants, Ltd. (中鵬會計師事務所)	Year ended 2005	Infrastructure construction
						Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Years ended 2003 and 2004	
Third Highway Engineering Bureau Co. Ltd. (Formerly known as The Third Highway Engineering Co. Ltd. Of CRBC)	PRC / 7 March 2004	Limited liability company	RMB 143	79%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Year ended 2004	
Fourth Highway Engineering Bureau Co. Ltd. (Formerly known as Zhongjiao Construction Engineering Co.)	PRC / 22 July 1981	Limited liability company	RMB 63	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
						Beijing Zhong Ziao Certified Public Accountants Co. Ltd. (北京中交會計師事務所有限公司)	Years ended 2003 and 2004	
Tunnel Construction Engineering Co. Ltd. (Formerly known as The Tunnel Construction Engineering Co. Ltd. of CRBC)	PRC / 24 May 2005	Limited liability company	RMB 80	95%	5%	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Highway Planning and Design Institute Co. Ltd. (Formerly known as China Highway Planning and Designing Institute Consultants Inc.)	PRC / 18 August 1992	Limited liability company	RMB 257	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure design
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Years ended 2003 and 2004	
First Highway Survey & Design Institute Co. Ltd. (Formerly known as China First Highway Survey, Design and Research Institute)	PRC / 26 June 1952	Limited liability company	RMB 343	100%	—	Zhong Peng Certified Public Accountants Ltd. (中鵬會計師事務所)	Year ended 2005	Infrastructure design
						Zhong Xing Certified Public Accountants (中興會計師事務所)	Year ended 2004	
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Year ended 2003	
Second Highway Survey & Design Institute Co. Ltd. (Formerly known as China Second Highway Survey, Design and Research Institute)	PRC / 29 May 1991	Limited liability company	RMB 465	100%	—	Beijing Asia CPA Co. Ltd. (北京亞洲會計事務所有限公司)	Year ended 2005	Infrastructure design
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Year ended 2004	
						Beijing Huatongjian Certified Public Accountants Co. Ltd. (華通鑒會計師事務所)	Year ended 2003	

Name	Country/Place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
China Highway Engineering Consulting Co. Ltd. (Formerly known as China Highway Engineering Consulting Corp.)	PRC / 18 June 1992	Limited liability company	RMB 192	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure design
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Years ended 2003 and 2004	
The Bridge Technology Co. Ltd. (Formerly known as The Bridge Technology Co. Ltd. of CRBC)	PRC / 8 January 2003	Limited liability company	RMB 30	61%	27%	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure design
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Years ended 2003 and 2004	
China Highway Vehicle and Machinery Co. Ltd. (Formerly known as China Highway Engineering Consulting Corp.)	PRC / 31 January 1986	Limited Liability company	RMB 71	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Trading of motor vehicles spare parts
						Vocation International Certified Public Accountants Co. Ltd. (天職孜信會計師事務所有限公司)	Years ended 2003 and 2004	
Shanghai Jiangtian Business Co. Ltd.	PRC / 16 June 1994	Limited Liability company	RMB 157	60%	40%	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Years ended 2004 and 2005	Trading of construction materials
						Reanda BDO Certified Public Accountants (利安達興信會計師事務所有限責任公司)	Year ended 2003	

Name	Country/Place and date of Incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Chongqing Chaotianmen Yangtze River Bridge Co. Ltd. (Formerly known as Chongqing CHEC Chaotianmen Yangtze River Bridge Construction Co., Ltd.)	PRC / 3 November 2004	Limited Liability Company	RMB 50	90%	10%	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
Shanxi Jingcheng-Houma Expressway Co. Ltd.	PRC / 23 November 2004	Limited Liability Company	RMB 685	89.78%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
Shanghai CHEC East Ocean Bridge Project Co. Ltd.	PRC / 14 October 2002	Limited Liability Company	RMB 10	100%	—	Yuehua Certified Public Accountants Co. Ltd. (岳華會計師事務所有限責任公司)	Year ended 2005	Infrastructure construction
Tianjin Industrial & Trading Co. Ltd. (Formerly Known as CHEC Tianjin Industrial & Trading Corp.)	PRC / 7 July 1994	Limited Liability Company	RMB 30	100%	—	Shulun Pan Certified Public Accountants Co. Ltd. (上海立信長江會計師事務所有限公司)	Year ended 2005	Trading of machinery
						Tianjin Chengtai Certified Public Accountants (天津誠泰有限責任會計師事務所)	Years ended 2003 and 2004	
Foshan Sihang Guangming Highway Co. Ltd.	PRC / 8 September 2005	Limited Liability company	RMB 50	90%	10%	No audit has been performed as this company was newly established in 2005		Construction and management of highway

Name	Country/Place and date of Incorporation	Type of legal entity	Issued/paid in capital (in million)	Attributable equity interest Directly held	Attributable equity interest Indirectly held	Auditors	Year of audit	Principal activities
Companies established outside Mainland China								
Chuwa Bussan Co. Ltd.	Japan / 20 May 1986	Sino-foreign joint venture	JPY 60	75%	—	No statutory audit is required for this company		Trading of machinery
Azingo Limited	Hong Kong / 11 April 1989	Limited liability company	—*	100%	—	Lui Siu Tang & Company	Years ended 2003, 2004 and 2005	Investment holding

* The paid-in capital of this company is HK$1,000.

(b) Jointly controlled entities

As at the date of this report, the Company has indirect interests in the following principal jointly controlled entities (all are unlisted):

Name	Country/place and date of incorporation	Type of legal entity	Issued/ paid in capital (in million)	Attributable equity interest - indirectly held	Principal activities
Capital Expressway Development Co., Ltd.	PRC / 1 September 1992	Limited liability company	RMB 100	50%	Infrastructure construction
Shanghai San Ho Hup Pile Co., Ltd.	PRC / 1 August 1995	Limited liability company	USD 9	45%	Manufacturing of construction materials
NYK Zhenhua Logistics (Tianjin) Co., Ltd.	PRC / 9 November 2002	Sino-foreign joint venture	USD 5	51%	Transportation and logistics
''K''line Zhenhua Logistics (Tianjin) Co., Ltd.	PRC / 8 December 2005	Sino-foreign joint venture	USD 3	51%	Transportation and logistics
Qingdao Ganghang Concrete Company	PRC / 17 May 2001	Limited liability company	RMB 20	50%	Trading of construction materials
Zhenhua Logistics Group	PRC / 13 September 1993	Sino-foreign joint venture	USD 37	55%*	Transportation and logistics

* This company was 100% owned by the Group during the Relevant Periods. Subsequent to 30 June 2006, the Group has disposed 45% interest of this company to an independent third party and thereafter, the Directors of the Company considered this company as a jointly controlled entity.

(c) Associates

As at the date of this report, the Company has indirect interest in the following principal associates (all are unlisted):

Name	Country/place and date of incorporation	Type of legal entity	Issued/ paid in capital (in million)	Attributable equity interest - indirectly held	Principal activities
CII Limited	Hong Kong / 11 July 1996	Limited liability company	HKD 1,000	48%	Investment holding
Shanghai Third Navigation ASP Pipe Ltd.	PRC / 9 October 1993	Limited liability company	USD 6.32	33%	Manufacturing of machinery
Xi'an Qiyuan Mechanical and Electrical Equipment Co., Ltd.	PRC / 28 March 2001	Limited liability company	RMB 45.5	25%	Manufacturing of machinery
Shanghai Jianshe-Luqiao Machinery Co., Ltd.	PRC / 14 April 1989	Limited liability company	USD 10	25%	Manufacturing of machinery
Tianjin Ganghang Engineering Co., Ltd.	PRC / 3 May 1994	Limited liability company	RMB 58	49%	Manufacturing of machinery

43. Ultimate holding company

The Directors regard CCCG as being the ultimate holding company of the Company.

44. Subsequent events

The following events took place subsequent to 30 June 2006 and up to the date of this report:

(a) Subsequent to 30 June 2006, the companies comprising the Group underwent a reorganisation in preparation for a listing of the Company's shares on the Hong Kong Stock Exchange. The details of the Reorganisation are set out in Note 1 above. In this connection, the Company was established on 8 October 2006.

In addition, subsequent to the incorporation of the Company on 8 October 2006, all the Retained Operations (see Note 1.2), buildings and lease prepayments that do not have perfected titles and ownership certificates (see Note 7.d and Note 8.c) with an aggregate net carrying amount of approximately RMB394 million are retained by CCCG pursuant to the Reorganisation. The Group would not include the operating results and financial position of the Retained Operations in its subsequent financial statements.

(b) Pursuant to the Reorganisation and the applicable PRC financial regulations, the Company is required to make a distribution (the ''Special Distribution'') to CCCG in an amount equal to its net profit as determined in accordance with PRC GAAP, generated from 1 January 2006 to 7 October 2006, the date immediately prior to the date on which the Company was incorporated. The Company has paid the Special Distribution of approximately RMB1,556 million in November 2006.

(c) At the general meeting held on 25 November 2006, it is resolved that CCCG shall be entitled to all of the distributable profits generated by the Group from 8 October 2006 to 30 November 2006 (the ''Special Dividend''), which is the lower of the respective amounts of net profit for that period determined under PRC GAAP and IFRS. The Directors of the Company estimated that the Special Dividend would amount to approximately RMB374 million which would further be adjusted based on an audit of the Group's financial statements for the period ended 30 November 2006.

(d) After the incorporation of the Company in October 2006, CCCG agreed to assume the role of the guarantor for a corporate guarantee amounting to RMB220 million provided by the Group to an associate of CCCG. A provision of the same amount in respect of such guarantee is recorded in the Group's financial statements as at 30 June 2006 (see Note 26), which is no longer needed upon the assumption of such guarantee by CCCG and will be accounted for as an equity contribution in Group's financial statements for the year ending 31 December 2006.

(e) In November 2006, the Group issued debentures with an aggregate face value of RMB1.8 billion with a maturity of one year from issuance.

III FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated in the PRC on 8 October 2006 and hence no net assets or distributable reserves of the Company were presented for the Relevant Periods.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2006. Save as disclosed in this report, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2006.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to the Prospectus, and is included herein for information only.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group as at June 30, 2006 as if they had taken place on that date. The unaudited pro forma net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2006 or any future date.

The following unaudited pro forma adjusted net tangible assets is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at June 30, 2006, as shown in the Accountants' Report set forth in Appendix I to this Prospectus, adjusted as described below.

	Adjusted combined net tangible assets of the Group attributable to the equity holders of the Company as at June 30, 2006[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company[3][4]	Unaudited pro forma adjusted net tangible assets per Share[5][6]	
	(in millions of RMB)			RMB	HK$
Based on an Offer Price of HK$3.40 per Share	9,385	11,345	20,730	1.45	1.44
Based on an Offer Price of HK$4.60 per Share	9,385	15,441	24,826	1.74	1.72

(1) The adjusted combined net tangible assets of the Group attributable to the equity holders of the Company as at June 30, 2006 is extracted from the Accountants' Report set out in Appendix I to the Prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at June 30, 2006 of RMB10,649 million with an adjustment for the intangible assets as at June 30, 2006 of RMB1,264 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.40 and HK$4.60 per Share, respectively, after deduction of estimated related fees and expenses, and do not take into account of any Shares that may be issued pursuant to the Over-Allotment Option. If the Over-Allotment Option is exercised, the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company and unaudited pro forma adjusted net tangible assets per Share will increase. The estimated net proceeds are converted to Renminbi at the PBOC rate of HK$1.00 to RMB1.01007 prevailing on November 22, 2006.

(3) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2006. The unaudited pro forma adjusted net tangible assets has not taken into account of the following items occurred subsequent to June 30, 2006:

(i) Subsequent to the incorporation of the Company on October 8, 2006, all the Retained Operations, buildings and lease prepayments that do not have perfected titles and ownership certificates with an aggregate net carrying amount of approximately RMB394 million are retained by CCCG pursuant to the Reorganisation.

(ii) Pursuant to the Reorganisation, the Company made the Special Distribution of RMB1,556 million to CCCG in November 2006.

(iii) At a shareholders' meeting in November 2006, it is resolved that CCCG shall be entitled to the Special Dividend. The Directors of the Company estimated that the Special Dividend would amount to approximately RMB374 million.

(iv) After the incorporation of the Company in October 2006, CCCG agreed to assume the role of the guarantor for a corporate guarantee amounting to RMB220 million provided by the Group to an associate of CCCG. A provision of the same amount in respect of such guarantee is recorded in the Group's financial statements as at June 30, 2006, which is no longer needed upon the assumption of such guarantee by CCCG and will be accounted for as an equity contribution in the Group's financial statements for the year ending December 31, 2006.

(4) Details of valuation of the Group's properties as at September 30, 2006 are set out in Appendix V to this Prospectus. The Group will not incorporate the revaluation surplus in its financial statements for the year ending December 31,

2006. It is our Group's accounting policy to state its property, plant and equipment at cost less accumulated depreciation and any impairment loss rather than at revalued amounts. With reference to the valuation of the Group's properties as set out in Appendix V to this Prospectus, there was a revaluation surplus of the Group's buildings of approximately RMB1,579 million. If the revaluation surplus were to be incorporated in our Group's financial statements for the year ending December 31, 2006, additional depreciation charge would be approximately RMB159 million per annum.

(5) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 14,300,000,000 Shares are issued and outstanding during the entire year, and that the Over-Allotment Option has not been exercised.

(6) Unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollars at the PBOC rate of HK$1.00 to RMB1.01007 prevailing on November 22, 2006.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2006. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006(1)(2)	not less than RMB2,806 million (HK$2,778 million)
Unaudited pro forma forecast earnings per Share(2)(3)	
(a) Pro forma fully diluted	RMB19.6 cents (HK$19.4 cents)
(b) Weighted average	RMB25.6 cents (HK$25.3 cents)

Notes:

(1) The forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006 is extracted from the section headed ''Financial Information — Profit Forecast'' in the Prospectus. The bases and assumptions on which the above profit forecast for the year ending December 31, 2006 has been prepared are summarized in Appendix III to this Prospectus. Our Directors have prepared the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006 based on the audited combined results of the Group for the period ended June 30, 2006, the unaudited combined results based on management accounts for the three months ended 30 September 2006, and a forecast of the combined results of the Group for the three months ending December 31, 2006. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of the Accountants' Report, the text of which is set out in Appendix I to the Prospectus.

(2) Forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006 and unaudited pro forma forecast earnings per Share are converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB1.01007 prevailing on November 22, 2006.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006 by 14,300,000,000 Shares assumed to be issued and outstanding during the entire year, adjusted, as if the Global Offering had occurred on January 1, 2006, but without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND THE UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT FROM REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

We report on the unaudited pro forma financial information of China Communications Construction Company Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') set out on pages II-1 to II-2 under the headings of ''Unaudited Pro Forma Statement of Adjusted Net Tangible Assets'' and ''Unaudited Pro Forma Forecast Earnings Per Share'' (the ''Unaudited Pro Forma Financial Information'') in Appendix II of the Company's Prospectus dated 1 December 2006, in connection with the proposed initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Prospectus''). The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 ''Accountants' Reports on Pro Forma Financial Information in Investment Circulars'' issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 30 June 2006 and unaudited forecast profit attributable to equity holders of the Company for the year ending 31 December 2006 with the accountants' report as set out in Appendix I of the Prospectus and profit forecast as set out in the section headed ''Financial Information'' in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2006 or any future date, or
- the earnings per share of the Group for the year ending 31 December 2006 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 1 December 2006

Our forecast combined profit attributable to the equity holders of the Company for the year ending December 31, 2006 is set out in the section headed ''Financial Information — Profit Forecast for the Year Ending December 31, 2006'' in this Prospectus.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast combined profit attributable to equity holders of the Company for the year ending December 31, 2006 based on the audited combined results of the Group for the year ended June 30, 2006, the unaudited combined results based on management accounts for the three months ended September 30, 2006, and a forecast of the combined results of the Group for the three months ending December 31, 2006. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by us as set out in Note 3 of the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and on the following principal bases and assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which the Group currently operates or which are otherwise material to our business;
- there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially adversely affect the Group's business or operations;
- there will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of the Group's operations;
- there will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates, except as otherwise disclosed in this Prospectus;
- the Group's operations will not be adversely affected by occurrences such as labor shortages and disputes, or any other factors outside the control of its management. In addition, the Group will be able to recruit enough employees to meet its operating requirements during the forecast period; and
- the PRC Government will continue to adopt a moderate macroeconomic and monetary policies similar to those of 2005, in order to maintain a consistent rate of economic growth.

B. LETTERS

Set out below are texts of letters, prepared for inclusion in this Prospectus, received by our Directors from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, and from the Joint Sponsors in connection with the forecast of our combined profit attributable to the equity holders of the Company for the year ending December 31, 2006.

B1. LETTER FROM THE REPORTING ACCOUNTANTS

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

1 December 2006

The Directors
China Communications Construction Company Limited

BOCI Asia Limited
Merrill Lynch Far East Limited
UBS AG

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the combined profit attributable to equity holders of China Communications Construction Company Limited (the ''Company'') for the year ending 31 December 2006 (the ''Profit Forecast'') as set out in the subsection headed ''Profit forecast'' in the section headed ''Financial information'' in the prospectus of the Company dated 1 December 2006 (the ''Prospectus'').

We conducted our work in accordance with the Auditing Guideline 3.341 on ''Accountants' report on profit forecasts'' issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as ''the Group'') for the six months ended 30 June 2006, the unaudited combined results based on management accounts for the three months ended 30 September 2006 and a forecast of the combined results of the Group for the remaining three months ending 31 December 2006 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2006.

In our opinion, the Profit Forecast, so far as the calculation and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out on page III-1 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Note 3 of our accountants' report dated 1 December 2006, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

B2. LETTER FROM THE JOINT SPONSORS

BOC INTERNATIONAL	Merrill Lynch	UBS Investment Bank
26th Floor Bank of China Tower 1 Garden Road Hong Kong	17th Floor ICBC Tower 3 Garden Road Hong Kong	52nd Floor Two International Finance Centre 8 Finance Street, Central Hong Kong

The Directors of China Communications Construction Company Limited

December 1, 2006

Dear Sirs,

We refer to the forecast of the combined profit attributable to equity holders of China Communications Construction Company Limited (the ''Company'') and its subsidiaries for the year ending December 31, 2006 (the ''Profit Forecast'') as set out in the prospectus issued by the Company dated December 1, 2006 (the ''Prospectus'').

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated December 1, 2006 addressed to yourselves and ourselves from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of **BOCI Asia Limited**	For and on behalf of **Merrill Lynch Far East Limited**	For and on behalf of **UBS AG**
Daniel Ng Managing Director Head of Corporate Finance	Bing Wang Director	Peter Ding Managing Director
		For and on behalf of **UBS AG** Gordon Ding Associate Director

The following is the text of the unaudited interim financial information of Shanghai Zhenhua Port Machinery Co., Ltd. (''ZPMC''), a subsidiary of China Communications Construction Company Limited (''the Company''), which comprises the audited balance sheet as at 31 December 2005 and unaudited balance sheet as at 30 September 2006; unaudited income statements for the three and the nine months ended 30 September 2005 and 2006; unaudited cash flow statements for the nine months ended 30 September 2005 and 2006 and notes to the unaudited interim financial information of ZPMC and its subsidiaries (collectively referred to as ''ZPMC Group''), prepared in accordance with the Accounting Standard for Business Enterprises ''Interim Financial Reporting'' issued by the Ministry of Finance of the People's Republic of China. In addition, the unaudited interim financial information includes a reconciliation of the net profit of ZPMC Group for the three months ended 30 September 2006 and the owners' equity of ZPMC Group as at 30 September 2006 prepared in accordance with the relevant accounting principles and financial regulations applicable to Chinese enterprises (''PRC GAAP'') to International Financial Reporting Standards (''IFRS'') for the purpose of inclusion in this Prospectus.

THE UNAUDITED INTERIM BALANCE SHEETS, INCOME STATEMENTS, CASH FLOW STATEMENTS AND NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION REPORTED UNDER PRC GAAP

I. Balance Sheets

As at 30 September 2006

	ZPMC Group		ZPMC	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS				
Current assets				
Cash at bank and on hand	808,941	581,748	551,564	431,700
Accounts receivable	2,477,772	2,235,950	2,625,409	2,288,419
Other receivables	137,383	117,892	1,537,784	602,110
Advances to suppliers	2,498,884	687,600	2,449,036	602,042
Inventories	1,616,861	1,328,553	1,332,804	1,162,139
Amount due from customers for contract works	5,826,476	4,587,446	5,586,636	4,445,138
Prepaid expenses	—	3,292	—	—
Other current assets	—	72,296	—	72,296
Total current assets	13,366,317	9,614,777	14,083,233	9,603,844
Long-term investments				
Long-term investments	24,389	26,273	356,559	247,220
Total long-term investments	24,389	26,273	356,559	247,220
Fixed assets				
Fixed assets — cost	5,628,533	4,643,232	4,466,175	3,788,181
Accumulated depreciation	(1,410,330)	(1,202,962)	(1,123,539)	(928,219)
Fixed assets — net book value	4,218,203	3,440,270	3,342,636	2,859,962
Construction in progress	1,967,850	824,197	1,041,582	573,879
Total fixed assets	6,186,053	4,264,467	4,384,218	3,433,841
Intangible assets and other assets				
Intangible assets	31,156	32,634	11,530	12,292
Long-term prepaid expenses	(1,161)	(11)	—	—
Total intangible assets and other assets	29,995	32,623	11,530	12,292
Deferred tax	37,106	37,826	37,106	37,826
TOTAL ASSETS	19,643,860	13,975,966	18,872,646	13,335,023

The accompanying notes form an integral part of this unaudited interim financial information

	ZPMC Group		ZPMC	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
LIABILITIES AND OWNERS' EQUITY				
Current liabilities				
Short-term loans	5,125,862	3,102,160	4,875,862	3,079,561
Debentures	—	1,185,800	—	1,185,800
Accounts payable	808,997	927,891	777,006	917,502
Notes payable	2,282,400	—	2,282,400	—
Amount due to customers for contract works	858,749	823,558	858,749	823,558
Advances from customers	1,265,386	303,796	862,402	812
Welfare benefits payable	7,434	9,164	185	4,076
Dividends payable	—	61,776	—	61,776
Taxes payable	(116,015)	41,121	(97,595)	32,232
Other payables	227,256	299,590	341,682	361,276
Accrued expenses	366,138	432,739	366,138	431,500
Long-term liabilities due within one year	1,181,444	557,441	1,181,444	487,441
Other current liabilities	12,144	13,402	12,144	13,402
Total current liabilities	12,019,795	7,758,438	11,460,417	7,398,936
Long-term liabilities				
Long-term loans	1,985,064	1,466,911	1,954,064	1,355,911
Long-term payables	—	—	—	—
Total long-term liabilities	1,985,064	1,466,911	1,954,064	1,355,911
Total liabilities	14,004,859	9,225,349	13,414,481	8,754,847
Minority interests	190,965	179,297	—	—
Owners' equity				
Paid-in capital	3,081,840	1,540,920	3,081,840	1,540,920
Capital surplus	261,781	1,186,333	261,781	1,186,333
Surplus reserve	823,473	823,473	823,473	823,473
Including: Statutory public welfare fund	265,547	265,547	265,547	265,547
Undistributed profits	1,280,942	1,020,594	1,291,071	1,029,450
Total owners' equity	5,448,036	4,571,320	5,458,165	4,580,176
TOTAL LIABILITIES AND OWNERS' EQUITY	19,643,860	13,975,966	18,872,646	13,335,023

The accompanying notes form an integral part of this unaudited interim financial information.

II. Unaudited Income Statements

For the three months ended 30 September 2006

	ZPMC Group		ZPMC	
	Three months ended 30 September 2006	Three months ended 30 September 2005	Three months ended 30 September 2006	Three months ended 30 September 2005
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenues from main operations	3,896,814	2,879,039	3,896,814	2,875,529
Cost of main operations	(3,354,843)	(2,417,755)	(3,374,239)	(2,432,780)
Tax and levies on main operations	(5,482)	(4,450)	(322)	202
Profit from main operations	536,489	456,834	522,253	442,951
Profit from other operations	5,616	2,818	5,419	2,234
Selling and distribution expenses	(8,891)	(6,258)	(8,891)	(6,258)
General and administrative expenses	(37,375)	(39,367)	(20,511)	(26,991)
Finance expense — net	(35,868)	(61,684)	(32,805)	(57,899)
Operating profit	459,971	352,343	465,465	354,037
Investment (loss)/income	(847)	(707)	7,764	1,473
Non-operating income	25,482	2,516	111	1,415
Non-operating expenses	(227)	(340)	(208)	(168)
Total profit	484,379	353,812	473,132	356,757
Income taxes	(47,418)	(32,915)	(44,305)	(32,521)
Profit after tax	436,961	320,897	428,827	324,236
Minority interests	(7,361)	(141)	—	—
Net profit	429,600	320,756	428,827	324,236

For the nine months ended 30 September 2006

	ZPMC Group		ZPMC	
	Nine months ended 30 September 2006	Nine months ended 30 September 2005	Nine months ended 30 September 2006	Nine months ended 30 September 2005
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenues from main operations	12,118,161	8,679,444	12,118,161	8,673,733
Cost of main operations	(10,404,949)	(7,491,559)	(10,477,926)	(7,527,418)
Tax and levies on main operations	(15,617)	(7,514)	(557)	183
Profit from main operations	1,697,595	1,180,371	1,639,678	1,146,498
Profit from other operations	9,877	4,307	9,444	2,977
Selling and distribution expenses	(27,609)	(17,029)	(27,609)	(17,029)
General and administrative expenses	(165,895)	(155,028)	(113,373)	(121,080)
Finance expense — net	(285,214)	(68,033)	(274,645)	(61,185)
Operating profit	1,228,754	944,588	1,233,495	950,181
Investment (loss)/income	(2,348)	2,260	9,072	4,794
Subsidy income	3,967	—	—	—
Non-operating income	28,071	5,516	558	2,883
Non-operating expenses	(9,215)	(5,053)	(9,106)	(4,724)
Total profit	1,249,229	947,311	1,234,019	953,134
Income taxes	(52,660)	(57,920)	(47,846)	(57,212)
Profit after tax	1,196,569	889,391	1,186,173	895,922
Minority interests	(11,669)	(461)	—	—
Net profit	1,184,900	888,930	1,186,173	895,922

The accompanying notes form an integral part of this unaudited interim financial information.

III. Unaudited Cash Flow Statements

For the nine months ended 30 September 2006

	ZPMC Group		ZPMC	
	Nine months ended 30 September 2006	Nine months ended 30 September 2005	Nine months ended 30 September 2006	Nine months ended 30 September 2005
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
1. Cash flows from operating activities				
Cash received from sales of goods rendering of services	12,979,911	7,386,601	12,614,318	7,261,659
Refund of taxes and levies	621,882	506,345	621,882	506,345
Cash received relating to other operating activities	161,537	167,060	140,800	117,420
Subtotal of cash inflows	13,763,330	8,060,006	13,377,000	7,885,424
Cash paid for goods and services	(12,073,871)	(8,626,748)	(12,682,965)	(8,786,980)
Cash paid to and on behalf of employees	(325,658)	(290,027)	(309,342)	(234,242)
Payments of taxes and levies	(153,304)	(74,359)	(95,661)	(65,048)
Cash paid relating to other operating activities	(151,429)	(461,641)	(193,660)	(306,268)
Subtotal of cash outflows	(12,704,262)	(9,452,775)	(13,281,628)	(9,392,538)
Net cash flows from operating activities	1,059,068	(1,392,769)	95,372	(1,507,114)
2. Cash flows from investing activities				
Cash received from returns on investments	333	226	333	226
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	29,998	292	217	292
Cash received relating to other investing activities	14,998	27,694	13,994	26,468
Subtotal of cash inflows	45,329	28,212	14,544	26,986
Cash paid to acquire fixed assets, intangible assets and other long-term assets	(2,228,231)	(966,794)	(1,171,807)	(753,494)
Cash paid to acquire investments	(798)	—	(100,600)	(140,052)
Subtotal of cash outflows	(2,229,029)	(966,794)	(1,272,407)	(893,546)
Net cash flows from investing activities	(2,183,700)	(938,582)	(1,257,863)	(866,560)
3. Cash flows from financing activities				
Cash received from investment	—	142,657	—	—
Cash received from borrowings	10,679,736	4,254,520	10,499,736	4,254,520
Cash received relating to other financing activities	—	1,295,610	—	1,295,611
Subtotal of cash inflows	10,679,736	5,692,787	10,499,736	5,550,131
Cash repayments of amounts borrowed	(8,699,678)	(3,697,695)	(8,597,079)	(3,613,696)
Cash payments for interest expenses and distribution of dividends or profits	(684,991)	(234,595)	(677,060)	(227,133)
Sub-total of cash outflows	(9,384,669)	(3,932,290)	(9,274,139)	(3,840,829)
Net cash flows from financing activities	1,295,067	1,760,497	1,225,597	1,709,302
4. Effect of foreign exchange rate changes on cash	—	—	—	—
5. Net increase / (decrease) in cash	170,435	(570,854)	63,106	(664,372)

The accompanying notes form an integral part of this unaudited interim financial information.

	ZPMC Group		ZPMC	
	Nine months ended 30 September 2006	Nine months ended 30 September 2005	Nine months ended 30 September 2006	Nine months ended 30 September 2005
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
1. Reconciliation of net profit to cash flows from operating activities				
Net profit	1,184,900	888,930	1,186,173	895,922
Adjust for: Minority interests	11,669	461	—	—
(Reversal of) / Provision for impairment of assets	(4,589)	201,826	(4,589)	169,086
Depreciation of fixed assets	278,176	13,094	217,454	13,093
Amortisation of intangible assets	1,477	1,824	763	1,109
Decrease / (increase) in prepaid expenses	3,292	(6,079)	—	(2,583)
(Decrease) / increase in accrued expenses	(66,601)	172,122	(65,362)	164,303
(Gain)/loss on disposal of fixed assets, intangible assets and other long-term assets	(24,868)	357	(131)	357
Finance expense	308,311	170,642	301,384	190,875
Investment losses / (income)	2,348	(2,259)	(9,072)	(4,793)
Decrease / (Increase) of deferred tax debit	720	7,581	720	7,970
Increase in inventories	(1,494,887)	(2,226,876)	(1,279,711)	(2,111,179)
Increase in operating receivables	(390,934)	(579,824)	(1,249,796)	(783,442)
Increase / (decrease) in operating payables	1,250,054	(34,568)	997,539	(47,832)
Net cash flows from operating activities	1,059,068	(1,392,769)	95,372	(1,507,114)
2. Investing and financing activities that do not involve cash receipts and payments	—	—	—	—
3. Net increase / (decrease) in cash				
Cash at end of period	734,127	956,167	476,750	802,505
Less: cash at beginning of period	(563,692)	(1,527,021)	(413,644)	(1,466,877)
4. Net increase / (decrease) in cash	170,435	(570,854)	63,106	(664,372)

IV. Notes to the Unaudited Interim Financial Information

1. Background and principal activities

ZPMC was established in Shanghai, the People's Republic of China (the ''PRC''), on 8 September 1997 as part of an exercise to reorganise its predecessor, Shanghai Zhenhua Port Machinery Company Limited (''Zhenhua''), a Sino-foreign equity joint venture enterprise, into a joint stock limited company. ZPMC's domestically listed foreign shares (''B shares'') and ordinary shares (''A shares'') are listed on the Shanghai Stock Exchange. ZPMC, together with its consolidated subsidiaries, are hereinafter collectively referred to as ''the ZPMC Group''.

The principal activities of ZPMC consist of the design, manufacture, sale, and installation of port machinery, project vessels, steel structure and related spare parts and accessories; lease of self-manufactured container cranes; provision of marine forwarding services with specific vessels for container cranes and engage in steel structure construction project.

Pursuant to a group reorganisation of China Communications Construction Group Limited (''CCCG''), China Communications Construction Company Limited (the ''Company'') was established on 8 October 2006. Since then, China Communications Construction Company Limited is considered the immediate holding company of ZPMC, while CCCG is the ultimate holding company of ZPMC.

2. Basis of preparation and principal accounting policies

(a) Basis of preparation

ZPMC has prepared its financial statements in accordance with the PRC GAAP promulgated by the PRC.

(b) Unaudited interim financial information

The financial year is from 1 January to 31 December. The directors of ZPMC have prepared its unaudited interim financial information for the three months and the nine months ended 30 September 2006 in accordance with Accounting Standard for Business Enterprises ''Interim Financial Reporting'' issued by the Ministry of Finance of the PRC.

(c) Principal accounting policies

The principal accounting policies of ZPMC are consistent with those disclosed in 2005 annual financial statements of ZPMC.

3. Segment information

(1) For the nine months ended 30 September

(a) Revenues and cost from main operations based on the countries where the customers are located are as follows:

	ZPMC Group			
	Nine months ended 30 September 2006		Nine months ended 30 September 2005	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Mainland China (export and re-import) (i)	3,041,131	2,474,449	2,457,771	2,079,512
Asia (excluding Mainland China)	2,682,340	2,425,165	2,236,743	1,975,208
Europe	2,137,650	1,786,423	810,295	758,413
America	1,608,564	1,456,012	1,176,317	982,880
Mainland China	1,372,229	1,178,583	1,477,722	1,294,551
Africa	903,537	765,732	395,827	305,813
Oceania	372,710	318,585	124,769	95,182
	12,118,161	10,404,949	8,679,444	7,491,559

(i) Amounts represent those sales first exported from ZPMC Group to Zhenhua Port Machinery (Hong Kong) Co., Ltd., a subsidiary of ZPMC, and then sold by this subsidiary to customers domiciled in Mainland China.

(b) Revenues and cost from main operations based on the type of products are as follows

	ZPMC Group			
	Nine months ended 30 September 2006		Nine months ended 30 September 2005	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Quayside container cranes and rubber tyre gantry cranes	11,419,532	9,773,996	7,877,436	6,769,579
Bulk material handling machinery and spare parts	698,629	630,953	802,008	721,980
	12,118,161	10,404,949	8,679,444	7,491,559

(2) For the three months ended 30 September

(a) Revenues and cost from main operations based on the countries where the customers are located are as follows:

	ZPMC Group			
	Three months ended 30 September 2006		Three months ended 30 September 2005	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Mainland China (export and re-import) (i)	1,499,593	1,230,106	941,816	799,234
America	752,541	660,461	223,870	171,775
Asia (excluding Mainland China)	661,113	590,260	604,889	507,793
Mainland China	346,300	289,006	670,096	539,097
Europe	321,955	294,500	321,388	295,758
Africa	234,301	223,094	116,980	104,098
Oceania	81,011	67,416	—	—
	3,896,814	3,354,843	2,879,039	2,417,755

(i) Amounts represent those sales first exported from ZPMC Group to Zhenhua Port Machinery (Hong Kong) Co., Ltd., a subsidiary of ZPMC, and then sold by this subsidiary to customers domiciled in Mainland China.

(b) Revenues and cost from main operations based on the type of products are as follows:

	ZPMC Group			
	Three months ended 30 September 2006		Three months ended 30 September 2005	
	Revenues from main operations	Cost of main operations	Revenues from main operations	Cost of main operations
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Quayside container cranes and rubber tyre gantry cranes	3,718,922	3,189,863	2,436,709	2,033,545
Bulk material handling machinery and spare parts	177,892	164,980	442,330	384,210
	3,896,814	3,354,843	2,879,039	2,417,755

4. Reconciliation of net profit of ZPMC Group for the three months ended 30 September 2006 and its owners' equity as at 30 September 2006 from PRC GAAP to IFRS

The Directors of the Company, the immediate holding company of ZPMC, have prepared a summary of the major differences of the net profit and owners' equity of ZPMC Group as at and for the three months ended 30 September 2006, prepared under PRC GAAP and as compared to IFRS:

	Net profit for the three months ended 30 September 2006	Owners' equity as at 30 September 2006
	RMB'000	RMB'000
As reported under PRC GAAP (unaudited)	429,600	5,448,036
Adjustment on amortisation of goodwill[(a)]	894	5,791
Adjustment on amortisation of investment tax credit[(b)]	4,612	(119,493)
As adjusted under IFRS (unaudited)	435,106	5,334,334

Note:

(a) Goodwill is recognised by the acquirer as an asset from the acquisition date and is initially measured as the excess of the cost of the business combination over the acquirer's share of the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities. Under PRC GAAP, the goodwill is amortised over the investment period. However, IFRS prohibits the amortisation of goodwill and instead the goodwill should be tested for impairment at least annually.

(b) Under PRC GAAP, tax credits relating to the purchases of domestic equipment are recorded as a deduction of the income tax for the period in which the tax credits are approved by tax bureau. Under IFRS, these tax credits upon tax bureau's approval are deferred and credited to the income statement and amortised on a straight-line basis over the estimated useful lives of the related purchased equipment.

REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED INTERIM FINANCIAL INFORMATION OF ZPMC

The following is a text of a report received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

REPORT ON THE UNAUDITED INTERIM FINANCIAL INFORMATION OF ZPMC TO THE DIRECTORS OF CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED

Introduction

We have been instructed by China Communications Construction Company Limited (the ''Company'') to review the unaudited interim financial information of Shanghai Zhenhua Port Machinery Co., Ltd. (''ZPMC'') and its subsidiaries (collectively the ''ZPMC Group'') set out on pages IV-1 to IV-9 which comprises audited balance sheet as at 31 December 2005, unaudited balance sheet as at 30 September 2006, unaudited income statements for the three and the nine months ended 30 September 2005 and 2006, unaudited cash flow statements for the nine months ended 30 September 2005 and 2006 and the notes to these unaudited interim financial information (collectively referred to as the ''PRC Interim Financial Information'').

Respective responsibilities of the directors of ZPMC and the Company and accountants

The PRC Interim Financial Information is prepared based on the unaudited interim financial statements of ZPMC. The China Securities Regulatory Commission of the People's Republic of China (the ''PRC'') requires enterprises whose securities are listed on any stock exchange in the PRC to prepare interim financial statements, which comply with Accounting Standard for Business Enterprises — ''Interim Financial Reporting'' issued by the Ministry of Finance of the PRC and the relevant provisions thereof. The interim financial statements are the responsibility of, and have been approved by, the directors of ZPMC. The PRC Interim Financial Information is the responsibility of the Company's directors.

It is our responsibility to form an independent conclusion, based on our review, on the PRC Interim Financial Information.

Review work performed

We conducted our review with reference to Statement of Auditing Standards 700 ''Engagements to review interim financial reports'' issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of management of ZPMC Group and the Company, and applying analytical procedures to the PRC Interim Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the PRC Interim Financial Information.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the PRC Interim Financial Information for the three and nine months ended 30 September 2005 and 2006.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 1 December 2006

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this Prospectus received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 30 September 2006 of the property interests of the Group. As described in section ''Documents Delivered to the Registrar of Companies and Available for Inspection'' in Appendix XI, a copy of the full valuation report will be made available for public inspection.

Sallmanns 西門

Corporate valuation and consultancy
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1 December 2006

The Board of Directors
China Communications Construction Company Limited
No. 88C, An Ding Men Wai Street,
Dongcheng District, Beijing 100011
Beijing
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the properties in which China Communications Construction Company Limited (the ''Company'') and its subsidiaries (hereinafter together referred to as the ''Group'') have interests in the People's Republic of China (the ''PRC''), Hong Kong and overseas countries, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2006 (the ''date of valuation'').

We have categorized the property interests of the Group into 6 main groups and 41 sub-groups where the properties in Group I (sub-groups 1 to 31) and Group II (sub-groups 32 to 37) are classified according to the names of the Company and its directly controlled subsidiaries. The remaining properties are classified according to the nature or location of the properties of the Group. The property interests of each sub-group are occupied by a directly controlled subsidiary and its subsidiaries in the PRC, Hong Kong, Macau and overseas countries.

Our valuations of the property interests represent the market value which we would define as intended to mean ''the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion''.

Land

The concept of freehold and leasehold land does not exist in China. Private land ownership in China was abolished in the collectivization movement during the 1950's. Since then, the only form of ownership in land has been ''socialist public ownership''of which there are two generic types: state-owned and collectively owned. Land was ''allocated'' free of charge by the state to the designated users (commonly state-owned enterprises) for an indefinite period (''allocated land''). The users in return could not in any way transfer the land to other parties. Normally, when dealing with the valuation of such land, we will deem it to have ''no commercial value''.

In January 1995, the ''PRC, Administration of Urban Real Property Law'' came into effect, reinforcing previous legislation and establishing land as a commodity. By possessing ''land use rights'' users, including state-owned enterprises, could assign, lease or mortgage land. Normally, to obtain such land use rights, a premium had to be paid whereupon the allocated land could be reclassified as ''granted'' land. The land is granted by the State and the premium is based upon the standard land prices (which are periodically reviewed) set by the Land Administration Bureau. Such land can be valued by reference to the standard land prices in each locality and prices paid in the market for it.

In occasional cases on a discretionary basis, allocated land held by certain state-owned enterprises can be injected by the State to those enterprises as capital investment for incorporation into a joint stock company in return for shares. Such land we have termed ''State-capital-injection land'' (作價出資土地). After the injection, the land use rights of the State-capital-injection land of specified tenure terms will be held by the joint stock company and a new relevant Land Use Rights Certificate will be issued to the joint stock company. The joint stock company may transfer, lease and mortgage the land use rights in accordance with the relevant land regulations and laws of the PRC in relation to granted land use rights.

We have valued the property interests in portions of Group I and Group II by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the properties in portions of Group I in the PRC, there are no market sales comparables readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as ''the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization.'' It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

We have valued the property interests in Group III and Group IV by the investment method by capitalizing the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary values of the properties.

We have attributed no commercial value to the property interests in Group V and Group VI which are leased by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

As at the date of valuation, the Group holds 318 parcels of land with an aggregate site area of approximately 8,573,970.86 sq.m. in the PRC. Among them, 76 parcels of land with an aggregate site area of approximately 2,551,351.52 sq.m. are granted land with Land Use Rights Certificates (''LURCs''), 220 parcels of land with an aggregate site area of approximately 4,378,970.84 sq.m. are allocated land with LURCs; 12 parcels of land with an aggregate site area of approximately 95,031 sq.m. are contracted to be granted or will be contracted to be granted to the Group; and 8 parcels of land with an aggregate site area of approximately 1,466,479.6 sq.m. do not have proper title certificates; a parcel of land with a site area of approximately 36,110.1 sq.m. is acquired by auction and the remaining parcel of land with a site area of approximately 46,027.8 sq.m. is allocated land and will be requisitioned by the local authorities. Save for the aforesaid land, the Group also leases 29 parcels of land with an aggregate site area of approximately 2,792,407.89 sq.m. from various independent third parties. The Group currently holds 2,204 buildings or units in the PRC. Among them, 1,659 buildings or units with an aggregate gross floor area of approximately 1,651,983.24 sq.m. have obtained Building Ownership Certificates (''BOCs'') or Real Estate Title Certificates (''RETCs'') and the remaining 545 buildings or units with an aggregate gross floor area of approximately 599,601.35 have not obtained BOCs or RETCs.

The Group currently also owns 17 parcels of land with an aggregate site area of approximately 95,546.16 sq.m. and 130 buildings or units with an aggregate floor area of approximately 23,045.96 sq.m. in Hong Kong and various overseas countries.

The Group also leases 173 properties in PRC. Among them, 100 properties with an aggregate gross floor area of approximately 52,360.34 sq.m. are leased from various independent third parties and 73 properties with an aggregate gross floor area of approximately 113,812.28 sq.m. are leased from China Communications Construction Group (Limited) (''CCCG'' or the ''Parent Company''). The Group also leases 31 properties with an aggregate floor area of approximately 11,990.96 sq.m. in various overseas countries.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests of the Group in Hong Kong held under the Government Lease expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, except for those in respect of which a waiver has been applied and granted in respect of paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance and Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

As the Company is in compliance with paragraph 3(b) of Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the Company has obtained a waiver to exclude the full details of the individual leased properties from the valuation certificates in our valuation report in this prospectus. A summary of the property interests covered by this exemption is included in the Summary of Values and the Valuation Certificates for Leased Properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have caused searches to be made at the Hong Kong Land Registry in respect of Hong Kong Properties and have caused searches on the title ownership in respect of overseas properties if available. We have been shown copies of various title documents including Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal advisers — Beijing Jia Yuan Law Office, concerning the validity of the Group's titles to the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). Where necessary, the exchange rates adopted in our valuation are approximately HK$1 = RMB1.02, BIF1,068 = US$1, KSH72 = US$1, Yen14.86 = RMB1, RM1 = RMB2.1511, THB1 = RMB0.2144 and USD$1 = RMB7.0987, being the prevailing exchange rates as at the date of valuation.

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: *Paul L. Brown is a Chartered Surveyor who has 23 years' experience in the valuation of properties in the PRC and 26 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
1.	3 office units held by the Company in Beijing, Shanghai and Sinkiang Uygur Autonomous Region The PRC	9,198,000	9,198,000
2.	Various properties held by First Highway Engineering Bureau Co. Ltd. and its subsidiaries in Beijing, Tianjin, Fujian Province and Jiangsu Province The PRC	102,316,000	102,001,000
3.	Various properties held by CRBC International Co. Ltd. and its subsidiaries in Xi'an Shaanxi Province The PRC	No commercial value	No commercial value
4.	5 office units held by The Bridge Technology Co. Ltd. and its subsidiaries in Beijing and Hubei Province The PRC	14,936,000	12,403,000
5.	Various properties held by Water Transportation Planning and Design Institute Co. Ltd. and its subsidiaries in Beijing, Guangdong Province, Liaoning Province and Hainan Province The PRC	59,780,000	59,780,000
6.	Various properties held by Highway Planning and Design Institute Co. Ltd. and its subsidiaries in Beijing, Guangdong Province, Yunnan Province and Sichuan Province The PRC	144,967,000	132,854,000
7.	Various properties held by China Highway Engineering Consulting Co. Ltd. and its subsidiaries in Beijing, Hainan Province and Hubei Province The PRC	35,165,000	28,031,000
8.	A property held by China Highway Vehicle and Machinery Co. Ltd. in Beijing The PRC	7,031,000	7,031,000

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
9.	Various properties held by First Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Tianjin, Shanghai, Jiangsu Province, Shandong Province, Liaoning Province and Hebei Province The PRC	1,075,067,000	1,072,048,000
10.	Various properties held by Tianjin Dredging Co. Ltd. and its subsidiaries in Tianjin, Hainan Province, Hebei Province, Shandong Province and Guangdong Province The PRC	373,423,000	373,423,000
11.	Various properties held by First Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Tianjin, Guangdong Province and Fujian Province The PRC	70,864,000	70,864,000
12.	Various properties held by Tianjin Zhenhua Logistics Group Co. Ltd. and its subsidiaries in Tianjin, Guangdong Province and Fujian Province The PRC	307,737,000	126,441,000
13.	3 units held by Tianjin Industrial & Trading Co. Ltd. in Tianjin The PRC	2,754,000	2,754,000
14.	Various properties held by Shanghai Port Machinery Plant Co. Ltd. and its subsidiaries in Shanghai and Jiangsu Province The PRC	22,263,000	20,973,000
15.	Various properties held by Shanghai Zhenhua Port Machinery Company Limited in Jiangsu Province and Shanghai The PRC	1,088,375,000	461,304,000
16.	Jiangtian Mansion held by Shanghai Jiangtian Business Co. Ltd. in Shanghai The PRC	228,367,000	228,367,000
17.	Various properties held by Third Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Shanghai, Zhejiang Province, Jiangsu Province, Guangdong Province and Fujian Province The PRC	95,330,000	95,330,000

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
18.	Various properties held by Shanghai Dredging Co. Ltd. and its subsidiaries in Shanghai, Jiangsu Province and Zhejiang Province The PRC	436,144,000	436,144,000
19.	Various properties held by Third Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Shanghai, Guangdong Province, Fujian Province, Hainan Province, Jiangsu Province and Zhejiang Province The PRC	785,416,000	782,517,000
20.	Various properties held by Fourth Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Guangdong Province, Fujian Province, Hainan Province and Hunan Province The PRC	550,824,000	500,720,000
21.	Various properties held by Guangzhou Dredging Co. Ltd. and its subsidiaries in Guangdong Province, Fujian Province, Hainan Province and Hunan Province The PRC	361,286,000	361,286,000
22.	Various properties held by Fourth Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Guangdong Province, Guangxi Province, Fujian Province and Hainan Province The PRC	60,100,000	60,100,000
23.	6 residential units held by Foshan Sihang Guangming Expressway Co. Ltd. in Guangdong Province The PRC	No commercial value	No commercial value
24.	Various properties held by Second Highway Engineering Bureau Co. Ltd. and its subsidiaries in Shanxi Province, Jiangsu Province and Hubei Province The PRC	181,682,000	155,744,000
25.	Various properties held by First Highway Survey & Design Institute Co. Ltd. and its subsidiaries in Chongqing, Shanxi Province, Jiangsu Province, Guangdong Province, Sinkiang Uygur Autonomous Region and Tibet Autonomous Region The PRC	187,976,000	147,497,000

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
26.	Various properties held by Second Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Chongqing, Shanghai, Hubei Province, Hainan Province, Guangdong Province, Jiangsu Province, Anhui Province, Guangxi Zhuang Autonomous Region and Hunan Province The PRC	356,605,000	356,425,000
27.	Various properties held by Second Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Hubei Province, Fujian Province and Guangdong Province The PRC	46,174,000	46,174,000
28.	Various properties held by Second Highway Survey & Design Institute Co. Ltd. and its subsidiaries in Chongqing, Hubei Province, Fujian Province, Jiangsu Province and Zhejiang Province The PRC	100,241,000	100,241,000
29.	Various properties held by Azingo Limited and its subsidiaries in Tianjin and Guangdong Province The PRC	165,582,000	165,441,000
30.	14 properties held by China Habour Engineering Co. Ltd. and its subsidiaries in Guangdong Province The PRC	6,036,000	5,800,000
31.	Various properties held by China Road and Bridge Engineering Co. Ltd. and its subsidiaries in Shanghai and Guangdong Province The PRC	164,583,000	164,583,000
	Sub-total:	**7,040,222,000**	**6,085,474,000**

GROUP II — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN HONG KONG, MACAU AND OVERSEAS COUNTRIES

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
32.	Various properties held by First Highway Engineering Bureau Co. Ltd. in Bujumbura, Burundi	1,256,000	1,256,000
33.	Various properties held by China Habour Engineering Co. Ltd. in Hong Kong, Macau, Malaysia and Thailand	273,496,000	251,941,000
34.	Various properties held by China Road and Bridge Engineering Co. Ltd. in Hong Kong, Macau, Kenya and Rwanda	87,995,000	87,995,000
35.	A property held by Chuwa Bussan Co. Ltd. in Tokyo, Japan	9,690,000	7,268,000
36.	Various properties held by Fourth Navigational Engineering Bureau Co. Ltd. in Macau	8,719,000	8,175,000
37.	Various properties held by Fourth Navigational Engineering Design Institute Co. Ltd. in Macau	1,926,000	1,926,000
	Sub-total:	**383,082,000**	**358,561,000**

GROUP III — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
38.	Various properties held by the Group in the PRC	552,819,000	428,697,000
	Sub-total:	**552,819,000**	**428,697,000**

GROUP IV — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 30 September 2006	Capital value attributable to the Group as at 30 September 2006
		RMB	RMB
39.	Various properties held by the Group in Hong Kong	102,300,000	102,300,000
	Sub-total:	**102,300,000**	**102,300,000**

GROUP V — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2006
		RMB
40.	173 leased properties located in the PRC	No commercial value
	Sub-total:	**Nil**

GROUP VI — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN OVERSEAS COUNTRIES

No.	Property	Capital value in existing state as at 30 September 2006
		RMB
41.	31 leased properties located in Singapore, Philippines, Untied Arab Emirates, Burma, Sudan, Bengal, Lebanon, Angora, Ethiopia, Yemen, Vietnam, Malaysia and Kirghizia	No commercial value
	Sub-total:	**Nil**

	Capital value attributable to the Group as at 30 September 2006
	RMB
Total:	**6,975,032,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
1.	3 office units held by the Company in Beijing, Shanghai and Sinkiang Uygur Autonomous Region The PRC	The property comprises 3 office units completed in various stages between 1991 and 2002. The property has a total gross floor area of approximately 1,138.17 sq.m.	The property is currently occupied by the Group for office purpose.	9,198,000 Interest attributable to the Group: RMB9,198,000

Notes:

1. Pursuant to various BOCs and a RETC, the Group has obtained the building ownership rights and the relevant land use rights for the property with a total gross floor area of approximately 1,138.17 sq.m.

2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the property is legally owned by the Group and the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the property under the PRC laws without paying any extra costs and expenses to relevant authorities;

   b. the Group is applying for changing the registered name on the BOCs and RETC to the Company. There is no material legal impediment to finish this procedure; and

   c. the property is not subject to mortgage and any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
2.	Various properties held by First Highway Engineering Bureau Co. Ltd. and its subsidiaries in Beijing, Tianjin, Fujian Province and Jiangsu Province The PRC	The properties comprise 6 parcels of land with a total site area of approximately 149,294.10 sq.m. on which are constructed 64 buildings or units with a total gross floor area of approximately 47,686.96 sq.m. and various structures and also comprise 3 units with a total gross floor area of approximately 1,022.39 sq.m. These buildings or units were completed in various stages between 1977 and 2004 with a total gross floor area of approximately 48,709.35 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, office and other ancillary facility purposes.	102,316,000 Interest attributable to the Group RMB102,001,000

Use	Area (sq.m.)
Office	15,680.01
Production	5,800.43
Residential	12,117.16
Ancillary	15,111.75
Total:	48,709.35

Notes:

1. First Highway Engineering Bureau Co. Ltd is a 100% owned subsidiary of the Company.
2. Pursuant to various Building Purchase Contracts and Land Use Rights Grant Contracts dated in various stages between 2002 and 2004, 2 units with a total gross floor area of approximately 816.29 sq.m. and a parcel of land with a site area of approximately 5,553 sq.m. were purchased at a total consideration of RMB2,210,896.
3. Among the 6 parcels of land, 3 parcels of land with a total site area of approximately 29,658.2 sq.m. are granted land with LURCs; 3 parcels of land with a total site area of approximately 119,635.90 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
4. Pursuant to various BOCs, the Group has obtained the building ownership rights for 58 buildings with a total gross floor area of approximately 43,220.42 sq.m.
5. For the remaining 9 buildings or units with a total gross floor area of approximately 5,488.93 sq.m, we have not been provided with any title certificates.
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;
   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and

regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

d. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to First Highway Engineering Bureau Co Ltd and its subsidiaries. There is no material legal impediment to finish this procedure; and

e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to the buildings or units without title certificates. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) or units as at the date of valuation would be RMB7,974,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
3.	Various properties held by CRBC International Co. Ltd. and its subsidiaries in Xi'an Shaanxi Province The PRC	The properties comprise 3 parcels of leased land with a total site area of approximately 94,064.48 sq.m. on which are constructed 35 buildings with a total gross floor area of approximately 44,306.22 sq.m. and various structures and also comprise 3 units with a total gross floor area of approximately 2,830.65 sq.m. These buildings or units were completed in various stages between 1954 and 2002 with a total gross floor area of approximately 47,136.87 sq.m. Details of uses and gross floor areas of the properties are listed as follows: Use — Area (sq.m) Office — 4,641.56 Production — 31,236.15 Storage — 7,513.70 Ancillary — 3,745.46 Total: — 47,136.87	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purposes except for a portion of the properties which is rented to an independent third party. (Refer to note 5)	No commercial value

Notes:

1. CRBC International Co. Ltd. is a 64.07% owned subsidiary of the Company.

2. Pursuant to a Land Use Rights Tenancy Agreement, the land use rights of a parcel of land with a site area of approximately 80,063.48 sq.m of which is provided with LURC were leased for a term commencing from 2 January 2001 and expiring on 1 January 2010 at an annual rental of RMB36 per sq.m. for industrial use.

   Pursuant to 2 Land Use Rights Tenancy Agreements, the land use rights of 2 parcels of land with a total site area of approximately 14,001 sq.m were leased to the Group for a term of a year expiring on 1 December 2006 at a total annual rental of RMB71,500 for industrial use.

3. Pursuant to various BOCs, the Group has obtained the building ownership rights for 31 buildings or units with a total gross floor area of approximately 30,786.9 sq.m.

4. For the remaining 7 buildings of the properties with a total gross floor area of approximately 16,349.97 sq.m, we have not been provided with any title certificates.

5. Pursuant to a Tenancy Agreement, an industrial building with a gross floor area of approximately 2,830.65 sq.m has been rented to various independent third parties for a term commencing from 8 October 2004 and expiring on 19 June 2011 at a total annual rental of RMB700,000 for production use.

6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. for the leased land, among them, a parcel of land which is provided with LURC can legally be used under the Land Lease agreement while for the remaining 2 parcels of land of which the lessor cannot provide with LURCs, CCCG has undertaken to indemnify the Group against any losses, taxes and claims arising from dispute of using the leased land in order to ensure the normal operation of the Group; and

   b. for the buildings or units with BOCs, the Group has the rights to transfer, donate, lease mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

7. In valuing the properties, we have attributed no commercial value to them for the nature of leased land. However, for reference purposes, we are of the opinion that the capital value of the buildings (excluding the land) as at the date of valuation would be RMB45,863,000 assuming all relevant title certificates have been obtained and the buildings can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
4.	5 office units held by The Bridge Technology Co. Ltd. and its subsidiaries in Beijing and Hubei Province The PRC	The property comprises an office unit on Level 20 of a 29-storey building and 4 office units on Levels 6 of a 14-storey building completed in 2004 and 2005 respectively . The property has a total gross floor area of approximately 2,098.91 sq.m.	The property is currently occupied by the Group for office purpose.	14,936,000 Interest attributable to the Group: RMB12,403,000

Notes:

1. The Bridge Technology Co. Ltd. is a 88% owned subsidiary of the Company.

2. Pursuant to various Building Purchase Contracts dated in various stages between 2004 and 2005, various units with a total gross floor area of approximately 2,098.91 sq.m. were purchased at a total consideration of RMB14,803,000.

3. Pursuant to 2 LURCs, the land use rights of the property with a total apportioned land area of approximately 247.96 sq.m. have been granted for various terms expiring on 13 June 2052 and 31 July 2041 for commercial or composite use.

4. Pursuant to 2 BOCs, the Group has obtained the building ownership rights for the property with a total gross floor area of approximately 2,098.91 sq.m.

5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the property are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the property in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the property under the PRC laws without paying any extra costs and expenses to relevant authorities; and

   c. the property is not subject to any mortgage or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
5.	Various properties held by Water Transportation Planning and Design Institute Co. Ltd. and its subsidiaries in Beijing, Guangdong Province, Liaoning Province and Hainan Province The PRC	The properties comprise a parcel of land with a site area of approximately 5,379.27 sq.m. on which are constructed 10 buildings or units with a total gross floor area of approximately 8,875.9 sq.m. and also comprise 13 units with a total gross floor area of approximately 1,071 sq.m. These buildings or units were completed in various stages between 1953 and 1999 with a total gross floor area of approximately 9,946.90 sq.m. Details of uses and gross floor areas of the properties are listed as follows: Use — Area (sq.m.) Office — 8,460.10 Residential — 704.00 Storage — 73.00 Ancillary — 709.80 Total: — 9,946.90	The properties are currently occupied by the Group for office, residential storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. (Refer to note 4)	59,780,000 Interest attributable to the Group: RMB59,780,000

Notes:

1. Water Transportation Planning and Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. A parcel of land with a site area of approximately 5,379.27 sq.m. is allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 23 buildings or units with a total gross floor area of approximately 9,946.90 sq.m.
4. Pursuant to 11 Tenancy Agreements, portions of the properties with a total gross floor area of approximately 866 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB370,800 for residential or office use.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;
   b. the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities;

c. the Group is applying for changing the registered names on the BOCs and RETCs to Water Transportation Planning and Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

d. the properties are not subject to any mortgage or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
6.	Various properties held by Highway Planning and Design Institute Co. Ltd. and its subsidiaries in Beijing, Guangdong Province, Yunnan Province and Sichuan Province The PRC	The properties comprise a parcel of land with a site area of approximately 7,577.55 sq.m. on which are constructed 11 buildings or units with a total gross floor area of approximately 16,225 sq.m. and also comprise 6 units and 6 car park spaces with a total gross floor area of approximately 3,241.34 sq.m. These buildings or units and 6 car park spaces were completed in various stages between 1949 and 2004 with a total gross floor area of approximately 19,466.34 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office — 17,417.44 Ancillary — 2,048.90 Total: — 19,466.34	The properties are currently occupied by the Group for office and other ancillary facility purposes except for portions of the properties are rented to various independent third parties. (Refer to note 6)	144,967,000 Interest attributable to the Group: RMB132,854,000

Notes:

1. Highway Planning and Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to a Building Purchase Contract dated in 2004, various units with a total gross floor area of approximately 2,031.74 sq.m. were purchased at a total consideration of RMB20,178,052.
3. Pursuant to a LURC, the land use rights of a parcel of land with a site area of approximately 7,577.55 sq.m are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 17 buildings or units with a total gross floor area of approximately 19,174.14 sq.m.
5. For the remaining 6 car park spaces with a gross floor area of approximately 292.2 sq.m, we have not been provided with any title certificates.
6. Pursuant to 6 Tenancy Agreements, portions of the properties with a total gross floor area of approximately 370.64 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB306,887.14 for office use.
7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the State-capital-injection Land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the State-capital injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

b. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

c. the Group is applying for changing the registered names on the LURC and BOCs or RECTs to Highway Planning and Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

d. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to the 6 car park spaces without title certificates. However, for reference purposes, we are of the opinion that the capital value of them as at the date of valuation would be RMB1,500,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
7.	Various properties held by China Highway Engineering Consulting Co. Ltd. and its subsidiaries in Beijing, Hainan Province and Hubei Province The PRC	The properties comprise 23 units and 2 car park spaces completed in various stages between 1993 and 2004 with a total gross floor area of approximately 9,316.35 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office 8,947.50 Residential 235.85 Ancillary 133.00 Total: 9,316.35	The properties are currently occupied by the Group for office, residential and other ancillary facility purposes.	35,165,000 Interest attributable to the Group: RMB28,031,000

Notes:

1. China Highway Engineering Consulting Co. Ltd. is a 100% owned subsidiary of the Company.

2. Pursuant to various Building Purchase Contracts dated in various stages between 2002 and 2004, various units with a total gross floor area of approximately 5,834.6 sq.m. were purchased at a total consideration of RMB42,495,996.06.

3. Pursuant to various BOCs, the Group has obtained the building ownership rights for 13 units with a total gross floor area of approximately 3,966.4 sq.m;

4. For the remaining 10 units and 2 car park spaces with a total gross floor area of approximately 5,349.95 sq.m, we have not been provided with any title certificates.

5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. for the units with BOCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the units without BOCs, CCCG has undertaken to endeavor to apply for these title certificates, and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   b. the Group is applying for changing the registered names on the BOCs to China Highway Engineering Consulting CO. Ltd. and it subsidiaries. There is no material legal impediment to finish this procedure; and

   c. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

6. In valuing the properties, we have attributed no commercial value to 10 units and 2 car park spaces without title certificates. However, for reference purposes, we are of the opinion that the capital value of them as at the date of valuation would be RMB53,256,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
8.	A property held by China Highway Vehicle and Machinery Co. Ltd. in Beijing The PRC	The property comprises a parcel of land with a site area of approximately 4,494.1 sq.m. on which are constructed 7 buildings and various structures completed in various stages between 1990 and 1993 with a total gross floor area of approximately 2,883.50 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The property is currently occupied by the Group for office, storage and other ancillary facility purposes.	7,031,000 Interest attributable to the Group RMB7,031,000

Use	Area (sq.m.)
Office	2,611.80
Storage	33.10
Ancillary	238.60
Total:	2,883.50

Notes:

1. China Highway Vehicle and Machinery Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to a LURC, the land use rights of a parcel of land with a site area of approximately 4,494.1sq.m are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
3. Pursuant to a BOC, the Group has obtained the buildings ownership rights for 6 buildings with a total gross floor area of approximately 2,739.5 sq.m.
4. For the remaining building with a gross floor area of approximately 144.00 sq.m, we have not been provided with any title certificates.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, leases and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain the land use rights certificate for the Company;
   b. for the buildings with BOCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the building without BOC, CCCG has undertaken to endeavor to apply for the title certificate and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;
   c. the Group is applying for changing the registered names on the LURC and BOCs to China Highway Vehicle and Machinery Co. Ltd and its subsidiaries. There is no material legal impediment to finish this procedure; and
   d. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.
6. In valuing the properties, we have attributed no commercial value to a building without title certificate. However, for reference purposes, we are of the opinion that the capital value of it (excluding the land) as at the date of valuation would be RMB83,000 assuming all relevant title certificates have been obtained and it can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
9.	Various properties held by First Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Tianjin, Shanghai, Jiangsu Province, Shandong Province, Liaoning Province and Hebei Province The PRC	The properties comprise 47 parcels of land with a total site area of approximately 1,335,311.36 sq.m. on which are constructed 299 buildings or units with a total gross floor area of approximately 241,073.95 sq.m. and various structures and also comprise 25 units with a total gross floor area of approximately 10,549.06 sq.m. These buildings or units were completed in various stages between 1960 and 2005 with a total gross floor area of approximately 251,623.01 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purposes except for portions of the properties are rented to various independent third parties (Refer to note 6). The CIP building is currently under construction.	1,075,067,000 Interest attributable to the Group: RMB1,072,048,000

Use	Area (sq.m.)
Office	116,825.50
Commercial	252.00
Production	84,772.69
Residential	21,445.31
Storage	10,728.28
Ancillary	17,599.23
Total:	251,623.01

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
		The properties also comprise an industrial building and a structure which are still under construction as at the date of valuation (the ''CIP building''). The construction is scheduled to be completed in December 2006 and May 2007 respectively. The gross floor area of the CIP building upon completion will be approximately RMB18,000 sq.m. The total construction cost is estimated to be approximately RMB19,238,577, of which approximately RMB18,460,505 has been paid up to the date of valuation.		

Notes:

1. First Navigational Engineering Bureau Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to various Building Purchase Contracts and Land Use Rights Grant Contracts dated in various stages between 2003 to 2005, 7 units with a total gross floor area of approximately 4,401.72 sq.m. were purchased at a total consideration of RMB29,198,750.54.
3. Among the 47 parcels of land, 5 parcels of land with a total site area of approximately 205,772.2 sq.m. are granted land with LURCs; 37 parcels of land with a total site area of approximately 1,043,935.16 sq.m. are allocated land, the land use rights of which are proposed to be injected into the Company as injected capital in reorganization (''state-capital-injection land''); a parcel of land with a site area of approximately 46,027.8 sq.m. is allocated land but will not be injected into the Company as injected capital as this parcel of land will be requisitioned by the local authorities; and the remaining 4 parcels of land with a total site area of approximately 39,576.2 sq.m. are contracted to be granted.
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 291 buildings or units with a total gross floor area of approximately 227,627.68 sq.m.
5. For the remaining 33 buildings or units with a total gross floor area of approximately 23,995.33 sq.m, we have not been provided with any title certificates.
6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 12,703.56 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB5,293,695 for residential or office use.
7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;
   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;
   c. for the land of which is contracted to be granted, there will be no material impediment to obtain the LURCs after paying land premium under the grant contract.; and for the buildings with BOCs erected thereon, the Group has

the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities after obtaining the LURCs;

d. for the allocated land as well as the buildings with BOCs erected thereon of which will be requisitioned for local authorities, the interests of the Group will not be impaired as the Group will be indemnified by the local authorities;

e. for the remaining buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

f. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to First Navigational Engineer Bureau Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

g. the properties are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 33 buildings or units without title certificates, the contracted to be granted land and the requisitioned land. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) or units as at the date of valuation would be RMB76,244,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
10.	Various properties held by Tianjin Dredging Co. Ltd. and its subsidiaries in Tianjin, Hainan Province, Hebei Province, Shandong Province and Guangdong Province The PRC	The properties comprise 15 parcels of land with a total site area of approximately 491,583.56 sq.m. on which are constructed 86 buildings or units with a total gross floor area of approximately 47,495.09 sq.m. and also comprise 14 units with a total gross floor area of approximately 3,466.01 sq.m. These building or units were completed in various stages between 1970 and 2006 with a total gross floor area of approximately 50,961.10 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m)** Office 34,771.76 Production 3,040.52 Residential 2,070.00 Storage 3,565.57 Ancillary 7,513.25 Total: 50,961.10	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purposes except for portions of the properties are rented to various independent third parties. (Refer to note 6)	373,423,000 Interest attributable to the Group: RMB373,423,000

Notes:

1. Tianjin Dredging Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to 2 Building Purchase Contracts dated 1 April 2004, 2 units with a total gross floor area of approximately 269.1 sq.m. were purchased at a total consideration of RMB150,000.
3. 15 parcels of land with a total site area of approximately 491,583.56 sq.m. are allocated land and the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 81 buildings or units with a total gross floor area of approximately 45,397.85 sq.m.
5. For the remaining 19 buildings or units with a total gross floor area of approximately 5,563.25 sq.m, we have not been provided with any title certificates.
6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 4,462.38 sq.m. and a total site area of approximately 58,697.5 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB9,292,430 for storage, production and office uses.
7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

b. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

c. the Group is applying for changing the registered names on the BOCs to Tianjin Dredging Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

d. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 19 buildings or units without title certificates. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) or units as at the date of valuation would be RMB5,870,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
11.	Various properties held by First Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Tianjin, Guangdong Province and Fujian Province The PRC	The properties comprise 2 parcels of land with a site area of approximately 52,581.10 sq.m. on which are constructed 28 buildings with a total gross floor area of approximately 28,854.51 sq.m. and various structures and also comprise 17 units with a total gross floor area of approximately 1,580.68 sq.m. These building or units were completed in various stages between 1975 and 1997 with a total gross floor area of approximately 30,435.19 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purposes.	70,864,000 Interest attributable to the Group: RMB70,864,000

Use	Area (sq.m.)
Office	24,225.25
Production	1,103.45
Storage	1,885.22
Ancillary	3,221.27
Total:	30,435.19

Notes:

1. First Navigational Engineering Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. 2 parcels of land with a total site area of approximately 52,581.1 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 44 buildings or units with a total gross floor area of approximately 29,855.19 sq.m.
4. For the remaining building with a gross floor area of approximately 580.00 sq.m., we have not been provided with any title certificates.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;
   b. for the buildings with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company; and

c. the Group is applying for changing the registered names on the BOCs to First Navigational Engineering Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

d. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

6. In valuing the properties, we have attributed no commercial value to a building without title certificate. However, for reference purposes, we are of the opinion that the capital value of it (excluding the land) as at the date of valuation would be RMB333,000 assuming all relevant title certificate have been obtained and it can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
12.	Various properties held by Tianjin Zhenhua Logistics Group Co. Ltd. and its subsidiaries in Tianjin, Guangdong Province and Fujian Province The PRC	The properties comprise 14 parcels of land with a total site area of approximately 359,080.69 sq.m. on which are constructed 25 buildings or units with a total gross floor area of approximately 83,116.37 sq.m. and various structures and also comprise 23 units with a total gross floor area of approximately 5,743.56 sq.m. These building or units were completed in various stages between 1994 and 2005 with a total gross floor area of approximately 88,859.93 sq.m. Details of uses and gross floor areas of the properties are listed as follows: Use / Area (sq.m.) Office 53,321.08 Production 1,952.55 Residential 582.00 Storage 31,561.70 Ancillary 1,442.6 Total: 88,859.93 The properties also comprise a structure which is still under construction as at the date of valuation (the ''CIP structure''). The construction is scheduled to be completed in December 2006. The total construction cost is estimated to approximately RMB23,150,000, of which approximately RMB17,452,464 has been paid up to the date of valuation.	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purposes except for portions of the properties are rented to various independent third parties. (Refer to note 6). The CIP structure is currently under construction.	307,737,000 Interest attributable to the Group: RMB126,441,000

Notes:

1. Tianjin Zhenhua Logistics Group Co. Ltd. is a 100% owned subsidiary of the Company.

2. Pursuant to various Building Purchase Contracts and Land Use Rights Grant Contracts dated in various stages between 2002 to 2005, 17 units with a total gross floor area of approximately 5,254.71 sq.m. were purchased at a total consideration of RMB53,003,928.

3. Among 14 parcels of land, 11 parcels of land with a total site area of approximately 233,048.41 sq.m. are granted land with LURCs and 3 parcels of land with a total site area of approximately 126,032.28 sq.m. are leased from various independent third parties at a total annual rental of RMB672,161.4.

4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 31 buildings or units with a total gross floor area of approximately 63,175.83 sq.m.

5. For the remaining 17 buildings with a total gross floor area of approximately 25,684.1 sq.m, we have not been provided with any title certificates.

6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 2,357.53 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB2,239,702.21 for office use.

7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. for the leased land, as the lessor cannot provide with LURCs, CCCG has undertaken to indemnify the Group against any losses, taxes and claims arising from dispute of using the leased land in order to ensure the normal operation of the Group;

   c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company; and

   d. the properties are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 17 buildings without title certificates and the leased land as well as the CIP structure erected thereon. However, for reference purposes, we are of the opinion that the capital value of these buildings and the CIP structure (excluding the land) as at the date of valuation would be RMB79,744,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
13.	3 units held by Tianjin Industrial & Trading Co. Ltd. in Tianjin, The PRC	The property comprises 2 office units on Levels 9 and 10 of a 13-storey building and a residential unit on Level 6 of a 6-storey building completed in 1993 and 1996 respectively. The property has a total gross floor area of approximately 659.62 sq.m.	The property is currently occupied by the Group for office and residential purposes.	2,754,000 Interest attributable to the Group: RMB2,754,000

Notes:

1. Tianjin Industrial & Trading Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to 2 BOCs, the Group has obtained the building ownership rights for 3 units with a total gross floor area of approximately 659.62 sq.m.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the property under the PRC laws without paying any extra costs and expenses to relevant authorities;
   b. the Group is applying for changing the registered names on the BOCs to Tianjin Industrial & Trading Co. Ltd. There is no material legal impediment to finish this procedure; and
   c. the property is not subject to any mortgage or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
14.	Various properties held by Shanghai Port Machinery Plant Co. Ltd. and its subsidiaries in Shanghai and Jiangsu Province The PRC	The properties comprise 4 parcels of land with a total site area of approximately 661,277.60 sq.m. on which are constructed 7 buildings or units completed in various stages between 1989 and 2005 with a total gross floor area of approximately 1,243.00 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production and other ancillary facility purposes. The CIP building is currently under construction.	22,263,000 Interest attributable to the Group: RMB20,973,000

Use	Area (sq.m.)
Production	675.00
Ancillary	568.00
Total:	1,243.00

The properties also comprise an industrial building which is still under contruction (the ''CIP building''). The construction is scheduled to be completed in February 2007. The gross floor area of the CIP building upon completion will be approximately 186,800 sq.m. The total construction cost is estimated to be approximately RMB150,000,000, of which approximately RMB1,020,141 has been paid up to the date of the valuation.

Notes:

1. Shanghai Port Machinery Plant Co. Ltd. is a 100% owned subsidiary of the Company.

2. Among the 4 parcels of land, a parcel of land with a site area of approximately 45,176.8 sq.m. is granted land with LURC; a parcel of land with a site area of approximately 330 sq.m. is allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land''); a parcel of land with a site area of approximately 129,770.8 sq.m. is leased from an independent third party for a term at a annual rental of RMB1,968,404 and the remaining parcel of land with a site area of approximately 486,000 sq.m. has not obtained any title certificate.

3. Pursuant to a BOC, the Group has obtained the building ownership rights for a building with a gross floor area of approximately 294 sq.m.

4. For the remaining 6 buildings with a total gross floor area of approximately 949 sq.m, we have not been provided with any title certificates.

5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURC and the PRC laws;

   b. the land use rights of the state-capital-injected land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injected land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the leased land, as the lessor cannot provide with LURC, CCCG has undertaken to indemnify the Group against any losses, taxes and claims arising from dispute of using the leased land in order to ensure the normal operation of the Group;

   d. for the land without any title certificates, the Group has the rights to use the land under the PRC laws; CCCG has undertaken to endeavor to apply for the LURC under the names of the subsidiary of the Company. However, the land premium should be paid by the Group;

   e. for the building with BOC, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   f. the Group is applying for changing the registered names on the BOCs to Shanghai Port Machinery Plant Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

   g. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

6. In valuing the properties, we have attributed no commercial value to 6 buildings and the CIP building without title certificates and the leased land. However, for reference purposes, we are of the opinion that the capital value of these buildings and the CIP building (excluding the land) as at the date of valuation would be RMB75,301,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
15.	Various properties held by Shanghai Zhenhua Port Machinery Company Limited in Jiangsu Province and Shanghai The PRC	The properties comprise 34 parcels of land with a site area of approximately 4,599,113.43 sq.m. on which are constructed 157 buildings or units and various structures completed in various stages between 1994 and 2005 with a total gross floor area of approximately 656,150.26 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, residential, office, storage and other ancillary facility purposes.	1,088,375,000 Interest attributable to the Group: RMB461,304,000

Use	Area (sq.m.)
Office	8,834.00
Produce	411,491.14
Residential	87,248.40
Storage	16,879.00
Ancillary	131,697.72
Total:	656,150.26

The properties also comprise an industrial building which is still under construction (the ''CIP building''). The construction is scheduled to be completed in February 2007. The gross floor area of the CIP building upon completion will be approximately 34,020 sq.m. The total construction cost is estimated to be approximately RMB39,973,500, of which approximately RMB11,992,050 has been paid up to the date of valuation.

Notes:

1. Shanghai Zhenhua Port Machinery Company Limited is a 43.26% owned subsidiary of the Company.
2. Pursuant to a Land Use Rights Grant Contract dated 16 April 2002, a parcel of land with a site area of approximately 4,128.6 sq.m. were contracted to be granted at the land premium of RMB8,628,770.
3. Among the 34 parcels of land, 9 parcels of land with a total site area of approximately 1,220,991.5 sq.m. are granted land with RETCs; 2 parcels of land with a total site area of approximately 15,614 sq.m. are allocated land; 4 parcels of land with a total site area of approximately 960,872.6 sq.m. have not obtained any title certificates; 18 parcels of land with a total site area of approximately 2,397,642.33 sq.m. are leased from various independent third parties for

various terms at a total annual rental of RMB38,592,500; and the remaining parcel of land with a site area of approximately 3,993 sq.m. has not obtained proper title certificates and portions of which are allocated land and the remaining portions of which are granted land for various terms commencing from 17 February 1995 and 3 May 2001 and expiring on 16 February 2045 and 2 May 2051 respectively.

4. Pursuant to various RETCs and BOCs, the Group has obtained the building ownership rights for 87 buildings with a total gross floor area of approximately 357,732.94 sq.m.

5. For the remaining 70 buildings with a total gross floor area of approximately 298,417.32 sq.m, we have not been provided with any title certificates.

6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and PRC laws;

   b. for the land without proper title certificates or without any title certificates as well as the allocated land, the Group has the rights to use these lands under the PRC laws; CCCG has undertaken to endeavor to apply for these LURCs under the name of the Group. However, the land premium should be paid by the Group.

   c. for the leased land, among them, 12 parcels of land with a total site area of approximately 2,365,257,33 sq.m. are provided with LURCs can be legally used under the Land Lease agreements while for the remaining 4 parcels of land with a total site area of 32,385 sq.m. of which the lessor cannot provide with LURCs, CCCG has undertaken to indemnify the Group against any losses, taxes and claims arising from dispute of using the leased land in order to ensure the normal operation of the Group;

   d. for the buildings with BOCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of them under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company; and

   e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to 70 buildings without title certificates, the allocated land and the land without valid title certificates together with the buildings erected thereon. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) as at the date of valuation would be RMB438,680,000 assuming all relevant title certificate have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
16.	Jiangtian Mansion held by Shanghai Jiangtian Business Co. Ltd. in Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 6,732 sq.m. on which is constructed with a 24-storey commercial building completed in 1997 with a total gross floor area of approximately 26,934.82 sq.m.	The property is currently occupied by the Group for office, storage and other ancillary facility purposes except for portions of the property which is rented to various independent third parties. (Refer to note 3.)	228,367,000 Interest attributable to the Group: RMB228,367,000

Notes:

1. Shanghai Jiangtian Business Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to a RETC, the granted land use rights with a site area of approximately 6,732 q.m. and the building ownership rights of a building with a total gross floor area of approximately 26,934.82 sq.m. are owned by Shanghai Jiangtian Business Co. Ltd.
3. Pursuant to various Tenancy Agreements, portions of the property with a total gross floor area of approximately 2,844 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB2,095,558.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the property are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the RETC and the PRC laws;
   b. the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the property under the PRC laws without paying any extra costs and expenses to relevant authorities; and
   c. the property is not subject to any mortgage or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
17.	Various properties held by Third Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Shanghai, Zhejiang Province, Jiangsu Province, Guangdong Province and Fujian Province The PRC	The properties comprise 3 parcels of land with a total site area of approximately 8,693 sq.m. on which are constructed 2 buildings with a total gross floor area of approximately 15,156.62 sq.m. and various structures and also comprise 11 units with a total gross floor area of approximately 1,800.66 sq.m. These buildings or units were completed in various stages between 1983 and 2005 with a total gross floor area of approximately 16,957.28 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office 10,109.79 Residential 1,800.66 Storage 5,046.83 Total: 16,957.28	The properties are currently occupied by the Group for office, residential and storage purposes.	95,330,000 Interest attributable to the Group: RMB95,330,000

Notes:

1. Third Navigational Engineering Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. 2 parcels of land with a total site area of approximately 8,373 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization(''state-capital-injection land''); and the remaining parcel of land with a site area of approximately 320 sq.m. is leased from an independent third party for a term at an annual rental of RMB67,850.
3. Pursuant to various RETCs or BOCs, the Group has obtained the building ownership rights for 12 buildings or units with a total gross floor area of approximately 16,638.17 sq.m.
4. For the remaining unit with a gross floor area of approximately 319.11 sq.m, we have not been provided with any title certificates.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   b. for the leased land, as the lessor cannot provide with LURC, CCCG has undertaken to indemnify the Group against any losses, taxes and claims arising from dispute of using the leased land in order to ensure the normal operation of the Group;

c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the unit without RETC, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

d. the Group is applying for changing the registered names on the BOCs to Third Navigational Engineering Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to a unit without title certificates. However, for reference purposes, we are of the opinion that the capital value of the unit as at the date of valuation would be RMB2,074,000 assuming all relevant title certificates have been obtained and the unit can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
18.	Various properties held by Shanghai Dredging Co. Ltd. and its subsidiaries in Shanghai, Jiangsu Province and Zhejiang Province The PRC	The properties comprise 28 parcels of land with a total site area of approximately 384,005.18 sq.m. on which are constructed 167 buildings or units with a total gross floor area of approximately 97,302.11 sq.m. and various structures and also comprise 14 units with a total gross floor area of approximately 1,664.17 sq.m. These buildings or units were completed in various stages between 1965 and 2006 with a total gross floor area of approximately 98,966.28 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purpose except for portions of the properties which are rented to various independent third parties. (Refer to note.6).	436,144,000 Interest attributable to the Group: RMB436,144,000

Use	Area (sq.m.)
Office	33,734.03
Production	38,784.32
Commercial	41.10
Residential	1,764.86
Storage	15,409.61
Ancillary	9,232.36
Total:	98,966.28

Notes:

1. Shanghai Dredging Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to various Building Purchase Contracts and Land Use Rights Grant Contracts dated in various stages between 2003 to 2006, 3 units with a total gross floor area of approximately 346.89 sq.m. and a parcel of land with a site area of approximately 22,028 sq.m. were purchased or granted at a total consideration of RMB941,697.
3. Among the 28 parcels of land, 2 parcels of land with a total site area of approximately 22,994 sq.m. are granted land with LURCs and 26 parcels of land with a total site area of approximately 361,011.18 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 168 buildings or units with a total gross floor area of approximately 94,929.81 sq.m.
5. For the remaining 13 buildings with a total gross floor area of approximately 4,036.47 sq.m, we have not been provided with any title certificates.
6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 10,849.48 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB4,885,200 for residential and office uses.

7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   d. the Group is applying for changing the registered names on the LURCs and BOCs to Shanghai Dredging Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

   e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 13 buildings without title certificates. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) as at the date of valuation would be RMB8,815,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
19.	Various properties held by Third Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Shanghai, Guangdong Province, Fujian Province, Hainan Province, Jiangsu Province and Zhejiang Province The PRC	The properties comprise 49 parcels of land with a site area of approximately 928,658.79 sq.m. on which are constructed 326 buildings or units with a total gross floor area of approximately 244,527.6 sq.m. and various structures and also comprise 13 units with a total gross floor area of approximately 2,401.71 sq.m. These buildings or units were completed in various stages between 1958 and 2005 with a total gross floor area of approximately 246,929.31 sq.m. Details of uses and gross floor areas of the properties are listed as follows: Use — Area (sq.m.) Office — 88,202.11 Production — 82,526.57 Residential — 6,854.69 Storage — 12,664.81 Ancillary — 56,681.13 Total: — 246,929.31	The properties are currently occupied by the Group for production, residential, office, storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties.(Refer to note 5).	785,416,000 Interest attributable to the Group: RMB782,517,000

Notes:

1. Third Navigational Engineering Bureau Co. Ltd. is a 100% owned subsidiary of the Company.
2. Among the 49 parcels of land, 2 parcels of land with a total site area of approximately 87,080 sq.m. are granted land with LURCs; 46 parcels of land with a total site area of approximately 837,653.79 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land''); the remaining parcel of land with a site area of approximately 3,925 sq.m. is allocated land and will be contracted to be granted.
3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 177 buildings or units with a total gross floor area of approximately 165,483.57 sq.m.
4. For the remaining 162 buildings or units with a total gross floor area of approximately 81,445.74 sq.m, we have not been provided with any title certificates.
5. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 26,364.77 sq.m. and a total site area of approximately 12,962 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB5,710,255.15 for office and storage uses.

6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the land of which is allocated land and will be contracted to be granted, there will be no material legal impediment to obtain the LURC after entering into the grant contract and paying land premium; and for the buildings with BOCs erected thereon, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities after obtaining the LURCs;

   d. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   e. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to Third Navigational Engineering Bureau Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

   f. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to 162 buildings or units without title certificates and the allocated land. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) or units as at the date of valuation would be RMB77,194,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
20.	Various properties held by Fourth Navigational Engineering Bureau Co. Ltd. its subsidiaries in Guangdong Province, Fujian Province, Hainan Province and Hunan Province The PRC	The properties comprise 69 parcels of land with a total site area of approximately 1,183,901.3 sq.m. on which are constructed 256 buildings or units with a total gross floor area of approximately 156,582.01 sq.m. and various structures and also comprise 36 buildings or units with a total gross floor area of approximately 14,171.74 sq.m. These buildings or units were completed in various stages between 1965 and 2005 with a total gross floor area of approximately 170,753.75 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, residential, office, storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. (Refer to note 6).	550,824,000 Interest attributable to the Group RMB550,720,000

Use	Area (sq.m.)
Office	50,979.08
Commercial	8,298.54
Production	20,904.60
Residential	25,116.91
Storage	18,125.78
Ancillary	47,328.84
Total:	170,753.75

Notes:

1. Fourth Navigational Engineering Bureau Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to various Building Purchase Contracts dated in various stages between 2004 to 2005, 13 units with a total gross floor area of approximately 2,109.46 sq.m. were purchased at a total consideration of RMB7,756,310.
3. Among the 69 parcels of land, 20 parcels of land with a total site area of approximately 247,172.95 sq.m. are granted land with LURCs; 45 parcels of land with a total site area of approximately 889,772.35 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization(''state-capital-injection land''); a parcel of land with a site area of approximately 2,378 sq.m. is contracted to be granted and the remaining 3 parcels of land with a total site area of approximately 44,578 sq.m. are leased from various third independent third parties for terms at a total annual rental of RMB800,348.85.
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 191 buildings or units with a total gross floor area of approximately 107,886.95 sq.m.
5. For the remaining 101 buildings or units with a total gross floor area of approximately 62,866.8 sq.m, we have not been provided with any title certificates.
6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 64,119.73 sq.m. and a total site area of approximately 188,523.88 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB5,712,000 for residential and office uses.

7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the land of which is contracted to be granted, there will be no material legal impediment to obtain the LURCs after paying land premium under the grant contract; and for the buildings with BOCs erected thereon, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities after obtaining the LURCs;

   d. for the lease land, among them, a parcel of land with a site area of approximately 4,250 sq.m. of which is provided with LURC can legally been used under the land lease agreement while for the remaining 2 parcels of land of which the lessor cannot provide with LURCs, CCCG has undertaken to indemnify the Group against any losses, taxes and claims arising from dispute of using the leased land in order to ensure the normal operation of the Group;

   e. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units (except the mortgaged building stated in note 7(g) subject to the consent of mortgagee) under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   f. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to Fourth Navigational Engineering Bureau Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

   g. pursuant to a mortgage contract, the building ownership rights of an office building with a gross floor area of approximately 5,682.66 sq.m. are subject to a mortgage of RMB5,000,000 in favour of Guangzhou Haizhu Branch of China Merchants Bank Co. Ltd., save for the aforesaid situation, the remaining properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 101 buildings or units without title certificates, the land without LURCs and the leased land. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) or units as at the date of valuation would be RMB35,681,000 assuming all relevant title certificates had been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
21.	Various properties held by Guangzhou Dredging Co. Ltd. and its subsidiaries in Guangdong Province, Fujian Province, Hainan Province and Hunan Province The PRC	The properties comprise 6 parcels of land with a total site area of approximately 373,330.45 sq.m. on which are constructed 51 buildings or units with a total gross floor area of approximately 34,905.32 sq.m. and various structures and also comprise 18 units with a total gross floor area of approximately 11,753.71 sq.m. These buildings or units were completed in various stages between 1972 and 2006 with a total gross floor area of approximately 46,659.03 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, office, residential storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. (Refer to note 6).	361,286,000 Interest attributable to the Group: RMB361,286,000

Use	Area (sq.m.)
Office	14,859.95
Commercial	395.29
Production	27,426.70
Residential	2,864.33
Storage	547.26
Ancillary	565.5
Total:	46,659.03

Notes:

1. Guangzhou Dredging Co. Ltd. is a 100% owned subsidiary of the Company.

2. Pursuant to various Building Purchase Contracts dated in various stages between 2002 to 2005, 2 units with a total gross floor area of approximately 4,006.73 sq.m. were purchased at a total consideration of RMB9,843,477.93.

3. Among the 6 parcels of land, 3 parcels of land with a total site area of approximately 289,554.00 sq.m. are granted land with LURCs and the remaining 3 parcels of land with a total site area of approximately 83,776.45 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'');

4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 59 buildings or units with a total gross floor area of approximately 41,327.09 sq.m.

5. For the remaining 10 buildings with a total gross floor area of approximately 5,331.94 sq.m., we have not been provided with any title certificates.

6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 93,061.64 sq.m. and a total site area of approximately 78,363 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB7,064,343.33 for residential and office uses.

7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   d. the Group is applying for changing the registered names on the LURCs and BOCs to Guangzhou Dredging Co. Ltd and its subsidiaries. There is no material legal impediment to finish this procedure; and

   e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 10 buildings without title certificates. However, for reference purposes, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB12,196,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
22.	Various properties held by Fourth Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Guangdong Province, Guangxi Province, Fujian Province and Hainan Province The PRC	The properties comprise 6 parcels of land with a total site area of approximately 11,484.68 sq.m. on which are constructed 6 buildings or units with a total gross floor area of approximately 16,919.53 sq.m. and also comprise 26 units with a total gross floor area of approximately 2,713.32 sq.m. These buildings or units were completed in various stages between 1967 and 2004 with a total gross floor area of approximately 19,632.85 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purpose.	60,100,000 Interest attributable to the Group: RMB60,100,000

Use	Area (sq.m.)
Office	14,938.61
Production	1,818.22
Storage	2,800.00
Ancillary	76.02
Total:	19,632.85

Notes:

1. Fourth Navigational Engineering Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to a Building Purchase Contract dated 28 September 2004, a unit with a gross floor area of approximately 141.25 sq.m. was purchased at a consideration of RMB274,856.
3. Among the 6 parcels of land, a parcel of land with a site area of approximately 6,072 sq.m. are granted land with LURCs and the remaining 5 parcels of land with a total site area of approximately 5,412.68 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 30 buildings or units with a total gross floor area of approximately 16,623.94 sq.m.
5. For the remaining 2 buildings or units with a total gross floor area of approximately 3,008.91 sq.m, we have not been provided with any title certificates.
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURC and the PRC laws;
   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and

Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

d. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to Forth Navigational Engineering Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to the buildings or units without title certificates. However, for reference purposes, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB4,736,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
23.	6 residential units held by Foshan Sihang Guangming Expressway Co. Ltd. in Guangdong Province The PRC	The property comprises 6 residential units on Levels 1 to 3 and 5 to 8 of a 9-storey residential building completed in 2005 with a total gross floor area of approximately 1,066.71 sq.m.	The property is currently occupied by the Group for residential purpose.	No commercial value

Notes:

1. Foshan Sihang Guangming Expressway Co. Ltd. is a owned subsidiary of the Company.
2. Pursuant to 6 Building Purchase Contracts all dated 1 May 2005, 6 units with a total gross floor area of approximately 1,066.71 sq.m. were purchased at a total consideration of RMB2,421,559.
3. For the 6 residential units with a total gross floor area of approximately 1,006.71 sq.m., we have not been provided with any title certificates.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. CCCG has undertaken to endeavor to apply for the title certificates for the property and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company.

5. In valuing the property, we have attributed no commercial value to the property without title certificates. However, for reference purposes, we are of the opinion that the capital value of the property as at the date of valuation would be RMB2,469,300 assuming all relevant title certificates have been obtained and the property can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
24.	Various properties held by Second Highway Engineering Bureau Co. Ltd. and its subsidiaries in Shanxi Province, Jiangsu Province and Hubei Province The PRC	The properties comprise 4 parcels of land with a total site area of approximately 33,056.8 sq.m. on which are constructed 26 buildings or units with a total gross floor area of approximately 33,954.21 sq.m. and various structures and also comprise 22 buildings or units with a total gross floor area of approximately 10,686.28 sq.m. These buildings or units were completed in various stages between 1975 and 2004 with a total gross floor area of approximately 44,640.49 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for commercial, office and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. (Refer to note. 6).	181,682,000 Interest attributable to the Group: RMB155,744,000

Use	Area (sq.m.)
Office	33,792.67
Commercial	1,924.8
Residential	3,402.71
Ancillary	5,520.31
Total:	44,640.49

Notes:

1. Second Highway Engineering Bureau Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to 6 Building Purchase Contracts dated in various stages between 2002 to 2004, 6 units with a total gross floor area of approximately 5,817.96 sq.m. were purchased at a total consideration of RMB26,220,789.
3. Among the 4 parcels of land, a parcel of land with a site area of approximately 10,562.4 sq.m. is granted land with LURC; 2 parcels of land with a total site area of approximately 16,680.4 sq.m. are allocated land, the land use rights of which are proposed to be injected into the Company as injected capital in reorganization (''state-capital-injection land'') and the remaining parcel of land with a site area of approximately 5,814.00 sq.m. is contracted to be granted.
4. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 37 buildings or units with a total gross floor area of approximately 34,863.86 sq.m.
5. For the remaining 11 buildings or units with a total gross floor area of approximately 9,776.63 sq.m., we have not been provided with any title certificates.
6. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 6,027.72 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB2,354,152 for residential and office uses.

7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURC and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the land of which is contracted to be granted, there will be no material legal impediment to obtain the LURC after paying land premium under the grant contract;

   d. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   e. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to Second Highway Engineering Bureau Co. Ltd and its subsidiaries. There is no material legal impediment to finish this procedure; and

   f. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to 11 buildings (excluding the land) or units without title certificates and the land without LURC together with the buildings erected thereon. However, for reference purposes, we are of the opinion that the capital value of these buildings or units as at the date of valuation would be RMB24,522,000 assuming all relevant title certificates had been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
25.	Various properties held by First Highway Survey & Design Institute Co. Ltd. and its subsidiaries in Chongqing, Shanxi Province, Jiangsu Province, Guangdong Province, Sinkiang Uygur Autonomous Region and Tibet Autonomous Region The PRC	The properties comprise 5 parcels of land with a total site area of approximately 67,749.85 sq.m. on which are constructed 16 buildings or units with a total gross floor area of approximately 39,578.57 sq.m. and various structures and also comprise 45 units with a total gross floor area of approximately 14,015.29 sq.m. These buildings or units were completed in various stages between 1966 and 2005 with a total gross floor area of approximately 53,593.86 sq.m. Details of uses and gross floor areas of the properties are listed as follows: Use — Area (sq.m.) Office — 23,178.64 Commercial — 9,253.68 Production — 15,849.46 Residential — 3372.12 Storage — 1,336.81 Ancillary — 603.15 Total: — 53,593.86 The properties also comprise 2 buildings which are still under construction (the ''CIP building''). The construction is scheduled to be completed in December 2006. The gross floor area of the CIP building upon completion will be approximately 7,607 sq.m. The total construction cost is estimated to be approximately RMB16,800,000, of which approximately RMB6,354,092 has been paid up to the date of valuation.	The properties are currently occupied by the Group for production, residential, office, storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. (Refer to note. 6). The CIP building is currently under construction.	187,976,000 Interest attributable to the Group: RMB147,497,000

Notes:

1. First Highway Survey & Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.

2. Pursuant to various Building Purchase Contracts and Land Use Rights Grant Contracts dated in various stages between 2003 to 2005, 30 units with a total gross floor area of approximately 7,372.03 sq.m. and a parcel of land with a site area of approximately 403,852 sq.m. were purchased or granted at a total consideration of RMB42,767,498.

3. Among the 5 parcels of land, 2 parcels of land with a total site area of approximately 20,634.65 sq.m. are granted land with LURCs; 2 parcels of land with a total site area of approximately 11,005.1 sq.m. are allocated land, the land use rights of which are proposed to be injected into the Company as injected capital in reorganization (''state-capital-injection land'') and the remaining parcel of land with a site area of approximately 36,110.1 sq.m. is acquired by auction and has not obtained proper title certificate.

4. Pursuant to various BOCs or RECTs, the Group has obtained the building ownership rights for 30 buildings or units with a total gross floor area of approximately 47,802.31 sq.m.

5. For the remaining 31 buildings or units with a total gross floor area of approximately 5,791.55 sq.m., we have not been provided with any title certificates.

6. Pursuant to a Construction Commence Permit, permission by the relevant local authority was given to commence the construction to the CIP building with a gross floor area of approximately 7,607 sq.m.

7. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 3,968.5 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB1,597,619.83 for residential and office uses.

8. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the land of which is acquired by auction, there will be no legal impediment to obtain the LURC under the name of the subsidiary of the Company;

   d. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units (except the mortgaged unit stated in note 8(f) subject to the consent of mortgagee) under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   e. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to First Highway Survey & Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

   f. according to a mortgage contract, the building ownership rights of a unit with a gross floor area of approximately 1,868.78 sq.m. are subject to a mortgage of RMB4,460,000 in favour of Zhuque Avenue Branch of Xi'an City of Industrial and Commercial Bank of China Limited; save for the aforesaid situation, the remaining properties with valid title certificates are not subject to any mortgage or any other encumbrances.

9. In valuing the properties, we have attributed no commercial value to 31 buildings (excluding the land) or units and a CIP Building without title certificates and the land acquired by auction. However, for reference purposes, we are of the opinion that the capital value of these buildings or units and the CIP building as at the date of valuation would be RMB21,862,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
26.	Various properties held by Second Navigational Engineering Bureau Co. Ltd. and its subsidiaries in Chongqing, Shanghai, Hubei Province, Hainan Province, Guangdong Province, Jiangsu Province, Anhui Province Guangxi Zhuang Autonomous Region and Hunan Province The PRC	The properties comprise 35 parcels of land with a total site area of approximately 485,061.09 sq.m. on which are constructed 160 buildings or units with a total gross floor area of approximately 141,305.03 sq.m. and various structures and also comprise 31 buildings or units with a total gross floor area of approximately 6,528.21 sq.m. These buildings or units were completed in various stages between 1970 and 2006 with a total gross floor area of approximately 147,833.24 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** / **Area (sq.m.)** Office 67,573.86 Commercial 9,503.27 Production 40,799.21 Residential 12,737.43 Storage 12,855.24 Ancillary 4,364.23 Total: 147,833.24	The properties are currently occupied by the Group for production, office, residential storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. (Refer to note 5).	356,605,000 Interest attributable to the Group: RMB356,425,000

Notes:

1. Second Navigational Engineering Bureau Co. Ltd. is a 100% owned subsidiary of the Company.
2. Among the 35 parcels of land, 8 parcels of land with a total site area of approximately 36,806.9 sq.m. are granted land with LURCs; 22 parcels of land with a total site area of approximately 404,916.39 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'') and the remaining 5 parcels of land with a total site area of approximately 43,337.8 sq.m. are contracted to be granted.
3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 168 buildings or units with a total gross floor area of approximately 140,301.77 sq.m.
4. For the remaining 23 buildings or units with a total gross floor area of approximately 7,531.47 sq.m., we have not been provided with any title certificates.
5. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 2,525.1 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB466,420.8 for residential and office uses.

6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

   c. for the land of which is contracted to be granted, there will be no legal material impediment to obtain the LURCs after paying land premium under the grant contract; and for the buildings with BOCs erected thereon, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities after obtaining the LURCs;

   d. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

   e. the Group is applying for changing the registered names on the LURCs and BOCs or RETCs to Second Navigational Engineering Bureau Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

   f. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to 23 buildings (excluding the land) or units and the land without title certificates. However, for reference purposes, we are of the opinion that the capital value of these buildings or units as at the date of valuation would be RMB 16,689,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
27.	Various properties held by Second Navigational Engineering Design Institute Co. Ltd. and its subsidiaries in Hubei Province, Fujian Province and Guangdong Province The PRC	The properties comprise 2 parcels of land with a total site area of approximately 11,633.5 sq.m. on which are constructed 11 buildings completed in various stages between 1976 and 2005 with a total gross floor area of approximately 16,875.02 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for production, storage and other ancillary facility purposes.	46,174,000 Interest attributable to the Group: RMB46,174,000

Use	Area (sq.m.)
Production	15,212.33
Storage	708.59
Ancillary	954.1
Total:	16,875.02

Notes:

1. Second Navigational Engineering Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. 2 parcels of land with a total site area of approximately 11,633.5 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
3. Pursuant to various BOCs, the Group has obtained the building ownership rights for 9 buildings with a total gross floor area of approximately 16,137.02 sq.m.
4. For the remaining 2 buildings with a total gross floor area of approximately 738 sq.m., we have not been provided with any title certificates.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;
   b. for the buildings with BOCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;
   c. the Group is applying for changing the registered names on the LURCs and BOCs to Second Navigational Engineering Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and
   d. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.
6. In valuing the properties, we have attributed no commercial value to 2 buildings without title certificates. However, for reference purposes, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB 428,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
28.	Various properties held by Second Highway Survey & Design Institute Co. Ltd. and its subsidiaries in Chongqing, Hubei Province, Fujian Province, Jiangsu Province and Zhejiang Province The PRC	The properties comprise 5 parcels of land with a total site area of approximately 41,729.14 sq.m. on which are constructed 16 buildings or units with a total gross floor area of approximately 52,659.22 sq.m. and various structures and also comprise 12 units with a total gross floor area of approximately 2,057.57 sq.m. These buildings or units were completed in various stages between 1972 and 2005 with a total gross floor area of approximately 54,716.79 sq.m. Details of uses and gross floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, storage and other ancillary facility purposes.	100,241,000 Interest attributable to the Group: RMB100,241,000

Use	Area (sq.m.)
Office	52,222.90
Residential	830.00
Storage	19.60
Ancillary	1,644.29
Total:	54,716.79

Notes:

1. Second Highway Survey & Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.

2. Among the 5 parcels of land, 2 parcels of land with a total site area of approximately 25,671.36 sq.m. are granted land with LURCs and the remaining 3 parcels of land with a total site area of approximately 16,057.78 sq.m. are allocated land, the land use rights of which are proposed to be injected into the Company as injected capital in reorganization (''state-capital-injection land'').

3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 20 buildings or units with a total gross floor area of approximately 23,609.5 sq.m.

4. For the remaining 8 buildings with a total gross floor area of approximately 31,107.29 sq.m., we have not been provided with any title certificates.

5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the State-owned Land Use Rights Certificates and the PRC laws;

   b. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and

Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;

c. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the buildings without BOCs, CCCG has undertaken to endeavor to apply for these title certificates, and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company;

d. the Group is applying for changing the registered names on the LURCs and BOCs or RECTs to Second Highway Survey and Design Institute Co. Ltd. and its subsidiaries. There is no material legal impediment to finish this procedure; and

e. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

6. In valuing the properties, we have attributed no commercial value to the buildings without title certificates. However, for reference purposes, we are of the opinion that the capital value of them (excluding the land) as at the date of valuation would be RMB42,711,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
29.	Various properties held by Azingo Limited and its subsidiaries in Tianjin and Guangdong Province The PRC	The properties comprise 5 parcels of land with a total site area of approximately 63,424.15 sq.m. Among them, 4 parcels of land with a total site area of approximately 59,999.94 sq.m. are vacant except for a parcel of land with a site area of approximately 3,424.21 sq.m. on which is being constructed a building thereon. The properties also comprise 15 units completed in various stages between 1989 and 2004 with a total gross floor area of approximately 6,014.74 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** / **Area (sq.m.)** Office 5,516.41 Residential 498.33 Total: 6,014.74	The properties are currently occupied by the Group for production, office, storage and other ancillary facility purposes except for portions of the properties which are rented to various independent third parties. 4 parcels of land are currently vacant. (Refer to note. 5) The CIP building is currently under construction.	165,582,000 Interest attributable to the Group: RMB165,441,000

The properties also comprise a building which is still under construction as at the date of valuation (the ''CIP building''). The construction is scheduled to be completed in May 2008. The gross floor area of the building upon completion will be approximately 31,360 sq.m. The total construction cost is estimated to be approximately RMB380,000,000, of which approximately RMB10,642,041.85 has been paid up to the date of valuation.

Notes:

1. Azingo Limited is a 100% owned subsidiary of the Company.
2. 5 parcels of land with a total site area of approximately 63,424.15 sq.m. are granted land with LURCs.
3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 14 units with a total gross floor area of approximately 4,485.49 sq.m.
4. For the remaining unit with a gross floor area of approximately 1,529.25 sq.m., we have not been provided with any title certificates.
5. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 137.9 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB7,200 for residential and office uses.
6. Pursuant to a Construction Work Planning Permit, the CIP building with a gross floor area of approximately 31,360 sq.m. has been approved for construction.
7. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the granted land are legally owned by the Group and the Group has the rights to occupy, use, donate, transfer, lease, mortgage or otherwise dispose of the land use rights of the granted land in accordance with the valid terms stipulated by the LURCs and the PRC laws;
   b. for the units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the units under the PRC laws without paying any extra costs and expenses to relevant authorities; and for the units without BOC, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company; and
   c. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

8. In valuing the properties, we have attributed no commercial value to a unit and the CIP building without title certificates. However, for reference purposes, we are of the opinion that the capital value of the unit and the CIP building (excluding the land) as at the date of valuation would be RMB22,876,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
30.	14 properties held by China Habour Engineering Co. Ltd. and its subsidiaries in Guangdong Province The PRC	The properties comprise 14 buildings or units completed in various stages between 1993 and 2005 with a total gross floor area of approximately 1,170.97 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office — 130.48 Residential — 881.17 Commercial — 159.32 Total: — 1,170.97	The properties are currently occupied by the Group for office, commercial and residential purposes.	6,036,000 Interest attributable to the Group: RMB5,800,000

Notes:

1. China Habour Engineering Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 14 buildings or units with a total gross floor area of approximately 1,170.97 sq.m.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the property under the PRC laws without paying any extra costs and expenses to relevant authorities; and
   b. the properties are not subject to any mortgage or any other encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
31.	Various properties held by China Road and Bridge Engineering Co. Ltd. and its subsidiaries in Shanghai and Guangdong Province The PRC	The properties comprise a parcel of land with a site area of approximately 7,161.58 sq.m. on which is constructed 11 buildings or units with a total gross floor area of approximately 6,088.7 sq.m. and also comprise 20 buildings or units with a total gross floor area of approximately 21,691.93 sq.m. These buildings or units were completed in various stages between 1977 and 1999 with a total gross floor area of approximately 27,780.63 sq.m. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office 16,366.5 Commercial 5,745.55 Residential 109.68 Storage 5,035.00 Ancillary 523.90 Total: 27,780.63	The properties are currently occupied by the Group for office, commercial and other ancillary facility purposes except for portions of the properties with a total gross floor area of approximately 2,621 sq.m. which are rented to various independent third parties. (Refer to note 5.)	164,583,000 Interest attributable to the Group: RMB164,583,000

Notes:

1. China Road and Bridge Engineering Co. Ltd. is a 100% owned subsidiary of the Company.
2. A parcel of land with a site area of approximately 7,161.58 sq.m. are allocated land, the land use rights of which were injected into the Company as injected capital in reorganization (''state-capital-injection land'').
3. Pursuant to various BOCs or RETCs, the Group has obtained the building ownership rights for 29 buildings or units with a total gross floor area of approximately 11,943.93 sq.m.
4. For the remaining 2 buildings or units with a total gross floor area of approximately 15,836.7 sq.m., we have not been provided with any title certificates.
5. Pursuant to various Tenancy Agreements, portions of the properties with a total gross floor area of approximately 2,621 sq.m. are rented to various independent third parties for various terms at a total annual rental of RMB3,098,128 for residential and office uses.
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use rights of the state-capital-injection land would be held by the Company and the Company would have legal rights to transfer, lease and mortgage the land use rights in compliance with the PRC laws and regulations without paying any additional land premium after obtaining the approvals of Ministry of Land and Resource and the state-capital-injection land use rights certificates. There is no material legal impediment to obtain these land use rights certificates for the Company;
   b. for the buildings or units with BOCs or RETCs, the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the buildings or units under the PRC laws without paying any extra costs and expenses to

relevant authorities; and for the buildings or units without BOCs or RETCs, CCCG has undertaken to endeavor to apply for these title certificates and to indemnify the Group against any losses and claims arising from the aforesaid application procedures within a year since the incorporation of the Company; and

c. the properties with valid title certificates are not subject to any mortgage or any other encumbrances.

7. In valuing the properties, we have attributed no commercial value to 2 buildings or units without title certificates. However, for reference purposes, we are of the opinion that the capital value of these buildings (excluding the land) or units as at the date of valuation would be RMB166,111,000 assuming all relevant title certificates have been obtained and they can be freely transferred.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN HONG KONG, MACAU AND OVERSEAS COUNTRIES

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
32.	Various properties held by First Highway Engineering Bureau Co. Ltd. in Bujumbura, Burundi	The properties comprise 2 parcels of land with a total site area of approximately 16,389 sq.m. on which are constructed 9 buildings completed in various stages between 1982 and 1995 with a total floor area of approximately 1,505 sq.m. The buildings mainly include a dormitory building, clinic room, a laboratory, a canteen and bungalow.	The properties are currently occupied by the Group for ancillary facility purpose.	1,256,000 Interest attributable to the Group: RMB1,256,000

Notes:

1. First Highway Engineering Bureau Co. Ltd. is a 100% owned subsidiary of the Company.
2. The registered owners of the properties are the subsidiaries of First Highway Engineering Bureau Co. Ltd. (Formerly known as The First Highway Engineering Bureau of CRBC).
3. Our valuation conclusion is reached having regard to the valuation report undertaken by Emmanuel NDAMWUMVANEZA, a qualified professional in real estate who has valuation experience in respect of relevant properties in Burundi.
4. The exchange rate adopted in our valuation for the properties is 1USD equivalent to 1,068BIF and 1USD equivalent to 7.9087 RMB, which were approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
33.	Various properties held by China Habour Engineering Co. Ltd. in Hong Kong, Macau, Malaysia and Thailand	The properties comprise 7 parcels of land with a total site area of approximately 18,530.77 sq.m. and 62 buildings or units completed in various stages between 1991 and 1999 with a total floor area of approximately 7554.74 sq.m. Details of uses and floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for office, residential and ancillary facility purpose.	273,496,000 Interest attributable to the Group RMB251,941,000

Use	Area (sq.m.)
Residential	4,708.75
Office	2,845.99
Total:	7,554.74

Notes:

1. China Habour Engineering Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to various title documemts, the registered owners of 7 parcels of land with a total site area of approximately 18,530.77 sq.m. and 62 buildings or units with a total floor area of approximately 7554.74 sq.m. are the subsidiaries of China Habour Engineering Co. Ltd.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
34.	Various properties held by China Road and Bridge Engineering Co. Ltd. in Hong Kong, Macau, Kenya and Rwanda	The properties comprise 6 parcels of land with a total site area of approximately 56,695.44 sq.m. on which are constructed 20 buildings with a total floor area of approximately 7,606.75 sq.m. and also comprise 6 units with a total floor area of approximately 2,241.93 sq.m. These buildings or units were completed in various stages between 1979 and 2005 with a total floor area of approximately 9,848.68 sq.m. The buildings mainly include dormitory buildings, clinic room, a laboratory, a canteen and bungalow. Details of uses and floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for residential, office, industrial and ancillary facility purposes.	87,995,000 Interest attributable to the Group: RMB 87,995,000

Use	Area (sq.m.)
Industrial and ancillary	7,606.75
Commercial	2,124.32
Residential	117.61
Total:	9,848.68

Notes:

1. China Road and Bridge Engineering Co. Ltd. is a 100% owned subsidiary of the Company.
2. The registered owners of the properties are the subsidiaries of China Road and Bridge Engineering Co. Ltd.
3. Our valuation conclusion of the properties in Kenya is reached having regard to the valuation reports undertaken by G.G. Waburi, a qualified professional in real estate who has valuation experience in respect of relevant properties in Kenya and is a member of The Institution of Surveyors of Kenya.
4. Our valuation conclusion of properties in Rwanda is reached having regard to valuation report undertaken by Pierre Claver Uwimana, a qualified professional in real estate who has valuation experience in respect of relevant properties in Rwanda.
5. The exchange rate adopted in our valuation for the properties is 1USD equivalent to 72KSH, and 1USD equivalent to 7,9087RMB, which were approximately the prevailing exchange rates as at the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
35.	A property held by Chuwa Bussan Co. Ltd. in Tokyo, Japan	The property comprises a parcel of land with a site area of approximately 104.95 sq.m. on which is constructed a building completed in 1988 with a floor area of approximately 626.94 sq.m.	The property is currently occupied by the Group for office purpose.	9,690,000 Interest attributable to the Group: RMB7,268,000

Notes:

1. Chuwa Bussan Co. Ltd. is a 75% owned subsidiary of the Company.
2. Pursuant to a title document, the registered owner of the building with a floor area of approximately 626.94 sq.m. and a parcel of land with a site area of approximately 104.95 sq.m. is Chuwa Bussan Co. Ltd.
3. Our valuation conclusion of the property is reached having regard to the valuation report undertaken by Kiyoshi Sato, a qualified professional in real estate who has valuation experience in respect of relevant properties in Japan.
4. The exchange rate adopted in our valuation for the property is 14.86 Yen equivalent to RMB1, which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
36.	Various properties held by Fourth Navigational Engineering Bureau Co. Ltd. in Macau	The properties comprise 14 units with a total floor area of approximately 1,043.08 sq.m. completed in various stages between 1988 and 1999. Details of uses and floor areas of the properties are listed as follows:	The properties are currently occupied by the Group for commercial, residential and ancillary purposes.	8,719,000 Interest attributable to the Group: RMB8,175,000

Use	Area (sq.m.)
Residential	944.13
Commercial	65.20
Ancillary	33.75
Total:	1,043.08

Notes:

1. Fourth Navigational Engineering Bureau Co. Ltd. is a 93.75% owned subsidiary of the Company.
2. Pursuant to various title documents, the registered owner of 14 units with a total floor area of approximately 1,043.08 sq.m. is Fourth Navigational Engineering Bureau Co. Ltd. (Formerly known as CHEC Guangzhou Port Construction Corp.)

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
37.	Various properties held by Fourth Navigational Engineering Design Institute Co. Ltd. in Macau	The properties comprise 3 units with a total floor area of approximately 245.46 sq.m. completed in various stages between 1968 and 1989.	The properties are currently occupied by the Group for residential purpose.	1,926,000 Interest attributable to the Group: RMB1,926,000

Notes:

1. Fourth Navigational Engineering Design Institute Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to various title documents, the registered owner of 3 units with a total floor area of approximately 245.46 sq.m. is Fourth Navigational Engineering Design Institute Co. Ltd. (Formerly known as CTE Guangzhou Design & consulting Corp.).

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
38.	Various properties held by the Group in the PRC	The properties comprise various commercial buildings or units completed in various stages between 1995 and 2002. The buildings or units have a total gross floor area of approximately 50,430.32 sq.m.	The properties are currently leased to various independent third parties except for portions of the properties are currently vacant.	552,819,000 Interest attributable to the Group: RMB428,697,000

Notes:

1. Pursuant to various BOCs or RETCs the Group has obtained the building ownerships rights for the properties with a total gross floor area of approximately 50,430.32 sq.m.
2. Pursuant to 81 Tenancy Agreements, portions of the properties with a total gross floor area of approximately 31,141.65 sq.m. are rented to various independent third parties for various terms with a total rental of RMB35,865,815.2.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

    a. the Group has the rights to transfer, donate, lease, mortgage or otherwise dispose of the properties under the PRC laws without paying any extra costs and expenses to relevant authorities;

    b. the Group is applying for changing the registered names on the BOCs or RECTs to relevant subsidiaries of the Company. There is no material legal impediment to finish this procedure; and

    c. the properties are not subject to any mortgage or any other encumbrances.

VALUATION CERTIFICATE

Group IV — PROPERTY INTERESTS HELD FOR INVESTMENT BY THE GROUP IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006 RMB
39.	Various properties held by the Group in Hong Kong	The properties comprise 2 parcels of land with a total site area of approximately 3,826 sq.m. and also comprise another 15 buildings or units completed in various stages between 1988 and 1994. The buildings or units have a total floor area of approximately 2,222.06 sq.m. Portions of the properties are held for a term of 75 years renewable for a further term of 75 years. Details of uses and floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Residential — 281.60 Commercial — 1,940.46 Total: — 2,222.06	Portions of the properties are currently leased by the Group to various independent third parties for various terms at a total annual rental of RMB4,660,375.08, the remaining portion of the properties is vacant.	102,300,000 Interest attributable to the Group: RMB102,300,000

Notes:

1. China Habour Engineering Co. Ltd. is a 100% owned subsidiary of the Company.
2. Pursuant to 17 title documents, the registered owners of 15 buildings or units with a total floor area of approximately 2,222.06 sq.m. and 2 parcels of land with a total site area of approximately 3,826 sq.m. are the subsidiaries of China Habour Engineering Co. Ltd.
3. Pursuant to various Tenancy Agreements, the properties are rented to various independent third parties for various terms expiring between 2006 and 2009 at a total annual rental of RMB 4,660,375.08.

VALUATION CERTIFICATE

Group V — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
40.	173 leased properties located in the PRC	The properties comprise 173 buildings or units with a total gross floor area of approximately 166,172.62 sq.m., which were mainly completed in various stages between 1980s and 2000s. Details of uses and gross floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office 99,634.34 Production 341.00 Commercial 22,510.93 Storage 3,526.00 Residential 18,552.30 Ancillary 21,608.05 Total: 166,172.62 The properties are leased to the subsidiaries of the Company from various independent third parties and CCCG (the ''Lessors'') for various terms.	The properties are currently occupied by the Group for office, residential, production and ancillary purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements entered into between the predecessor of the Company or its subsidiaries and various independent third parties, 100 buildings or units with a total gross floor area of approximately 52,360.34 sq.m. are leased to the Group from various independent third parties for various terms at a total annual rental of RMB26,924,448.96 for residential and office uses.

2. Pursuant to a Tenancy Agreement, 73 buildings or units with a total gross floor area of approximately 113,812.28 sq.m. are rented from CCCG commencing from 8 October 2006 and expiring on 7 October 2009, with an annual rental of RMB10,212,957.07.

3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. for the 98 buildings with a total gross floor area of approximately 101,892.17 sq.m., of which the relevant Lessors have provided with valid title documents, the Group has legal rights to use these properties under the PRC laws and the lease agreement;

   b. for the 75 buildings or units with a total gross floor area of approximately 64,280.45 sq.m., of which the relevant Lessors have not provided with valid title documents, CCCG has undertaken to resolve any issue arising from the title dissents for the leased properties and will be responsible for any costs, expenses, claims and any other losses to the Group.

VALUATION CERTIFICATE

GROUP VI — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN OVERSEAS COUNTRIES

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2006
				RMB
41.	31 leased properties located in Singapore, Philippines, Untied Arab Emirates, Burma, Sudan, Bengal, Lebanon, Angora, Ethiopia, Yemen, Vietnam, Malaysia and Kirghizia	The properties comprise 31 buildings or units with a total floor area of approximately 11,990.96 sq.m., which were mainly completed in various stages between 1961 and 2005. Details of uses and floor areas of the properties are listed as follows: **Use** — **Area (sq.m.)** Office 5,471.70 Commercial 378.26 Storage 1,851.00 Residential 4,290.00 Total: 11,990.96 The properties are leased to the subsidiaries of the Company from various independent third parties (the ''Lessors'') for various terms.	The properties are currently occupied by the Group for office, residential and production purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements entered into between the predecessor of the Company and its subsidiaries and various independent third parties, 31 buildings or units with a total floor area of approximately 11,990.96 sq.m. are leased from the Lessors for various terms at a total annual rental of RMB4,788,000 for office, residential and production purposes.

TAXATION OF SECURITY HOLDERS

The following is a summary of certain PRC and Hong Kong tax consequences of the ownership of H Shares by an investor that purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investors (such as tax-exempt entities, certain insurance companies, broker-dealers, investors liable for alternative minimum tax, investors that actually or constructively own 10% or more of the voting stock of the Company, investors that hold H Shares as part of a straddle or a hedging or conversion transaction whose functional currency is not the U.S. dollar), some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect on the date hereof, as well as on the Agreement Between the United States of America and the People's Republic of China for the Avoidance of Double Taxation (the ''Treaty''), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For purposes of this discussion, a ''U.S. Holder'' is any beneficial owner of H Shares that is (i) a citizen or resident of the United States, or (ii) a corporation organized under the laws of the United States which pays federal income tax on a net income basis in respect of a Share. An ''Eligible U.S. Holder'' is a U.S. Holder that (i) is a resident of the United States for purposes of the Treaty, (ii) does not maintain a permanent establishment or fixed base in the PRC to which H Shares are attributable and through which the beneficial owner carries on or has carried on business (or, in the case of an individual, performs or has performed independent personal services) and (iii) who is not otherwise ineligible for benefits under the Treaty with respect to income and gain derived in connection with the H Shares.

This discussion does not address any aspects of Hong Kong or PRC taxation other than income taxation, capital taxation, stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

PRC

Taxation of Dividends

Individual Investors. According to the Provisional Regulations of China Concerning Questions of Taxation on Enterprises Experimenting with the Share System, or the Provisional Regulations, and the Individual Income Tax Law of China, as amended on October 27, 2005 and effective on January 1, 2006, dividends paid by PRC companies are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty. However, the State Administration of Taxation of China, or the SAT, the PRC central government tax authority which succeeded the State Tax Bureau, issued, on July 21, 1993, a Notice of the State Administration of Taxation Concerning the Taxation of Gains on Transfer and Dividends from Shares (Equities) Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals (the ''Tax Notice''), which states that dividends paid by a PRC company to foreign individuals with respect to shares listed on an overseas stock exchange (''Overseas Shares''), such as H Shares, are temporarily not subject to PRC withholding tax. In a letter dated July 26, 1994 to the former State Commission for Restructuring the Economic System, the former State Council Securities Commission and the China Securities Regulatory Commission, the SAT reiterated the temporary tax exemption stated in the Tax Notice for dividends received from a PRC company listed overseas. In the event that this exemption is withdrawn, a 20% tax may be withheld on dividends in accordance with the Provisional Regulations, and the Individual Income Tax Law. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

To date, the relevant tax authorities have not collected withholding tax from dividend payments on such Shares exempted under the Tax Notice.

Enterprises. According to the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises, dividends paid by PRC companies to enterprises are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. However, according to the Tax Notice, a foreign enterprise receiving dividends paid with respect to a PRC company's Overseas Shares will temporarily not be subject to the 20% withholding tax. If such withholding tax becomes applicable in the future, the rate could be reduced pursuant to an applicable double taxation treaty.

Tax Treaties. Investors who do not reside in the PRC and reside in countries that have entered into double-taxation treaties with the PRC may be entitled to a reduction of the withholding tax imposed on the payment of dividends to investors of the Company who do not reside in the PRC. The PRC currently has double-taxation treaties with a number of other countries, which include:

- Australia;
- Canada;
- France;
- Germany;
- Japan;
- Malaysia;
- the Netherlands;
- Singapore;
- the United Kingdom; and
- the United States.

Under the treaty between the PRC and the United States, or the China-United States Treaty, the PRC may tax a dividend paid by the Company to an Eligible U.S. Holder up to a maximum of 10% of the gross amount of such dividend. It is arguable that under the China-United States Treaty, the PRC may only tax gains from the sale or disposition by an Eligible U.S. Holder of H Shares representing an interest in the Company of 25% or more, but this position is uncertain and the PRC authorities may take a different position.

Taxation of Capital Gains

The Tax Notice provides that gains realized by foreign enterprises that are holders of Overseas Shares and that these shares are not held by their offices and sites set up in the PRC would, temporarily, not be subject to capital gains taxes. With respect to individual holders of H Shares, the Provisions for Implementation of Individual Income Tax Law of the PRC, or the Provisions, issued on December 19, 2005, generally stipulate that gains derived from assignment of property shall be subject to income tax at a rate of 20%. In addition, the Provisions stipulate that measures for the levying of individual income tax on gains derived from the sale of equity securities shall be formulated separately by the MOF and shall be implemented following approval of the State Council. However, no income tax on gains realized on the sale of equity shares has been collected. Gains on the sale of shares by individuals were temporarily exempted from individual income tax pursuant to notices issued jointly by the MOF and SAT dated June 20, 1994, February 9, 1996 and March 30, 1998. In the event this temporary exemption is withdrawn or ceases to be effective, individual holders of H Shares may be subject to capital gains tax at the rate of 20% unless such tax is reduced or eliminated by an applicable double taxation treaty. If taxation of capital gains from the sale of H Shares becomes applicable, it is arguable that under the PRC-United States Treaty, the PRC may only tax gains from the sale or disposition by an Eligible U.S. Holder of H Shares representing an interest in the Company of 25% or more, but this position is uncertain and the Chinese authorities may take a different position.

On November 18, 2000, the State Council issued a notice entitled ''State Council Notice on the Income Tax Reduction for Interest and Other Income that Foreign Enterprises Derive in the PRC'', or the Tax Reduction Notice. Under the Tax Reduction Notice, beginning January 1, 2001, enterprise income tax at a reduced 10% rate will apply to interest, rental, license fees and other income obtained in the PRC by foreign enterprises without agencies or establishment in the PRC, or by foreign enterprises without any substantive relationship with their agency or establishment in the PRC. Therefore, if the exemption as described in the preceding paragraph does not apply or is not renewed, and the Tax Reduction Notice is found not to apply, a foreign enterprise shareholder may be subject to a 20% tax on capital gains, unless reduced by an applicable double taxation treaty.

Additional Chinese Tax Considerations

Chinese Stamp Duty. PRC stamp duty imposed on the transfer of shares of PRC publicly traded companies under the Provisional Regulations should not apply to the acquisition and disposal by non-PRC investors of H Shares outside of the PRC by virtue of the Provisional Regulations of China Concerning Stamp Duty, which became effective on October 1, 1988 and which provide that PRC stamp duty is imposed only on documents, executed or received within the PRC that are legally binding in the PRC and are protected under PRC law.

Estate Tax. No liability for estate tax under PRC law will arise from non-PRC national's holding H Shares.

Hong Kong

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on gains from sale

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 17.5% on corporations and at a maximum rate on individuals of 16%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for examples, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after 11 February 2006.

TAXATION OF THE COMPANY BY THE PRC

Income Tax

From January 1, 1994, income tax payable by PRC domestic enterprises, including State-owned enterprises and share system enterprises, is governed by the PRC Enterprise Income Tax Provisional Regulations (''EIT Regulations'') which took effect as from January 1, 1994, and which provide for an income tax rate of 33% unless a lower rate is provided by law, administrative regulations or State Council regulations. The Company is generally subject to tax at a rate of 33% pursuant to the EIT Regulations.

Sino-foreign joint ventures enjoy certain tax benefits under the relevant laws and regulations in the PRC. Following the completion of the Global Offering, the Company will remain ineligible to apply for the status of a sino-foreign investment joint stock limited company and does not intend to apply for such status. Nonetheless, pursuant to the applicable laws, rules and regulations in the PRC, no tax benefits would accrue to the Company upon acquiring such status.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax effective from January 1, 1994 and their implementing rules, the sale of products within the PRC, the importation of products and the provision of processing and/or repair services within the PRC by the Company are subject to value-added tax (''VAT''). VAT payable is calculated as ''output VAT'' *minus* ''input VAT''. Input VAT payable by the Company on purchases is recoverable out of the output VAT collected from its customers, and any excess of output VAT over input VAT paid is payable to the tax authority. The rate of VAT is 17%, or, in certain limited circumstances, 13%, depending on the product type.

Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax, effective from January 1, 1994 and the implementing rules, a business tax is imposed on enterprises which provide taxable services, transfer intangible property or sell real estate in the PRC. The business tax is levied at a rate from 3% to 20% on the provision of taxable services, transfer of intangible property or sale of real estate in the PRC.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local State Administration of Foreign Exchange office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by the State Administration of Foreign Exchange on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, foreign currencies and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center first had to obtain the approval of the State Administration of Foreign Exchange.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (the ''Notice''), effective from January 1, 1994. The Notice announces the abolition of the system of foreign exchange quotas, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the ''Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange'' (the ''Provisional Regulations''). The Provisional Regulations set out detailed provisions regulating the sale and purchase of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 29, 1996, the State Council promulgated new Regulations of Foreign Exchange (the ''Foreign Exchange Regulations'') which was effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to State Administration of Foreign Exchange approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the ''Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange'' (the ''Settlement Regulations'') took effect on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC also published the ''Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign-invested Enterprises'' (the ''Announcement'').

The Announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, the PBOC and the State Administration of Foreign Exchange promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

Since January 1, 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a managed floating exchange rate system, which is determined by demand and supply. The PBOC sets and publishes daily the Renminbi-U.S. dollar base exchange rate. This exchange rate is determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. The PBOC will also, with reference to exchange rates in the international foreign exchange market, announce the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC must sell their foreign exchange recurrent income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by the Company from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited in foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of State Administration of Foreign Exchange, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like the Company), may on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from State Administration of Foreign Exchange and the relevant branch must be sought.

Dividends to holders of H Shares are fixed in Renminbi but must be paid in Hong Kong dollars.

We prepare our combined financial statements in Renminbi.

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or security, requires the approval of the State Administration of Foreign Exchange and other relevant authorities.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organized into civil, criminal, administrative divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a ''second instance as final'' appellate system. A party may appeal against a judgment or order of the people's court of first instance to the people's court at the next higher level. Second judgments or orders given at the same level and at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on April 9, 1991, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other institutions, the time limit is six months. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

On 29 December 1993, the Standing Committee of the Eighth NPC adopted the Company Law which came into effect on 1 July 1994 and was amended for the first time on 25 December 1999, the second time on 28 August 2004 and the third time on 27 October 2005. The newly amended Company Law of the People's Republic of China (hereinafter referred to as the ''new Company Law'') has been promulgated and became effective from 1 January 2006.

Set out below is a brief summary of the differences between the Company Law and the new Company Law and the major provisions of the Special Regulations and the Mandatory Provisions. On 4 July 1994, the Special Regulations were passed at the Twenty Second Standing Committee Meeting of the State Council, and they were promulgated and implemented on 4 August 1994. The Special Regulations are formulated according to the provisions of Sections 85 and 155 of the Company Law in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the Securities Commission of the State Council and the State Economic System Restructuring Commission on 27 August 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarised in Appendix VIII). References to a ''company'' are to a joint stock limited company established under the Company Law with overseas listed foreign invested shares.

Copies of the Chinese text of the Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the paragraph headed ''Documents Delivered to the Registrar of Companies and Available for Inspection'' in Appendix X to this Prospectus.

General

A ''joint stock limited company'' (hereinafter referred to as ''company'') is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A State-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock companies. However, apart from investment companies and holding companies specified by the State Council, the amount of a company's aggregate investment in other companies may not exceed 50% of its net assets and the company's liabilities to such invested companies are limited to the amount invested.

Amendments have been made to the requirement relating to external investment by the above companies under the new Company Law, which provides that a company can invest in other enterprises without restriction on the accumulated investment amounts. However, unless otherwise required by law, a company cannot be the contributor who has the obligations associated with the debt of the invested enterprise.

Incorporation

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must have residence in the PRC. According to the Special Regulations, State-owned enterprises or enterprises with the majority of their assets owned by the PRC government can be restructured in accordance with the relevant regulation to become joint stock limited companies which may issue shares to overseas investors. These companies if incorporated by promotion, may have fewer than 5 promoters and can issue new shares once incorporated.

Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by public subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company, and the remaining shares can be offered to the public or specific persons.

The Company Law has provides that for companies incorporated by way of promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the relevant administration bureau for industry and commerce; for companies established by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administration bureau for industry and commerce.

The registered capital of a company is a minimum of RMB5 million.

Pursuant to the Securities Law, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange must not be less than RMB30 million.

The promoters shall convene an inaugural meeting within thirty (30) days after the issued shares have been fully paid up, and shall give notice to all subscribers or make an public announcement of the date of the inaugural meeting fifteen (15) days before the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within thirty (30) days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the approval for registration has been given by the relevant administration bureau for industry and commerce and a business licence has been issued.

A company's promoters shall individually and collectively be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issue and Trading of Shares promulgated by the State Council on 22 April 1993 (which is only applicable to issue and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to assume joint responsibility for the accuracy of the contents of the prospectus and to ensure that the prospectus does not contain any misleading statement or omit any material information.

Share Capital

The promoters of a company can make capital contributions in cash, or in kind that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value provided that the amount of capital contribution in cash by all shareholders must not be less than 30% of a company's registered capital.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and are listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific measures shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than par value, but may not be less than par value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company may not be transferred within one (1) year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares may not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by each of them in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within thirty (30) days before the date of a shareholders' meeting or within five (5) days before the record date set for the purpose of distribution of dividends.

Increase In Capital

Under the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the abovementioned condition of obtaining approval at the general meetings required by the Company Law, for the public offering of new shares, the Securities Law provides that the company in consideration shall: (i) have a sound organisational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the relevant state bureau for the administration for industry and commerce and issue a public notice accordingly.

Reduction of Share Capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing its capital by canceling its shares or merging with another company holding its shares

(ii) granting shares as a reward to the staff of the company;

(iii) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

(iv) or such other purposes permitted by law and administrative regulations.

The shares of the company to be repurchased by itself as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any funds for such purpose shall be paid out of after-tax profits of the company, and the shares so purchased shall be transferred to the company's staff within a year. The Mandatory Provisions provide that upon obtaining approvals in accordance with the articles of association of the company and from the relevant supervisory authorities, a company may repurchase its issued shares for the foregoing purposes by way of a general offer to its shareholders or purchase on a stock exchange or an off-market contract.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

A shareholder may transfer his/her shares on the stock exchange established in accordance with laws or by other means as stipulated by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by applicable laws and regulations.

Shares held by a promoter of a company may not be transferred within one (1) year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares may not be transferred within one year from the date of listing of its shares on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the Company held by each of them within one year after the listing date.

There is no restriction under the Company Law as to the percentage shareholding of a single shareholder in a company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder.

Under the Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable Laws and Regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company

(iv) if a resolution adopted by a shareholders' general meeting or the board of directors violates any law or administrative regulations or infringes the lawful rights and interests of shareholders, to institute an action in the People's Court demanding that the illegal infringing action be stopped;

(v) to receive dividends in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(viii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholder's General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee or the supervisors;

(v) to consider and approve the company's proposed annual financial budget and final accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the Company.

Shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two (2) months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital

(iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iv) when deemed necessary by the board of directors;

(v) when the supervisory committee proposes convening it; or

(vi) other matters required by the articles of association

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors.

Notice of the meeting shall be given to all shareholders thirty (20) days before the meeting under the Company Law and forty-five (45) days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance twenty (20) days prior to the meeting. Under the Special Regulations, at an annual general meeting of a company, shareholders holding 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be considered at that meeting, which if within the powers of a shareholders' general meeting, are required to be added to the agenda of that meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting must be adopted by more than half of the votes cast by shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division or reduction in registered capital, the issue of bonds or debentures, change in the form of the company or amendments to the articles of association which must be adopted by shareholders with more than two-thirds of the voting rights held by shareholders present (including those represented by proxies) at the meeting.

Shareholders may commission a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney the scope of exercising the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received twenty (20) days before the proposed date, or if that 50% level is not achieved, the company shall within five (5) days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of five (5) to nineteen (19) members and there can be staff representatives of the Company. Under the Company Law, each term of office of a director shall not exceed three (3) years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors at least ten (10) days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division or dissolution of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles.

In addition, the Mandatory Provisions provide that the board is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to a mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business licence revoked due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business licence;

(v) persons who have a relatively large amount of debt due and outstanding; or

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix VIII).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;

(ii) to check on the implementation of the resolutions of the board of directors;

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager.

The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VIII) contains further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected.

The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives; shall not be less than one-third. Directors and senior management shall not act as supervisors.

The supervisory committee exercises the following powers:

(i) to review the company's financial position;

(ii) to supervise the directors and managers in their performance of their duties and to ascertain whether or not they have violated laws, regulations or the articles of association of the company;

(iii) when the acts of a director or manager are harmful to the company's interests, to require correction of those acts;

(iv) to propose the convening of extraordinary shareholders' general meeting; and

(v) other powers specified in the company's articles of association.

Requirements in relation to the power of the supervisory committee under the new Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is harmful to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Managers and Senior Officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial controller and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management of a company includes the financial controller, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix VIII).

Duties of Directors, Supervisors, Managers and Senior Officers

A director, supervisor, manager and other senior officer of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. A director, supervisor, manager and other senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging the secret information of the company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager and other senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for the inspection by the shareholders at least twenty (20) days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve fund (except where the fund has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve fund from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to a discretionary common reserve fund.

When the company's statutory surplus reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocations are set aside for the statutory surplus reserve fund.

After the company has made good its losses and make allocations to its statutory surplus reserve fund the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The common reserve of a company comprises the statutory surplus reserve, discretionary common reserve and the capital common reserve.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the par value of the shares currently held by the shareholders provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital on the company.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The Articles of Association provide that the Company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve funds have been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorised by the State Council and CSRC. In relation to matters involving the company's registration, its registration with the companies registration authority must also be changed.

Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company; or

(iii) the company is dissolved by reason of its merger or demerger.

(iv) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws;

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within fifteen (15) days from the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders in the general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court for its establishment.

The liquidation committee shall notify the company's creditors within ten (10) days after its establishment, and issue a public notice in the newspapers within sixty (60) days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within forty-five (45) days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of the company;

(iv) to pay any tax overdue;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

A company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the People's Court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the People's Court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the companies registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the Securities

Commission may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from CSRC.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a People's Court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix VIII).

Suspension and Termination of Listing

The new and amended Company Law has deleted provisions governing suspension and termination of listing. The new Securities Law has been amended as follows:

The trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council (the new Securities Law has renamed this as the Securities Exchange) under one of the following circumstances:

(i) the registered capital or shareholding distribution no longer comply with the necessary requirements for a listed company;

(ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;

(iii) the company has committed a major breach of the law;

(iv) the company has incurred losses for three (3) consecutive years; or

(v) other circumstances as required by the listing rules of the relevant stock exchange(s)

Under the Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (i) above, or the company has refused to rectify the situation in the case described in (ii) above, or the company fails to become profitable in the next subsequent year in the case described in (iv) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

The Company Law provides that the securities administration department of the State Council may also terminate the listing of a company's shares in the event that the company resolves to cease operation or is so instructed by its government supervisory body, or the company is declared bankrupt. In such event, the Securities Law would regard this as ''other circumstances as required by the listing rules of the relevant stock exchanges''.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of our Shares and disclosure of information by us. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis.

On April 22, 1993, the State Council promulgated the Securities Provisional Regulations. These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. According to these regulations, we must obtain the approval of the Securities Committee to offer our Shares outside the PRC. In addition, if we propose to issue Renminbi denominated ordinary shares as well as special Renminbi-denominated shares, we must comply with the Securities Provisional Regulations. Provisions of these regulations in relation to acquisitions of listed companies and disclosure of information expressly apply to listed companies in general without being confined to listed companies on any particular stock exchange.

On September 2, 1993, the Securities Committee promulgated the Provisional Measures Prohibiting Fraudulent Conduct Relating to Securities. The prohibitions imposed by these measures include the use of insider information in connection with the issuance of, or trading in, securities (insider information being defined to include undisclosed material information known to any insider, which may affect the market price of securities); the use of funds or information or through an abuse of power in creating a false or disorderly market or influencing the market price of securities or inducing investors to make investment decisions without knowledge of actual circumstances; and the making of any statement in connection with the issue of, and trading in, securities which is false or materially misleading, or in respect of which there is any material omission. Penalties imposed for contravening any of the provisions of the measures include fines, confiscation of profits and suspension of trading. In serious cases, criminal liability may be imposed.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies. These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

The Securities Law took effect on July 1, 1999 and was revised for the first time as of August 28, 2004 and the second time on October 27, 2005. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that we must obtain prior approval from the State Council's regulatory authorities to list our Shares outside the PRC. Article 239 of the Securities Law provides that specific measures in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council.

Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (the ''Arbitration Law'') was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in our Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of our Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of our H Shares and us; holders of our H Shares and our Directors, Supervisors, manager or other senior officers; or holders of our H Shares and holders of Domestic Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under our Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall comply with the arbitration. Disputes in respect of the definition of shareholders and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the ''New York Convention'') adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

FOREIGN EXCHANGE CONTROL

The foreign exchange control system is regulated by three sets of provisions. On December 28, 1993, the PBOC, with the authorization of the State Council, issued the Notice to Further Reform of the Foreign Exchange Control System, which became effective on January 1, 1994. Other main regulations and implementation measures include the PRC Foreign Exchange Control Regulations, which became effective on April 1, 1996 and was promulgated by the State Council on January 29, 1996 and amended on January 14, 1997, and the Regulations on the Foreign Exchange Settlement, Sale and Payments, which were promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996 and which contain detailed provisions regulating the settlement, sale and payment of foreign exchange by domestic enterprises, individuals, economic organizations and social organizations in the PRC.

The PBOC publishes, on each business day, the Renminbi exchange rate against other major foreign currencies. Such rate is set by reference to the previous days' trading price of Renminbi/ major foreign currencies on the inter-bank foreign exchange market. In general, all organizations and individuals within the PRC are required to sell their recurrent foreign exchange earnings to designated banks unless they have received a specific waiver. Foreign invested enterprises, on the other hand, are permitted to retain a certain percentage of their recurring foreign exchange earnings and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks. Capital foreign exchange must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such accounts.

At present, the PRC government is relaxing its control over foreign exchange. Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents.

In addition, where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Despite the relaxation of foreign exchange control over current account transactions, the approval of the State Administration of Foreign Exchange is still required before an enterprise may receive a foreign currency loan, provide a foreign exchange guarantee, make an investment outside the PRC or enter into any other capital account transaction that involves the purchase of foreign exchange.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

SAFETY AND ENVIRONMENTAL PROTECTION RULES AND REGULATIONS

''The Environmental Protection Law of the People's Republic of China'' (the ''Environmental Protection Law''), promulgated in 1989 sets out the legal framework for environmental protection in the PRC. The Environmental Protection Law aims to protect and improve living conditions and the environment, prevent and control pollution and other public hazards and safeguard public health. The department of environmental protection administration under the State Council is responsible for the general supervision and management of environmental protection work throughout the PRC and for the establishment of national standards for the discharge of pollutants. The local environmental protection departments at the county level or above are responsible for the environmental protection within their areas of administration.

Enterprises that produce pollutants or other public hazards are required to incorporate environmental protection elements into their business plans and establish a system of accountability in this regard. Effective measures should be implemented to prevent and control environmental pollution and hazards arising from pollutants such as exhaust gases, waste waters, waste residues, dusts, malodorous gases, radioactive substances, noise, vibration, electromagnetic radiation, etc generated in the course of industrial production, construction or other activities.

Enterprises that discharge pollutants must report to and register with the competent department of environmental protection administration under the State Council or the local people's governments. Enterprises that discharge pollutants in excess of the prescribed national or local discharge standards will be required to pay a fee for excessive discharge, which fee will be determined in accordance with State regulations, and they will be responsible for eliminating and controlling the pollution.

The government may impose different types and levels of administrative sanctions on the entities or individuals in breach of the Environmental Protection Law, according to the extent and circumstances of the breach and the pollution. These sanctions include the issuance of warnings, fines, orders to take remedial actions within deadlines, orders for the suspension of operations, orders to reinstall and utilize the pollution control facilities dismantled or deactivated without prior approval, administrative sanctions on the persons in charge and orders to shut down the operations. The government may impose a fine in addition to the above administrative sanctions. Entities or individuals responsible for causing environmental damage will be liable for indemnifying those who have suffered loss as a result of the pollution. Serious breaches of the Environmental Protection Law resulting in serious environmental pollution may also lead to the imposition of criminal liability on the entities or individuals directly responsible for such breaches.

''The Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution'' (the ''Atmospheric Pollution Law'') was promulgated on 5 September 1987 and subsequently amended on 29 August 1995 and 29 April 2000. The Atmospheric Pollution Law provides for the prevention, control, treatment and management of atmospheric pollution for the purpose of preventing and controlling atmospheric pollution, protecting and improving living conditions and the environment, safeguarding public health and promoting the sustainable development of the economy and society. The departments of environmental protection administration of the local people's governments at the county level and above are responsible for the general supervision and management of the prevention and control of atmospheric pollution. The department of environmental protection administration under the State Council is responsible for establishing national standards for atmospheric environment quality and the discharge of atmospheric pollutants.

Construction, expansion and redevelopment projects that involve the discharge of atmospheric pollutants are governed by State environmental protection regulations for construction projects. Entities that cause the production of atmospheric pollutants must report to the local administrative department of environmental protection details of their existing discharge and treatment facilities for pollutants and the nature, quantities and concentrations of pollutants discharged under their normal operating conditions. They must also report relevant technical information concerning the prevention and control of atmospheric pollution. Such entities will be required to pay a discharge fee, which fee will be determined in accordance with the nature and quantities of their atmospheric pollutants. The concentration of such pollutants may not exceed the standards prescribed by the State and local authorities.

The departments of environmental protection administration will impose sanctions on entities in violation of the Atmospheric Pollution Law, according to the particular circumstances of the violation. These sanctions include the issuance of orders to stop the acts of violation, orders to make corrections within deadlines, warnings, fines, orders to remedy the violations within deadlines and orders for the suspension or cessation of operations. Any entity that has created an atmospheric pollution hazard will be held responsible for eliminating the hazard and indemnifying the entities or individuals that have suffered direct losses.

''The Law of the People's Republic of China on Prevention and Control of Water Pollution'' (the ''Water Pollution Law'') was promulgated on 11 May 1984 and subsequently amended on 15 May 1996. The Water Pollution Law provides legal standards for the prevention and control of the pollution of rivers, lakes, canals, irrigation channels, reservoirs and other bodies of water above or below ground within China. The departments of environmental protection administration of the local people's governments at various levels are responsible for the general supervision and management of the prevention and control of water pollution. The department of environmental protection administration under the State Council is responsible for establishing national standards for water quality and the discharge of water pollutants.

Construction, expansion and redevelopment projects and other installations on water that directly or indirectly discharge pollutants into waterways are subject to State environmental protection regulations for construction projects. Entities that discharge pollutants directly or indirectly into waterways should report to and register with the local environmental protection department details of their existing facilities for discharging and treating pollutants, the nature, quantities and concentrations of pollutants discharged under their normal operating conditions, together with technical information concerning the prevention and control of the water pollution. Business entities that discharge pollutants into waterways will be required to pay a pollutant discharge fee in accordance with relevant regulations. Where the discharge exceeds the stipulated limits, a fee for excess discharge will be collected according to relevant regulations.

The department of environmental protection administration will impose sanctions on entities in violation of the Water Pollution Law, according to the particular circumstances of the violation. These sanctions include the issuance of warnings, fines and orders for the suspension or the cessation of operations. Entities that creates water pollution are responsible for eliminating the hazard and indemnifying the entities or individuals that have suffered direct losses.

''The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste'' (the ''Solid Waste Pollution Law'') was enacted on 1 April 1996 and revised as of December 29, 2004. It is aimed at preventing and controlling environmental pollution by solid wastes within the PRC. In respect of the prevention and control of environmental pollution by solid wastes, the State implemented initiatives to reduce discharge, promote full utilisation and non-hazardous disposal of solid wastes. The departments of environmental protection administration of the local people's governments at the county level or above are responsible for the general supervision and management of the prevention and control of the environmental pollution by solid waste within their areas of administration.

Construction projects which discharge solid wastes and projects for the storage and disposal of solid waste are subject to State environmental protection regulations. Entities and individuals that cause the production of solid wastes should adopt measures to prevent or reduce such discharge and the environmental pollution it causes. Entities and individuals that collect, store, transport, utilise or dispose solid waste must take measures to prevent the scattering, running off, leaking and seeping of solid wastes, as well as other measures against environmental pollution.

The departments of environmental protection administration will impose sanctions on entities in violation of the Solid Waste Pollution Law, according to the particular circumstances of the violation. These sanctions include the issuance of orders to make corrections within deadlines, fines, revocation of the operating license and orders for the suspension or cessation of operations. Any entity or individual who has suffered loss from pollution in the form of solid wastes is entitled to make a claim for losses in accordance with the relevant laws.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited liability company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders in a general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Company Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the total number of shares subscribed for in cash many not fall below 30% of the company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons and natural persons or eligible foreign investors with the approval from CSRC. Our overseas listed H Shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC and qualified domestic institutional investors of China. Under the PRC Company Law, our Promoters are not allowed to transfer the Shares they hold for a period of one year after the date of our establishment. Shares issued prior to the Global offering may not be transferred for a period of one year from the listing of the Company on a stock exchange. Similarly, our Directors, Supervisors and manager cannot transfer their Shares during the first year from the listing of the Company. After such statutory lock-up period, they are only permitted to transfer their shares up to 25% of the total number of shares each of them holds each year during their respective terms of office. There are no such restrictions on shareholdings and transfer of shares under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our Shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix IX. Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the Company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes, except where (i) the Company issues and allots, in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the issued overseas listed foreign invested shares and the issued domestic invested shares existing as at the date of the shareholders' special resolution; (ii) the plan for the issue of domestic invested shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; (iii) shares of our Company held on our domestic register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authorities of the State Council. The Mandatory Provisions contain detailed provisions relating to circumstances which are deemed to constitute a variation of class rights.

Directors, Officers and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, other than connected transactions related restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits, such as loans, to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix IX.

Supervisory Committee

Under the PRC Company Law, our Directors and managers are subject to the supervision of a Supervisory Committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The Company Law provides that, if any director, supervisor or officer of a company violates any provision of laws, regulations or articles of association of the company in his/her performance of duties for the company, resulting in damages to such company, shareholders holding 1% or more of the company's shares for 180 consecutive days either individually or in combination may require the supervisory committee or the board of directors in writing to institute a law suit at the People's Court. In the event that the supervisory committee or the board of directors refuses to institute such law suit or fails to institute such law suite within 30 days from such requirement, or where an urgent circumstance is involved and failure to institute such law suit will result in irremediable damages to the interest of the company, then such shareholders shall have the right to institute directly a law suit at the People's Court in their own names in the interest of the company. The Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This allows minority shareholders to act against our Directors and Supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. There is no specific provision in the PRC Company Law to guard against oppression by the majority shareholders of minority shareholders' but the Company, as required by the Mandatory Provisions, has adopted in its

Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of our shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting while notice of an extra-ordinary general meeting of shareholder must be given not less than 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all our shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a Hong Kong limited company, the minimum period of notice of a general meeting where convened for the purpose of considering ordinary resolutions is 14 days and where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is also 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting is provided for in the articles of association of a company, but must be at least two members. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may only be convened when replies to the notice of that meeting have been received from shareholders whose Shares represent 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders by way of a public announcement and we may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three quarters of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one-half of the votes held by our shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendments to our Articles of Association, merger, division, dissolution, alteration of form of the company, increase or a reduction of registered capital, which require two-thirds of the votes held by shareholders present in person or by proxy at a shareholders' general meeting.

Financial Disclosure

We are required under the PRC Company Law to make available at our office for inspection by shareholders our annual balance sheet, profit and loss account, statement of changes in financial position and other relevant annexes 20 days before our shareholders' annual general meeting. In addition, we must publish our financial statements and our annual balance sheet must be verified by registered accountants. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

We are required under PRC law to prepare our financial statements in accordance with PRC accounting standards. The Mandatory Provisions require that we must, in addition to preparing our accounts according to PRC standards, have our accounts prepared and audited in accordance with international or Hong Kong accounting standards and our financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The Company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives our shareholders the right to inspect our Articles of Association, minutes of the shareholders' general meetings, registers of members, records of company debentures, board resolutions, resolutions of supervisory committee and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require us to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily, pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre (''HKIAC'') or the China International Economic and Trade Arbitration Commission (''CIETAC''), at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, after tax profits of a company are subject to deductions of contributions to the statutory common reserve fund of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules, remedies of the Company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer) have been set out in the Articles of Association.

Dividends

The Articles of Association empower the Company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The Company shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers, and managers owe a fiduciary duty towards their company and are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the Company's Articles of Association provide, as required by the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited liability company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

We are required to retain for at least one year following our listing, or such shorter period as the Hong Kong Stock Exchange may in its absolute discretion permit, the services of a compliance adviser which is acceptable to the Hong Kong Stock Exchange, to provide us with professional advice on continuous compliance with the Hong Kong Listing Rules, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require us to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the Company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either Hong Kong accounting standards or International Accounting Standards.

Process Agent

We are required to appoint and maintain a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time we issue securities other than the H Shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that all of our H Shares must be held by the public, the H Shares must represent not less than 10% of our issued share capital and the aggregate number of our H Shares and other securities held by the public must constitute not less than 25% of our issued share capital.

Independent Non-Executive Directors and Supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Purchase of its Own Securities

Subject to governmental approvals and the Articles of Association, we may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which Directors are aware, if any. Any general mandate given to Directors to repurchase H Shares must not exceed 10% of the total number of our existing issued H Shares.

Redeemable Shares

We must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, Directors are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of Domestic Shares and H Shares each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to:

(i) authorizing, allotting, issuing or granting Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares or such convertible securities; or

(ii) any major subsidiary making any such authorization, allotment, issue or grant so as materially to dilute the percentage of our equity interest in such subsidiary.

No such approval will be required, except to the extent that our existing shareholders have by special resolution in general meeting given a mandate to Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued Domestic Shares and H Shares as at the date of the passing of the relevant special resolution or, such Shares as are part of our plan at the time of our establishment, to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee.

Amendment to Articles of Association

We may not permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for Inspection

We are required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by our shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of our issued share capital;
- our latest audited financial statements and the reports of the Directors, auditors and (if any) Supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return filed with the PRC State Administration for Industry and Commerce or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, we are required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those Shares bearing statements to the following effect, that the acquirer of Shares:

- agrees with us and each shareholder, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- agrees with us, each shareholder, Director, Supervisor, manager and other officer and we acting both for the company and for each Director, Supervisor, manager and other officer, agree with each shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with us and each shareholder that Shares are freely transferable by the holder thereof; and
- authorizes us to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

COMPLIANCE WITH THE PRC COMPANY LAW, THE SPECIAL REGULATIONS AND THE ARTICLES OF ASSOCIATION

We are required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between Us and Directors, Officers and Supervisors

We are required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to us to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Hong Kong Takeovers Code and an agreement that we shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to us acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the Articles of Association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations

concerning affairs between us and our Directors or officers and between a holder of H Shares and a Director or officer, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

We are also required to enter into a contract in writing with every Supervisor containing terms substantially similar to those for Directors.

If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC.

PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations.

The award of the arbitral body is final and shall be binding on the parties thereto.

Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

We must not apply for the listing of our H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of our H Shares subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of our listing. Upon our listing on the Hong Kong Stock Exchange, the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to us.

SECURITIES ARBITRATION RULES

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

Jia Yuan Law Firm, our legal adviser on PRC law, has sent to us a legal opinion dated December 1, 2006 which includes a statement to the effect that the description of PRC Laws and regulations as contained in this Prospectus is true and accurate. This legal opinion is available for inspection as referred to in the Section headed ''Documents Delivered to the Registrar of Companies and Available for Inspection'' in Appendix X to this Prospectus.

Any person wishing to have detailed advice on PRC law and the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted on October 8, 2006 and will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the paragraph headed ''Documents Delivered to the Registrar of Companies'' and ''Documents Delivered to the Registrar of Companies and Available for Inspection'' in Appendix X.

1. DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the approval of shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the value of the consideration for the proposed disposition; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last audited balance sheet placed before the shareholders in general meeting. For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than by way of security.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of shareholders in general meeting, payments by way of compensation for loss of office or for his retirement from office. Such contract of emoluments shall make provision for the right of a Director or Supervisor, in connection with the takeover of the Company, subject to the approval of the shareholders in a general meeting, to receive compensation or other payment for loss of office or for his retirement for office. A takeover of the Company means:

(i) an offer made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or guarantee to its Directors, Supervisors, president, or other senior officers or the directors, supervisors, president, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee in connection with a loan made by any connected person to such a director, supervisor, president, or other senior officer.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

(i) the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor, president, or other senior officer of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances, or

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions are not subject to the foregoing prohibition:

(i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

(ii) the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, president, or other senior officer to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting his duties; and

(iii) the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, president, or other senior officers or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

(e) Giving of financial assistance to purchase the shares of the Company or any of its subsidiaries

Subject to the Articles of Association:

(i) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in the Company; and

(ii) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

(i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely for the Company's interests and not for the purpose of acquiring the Company's shares or the provision of such assistance is incidental to some broader objective of the Company;

(ii) a distribution of the Company's assets by way of dividend lawfully declared;

(iii) a distribution of dividends by way of bonus shares;

(iv) a reduction of share capital, repurchase of shares of the Company or a reorganization of the share capital effected in compliance with the Articles of Association;

(v) the provision of loans by the Company in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and

(vi) the Company's contribution to employees' share schemes provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

For these purposes,

(i) ''financial assistance'' includes, without limitation to:

(aa) assistance given by way of gift;

(bb) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company's own default) or by way of release or waiver;

(cc) assistance given by way of a loan; or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of contracting parties or the assignment of rights arising under such loan or such agreement; or

(dd) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and

(ii) ''incurring a liability'' includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or on the account of any other person) or by changing one's financial position by any other means.

(f) Disclosure of interests in and voting on contracts with the Company or any of its subsidiaries

Where a Director, Supervisor, president, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company other than his contract of service, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the board of Directors.

Unless the interested Director or Supervisor, president, or other senior officer has disclosed his interest in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the board of Directors at a meeting at which the interested Director, Supervisor, president, or other senior officer is not counted in the quorum and has refrained from voting, such contract, transaction or arrangement in which a Director, Supervisor, president, or other senior officer is materially interested can be rescinded at the Company's option provided that such rescission will not affect the validity of such contract, transaction or arrangement as against a bona fide party thereto acting in good faith. For these purposes, a Director, Supervisor or president, or other senior officer is deemed to be interested in a contract, transaction or arrangement in which a person connected to him is interested.

Where a Director, Supervisor, president, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) Remuneration

The Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The Directors or Supervisor have no power under the Articles of Association to determine the remuneration for themselves. The said emoluments include:

(i) emoluments in respect of their services as Director, Supervisor or senior officer of the Company;

(ii) emoluments in respect of their services as Director, Supervisor or senior officer of any subsidiary of the Company;

(iii) emoluments otherwise in connection with services for the management of the Company or any subsidiary thereof; and

(iv) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company for anything due to him in respect of the matters specified above.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, president, or other senior officer of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated as a result of mismanagement and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;

(v) persons who have failed to pay a relatively large debt when due and outstanding;

(vi) persons who have committed criminal offences and are still under investigation by law administration authorities;

(vii) persons who have been given a punishment of prohibition for entering the security market from CSRC and the term of such punishment has not expired;

(viii) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith, where less than 5 years have lapsed since the date of conviction;

(ix) persons who are not natural persons; and

(x) other persons stipulated by laws, administrative regulations, department regulations and the regulations promulgated by the security supervisory authority or stock exchange where the Company' shares are listed.

The validity of the conduct of Directors, president, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, president, or other senior officers.

The board of Directors shall consist of 7 Directors at least. The Directors shall be elected at shareholders' general meetings. A Director is not required to hold any shares in the Company.

The president or other senior officers may serve concurrently as a director of the Company, provided, however, the number of the directors that serve concurrently as the president or other senior officers of the Company shall not exceed half of the total number of the directors of the Company.

The chairman of the board of Directors shall be elected or removed by more than one half of all of the Directors. A Director (without prejudice to any claim for damages under any contract) may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman and other Directors shall be three years commencing from their accession and ending on the expiry of the term of the current session of the Board and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least 7 days. The period for giving such written notice shall commence after the date the Company gives notice of the general meeting by post, and shall end not later than 7 days before the date of the general meeting.

The list of directors' and supervisors' candidates shall be proposed in form of a motion to the shareholders' general meeting for resolution.

At the time of voting for the election of directors or supervisors at a shareholders' general meeting, the cumulative voting system may be implemented pursuant to the Articles of Association or based on the resolutions adopted at a shareholders' general meeting.

For the purposes of the preceding paragraph, the term ''cumulative voting system'' means that at the time of voting for the election of directors or supervisors at a shareholders' general meeting, each share shall carry the same number of voting rights as the number of director's or supervisor's candidates. The voting rights of a shareholder may be exercised on a collective basis. The Board shall make a public announcement on the biographies and general information of the directors' and supervisors' candidates.

(i) Borrowing powers

On condition of compliance with the laws and administrative regulations of the State, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any shareholder.

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

(j) Liabilities

The Directors, Supervisors, president, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, president, or other senior officer is in breach of his duties owed to the Company:

(i) to claim against such a Director, Supervisor, president or other senior officer for losses incurred by the Company as a result of his breach;

(ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, president or other senior officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;

(iii) to account for the profits made by the Director, Supervisor, president or other senior officer as a result of his breach;

(iv) to recover any monies received by the Director, Supervisor, president or other senior officer which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, president or other senior officer which should have been received by the Company; and

(vi) to execute legal procedures judging that the interest of a Director, Supervisor, president or other senior officer earned through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions of the shareholders' general meetings. Each Director, Supervisor, president, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(i) to act honestly in what he considers to be in the best interest of the Company;

(ii) to exercise his powers within the scope specified and not to act ultra vires;

(iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another and, unless and to the extent permitted by law or by the shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;

(iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) not without the approval of the shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets for his personal benefit;

(vii) not to use his position to accept bribes or other illegal income and not to expropriate in any manner the Company's assets, including (without limitation) opportunities beneficial to the Company;

(viii) not without the informed consent of shareholders in general meeting, to accept commissions in connection with the Company's transactions;

(ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;

(x) not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;

(xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets;

(xii) not in breach of the Articles of Association and without the consent of the Board of Directors or the shareholders' general meeting, to lend the Company's funds to a any person or to provide security for debt of a shareholder of the Company or any other individuals;

(xiii) not to use his position as a connected party to harm the Company's interests; and

(xiv) without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a governmental authority is permitted where (i) the disclosure is made under compulsion of law; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, president or other senior officer require disclosure.

A Director, Supervisor, president, or other senior officer of the Company shall not direct persons connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, president, or other senior officer if he is:

(i) the spouse or minor child of such a Director, Supervisor, president, or other senior officer;

(ii) a trustee for such a Director, Supervisor, president, or other senior officer or any person referred to in (i) above;

(iii) a partner of such a Director, Supervisor, president, or other senior officer or of any person referred to in (i) and (ii);

(iv) a company in which that a Director, Supervisor, president, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, president, or other senior officers of the Company, have de facto control; or

(v) a director, supervisor, president, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, president, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, president, or other senior officer arising from the violation of a specified duty may be released by informed shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, president, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

(i) not to cause the Company to go beyond the business scope specified by its business license;

(ii) to act honestly in what they consider to be the best interest of the Company;

(iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and

(iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a shareholders' general meetings.

Each of the Directors, Supervisors, president, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

Where the Company incurs losses as a result of a director or senior officer having violated any provision of law, administrative regulation or the Articles of Association in the course of performing their duties with the Company, shareholders alone or in aggregate holding 1% or more of the Company's shares for one hundred and eighty (180) consecutive days or more shall be entitled to request in writing the supervisory committee to initiate proceedings in a court; where the Company incurs losses as a result of the supervisory committee having violated any provision of law, administrative regulation or the Articles of Association in the course of performing its duties with the Company, shareholders may request the Board in writing to initiate proceedings in a court.

If the supervisory committee or the Board refuses to initiate proceedings upon receipt of the written request of shareholders set forth in the preceding paragraph, or fails to initiate such proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings will immediately result in irreparable damage to the Company's interests, shareholders described in the preceding paragraph shall have the right to initiate proceedings in a court directly in their own name in the interests of the Company.

Shareholders provided for in the first paragraph of this Article may also initiate proceedings in a court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company is infringed upon by a third party and that the Company suffers from losses accordingly.

Shareholders may initiate proceedings in a court if a director or senior officer has breached the laws, administrative regulations or these Articles of Association resulting in impairing the interests of shareholders.

2. ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of shares (''Class Rights'') unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

(i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class, except for where shares of the Company held on the domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council;

(ii) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class, except for where shares of the Company held on the domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

(v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;

(vi) to remove or reduce rights to receive payments from the Company in any particular currency;

(vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;

(viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;

(ix) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(x) to increase the rights or privileges of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and

(xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company 45 days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company 20 days prior to the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any meeting of shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic Shares and Foreign Shares are deemed to be shareholders of different classes.

Special procedures for voting by holders of different classes of Shares do not apply to the following situations:

(i) where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares or Foreign Shares;

(ii) where the Company completes, within 15 months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares and Foreign Shares; and

(iii) where shares of our Company held on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the Securities Authority of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an ''Interested Shareholder'' is:

(i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;

(ii) in the case of a repurchase of shares by an off-market contract under the Articles of Association, a shareholder to whom the proposed contract is related;

(iii) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

4. SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than the one half votes represented by shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution more than the two thirds votes represented by the shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary shareholders of the company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. Shareholders (including proxies) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

At any shareholders' meeting, voting shall be by a show of hands unless a poll (before or after a vote by a show of hands) is required under the Stock Exchange Listing Rules or is demanded by the following persons:

(i) the chairman of the meeting;

(ii) at least two shareholders, present in person or by proxy, who have the right to vote; or

(iii) one or more shareholders or his/their proxy who, alone or together, represent 10% or more of the shareholding represented at the meeting which carries the right to vote at that meeting.

Unless a poll is required under the Stock Exchange Listing Rules or is demanded, a declaration by the Chairman based on the result of the show of hands as to whether a resolution has been passed and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the result of that vote without further proof of the number of votes recorded or the percentage of votes in favor of and against such resolution at the meeting. The demand for a poll may be withdrawn by the person(s) who demanded it.

A poll demanded on a vote regarding the election of the Chairman of the meeting, or on a question of adjournment of the meeting, shall be taken immediately. A poll demanded on any other matters shall be taken at such time as the Chairman of the meeting decides, and the meeting may proceed to other matters. The results of a poll shall be deemed to be a resolution of the meeting at which the poll was demanded. On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional vote.

In addition to the cumulative voting system, voting for all motions proposed to a shareholders' general meeting shall be conducted on an item-by-item basis. If different motions have been proposed for the same matter, voting related thereto shall be conducted based on the chronological order of proposing the motions. Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no motion shall be set aside or rejected for voting at the general meeting.

The same right to vote can only be exercised by electing to vote at the scene, via the Internet or otherwise. If the same right to vote has been exercised twice, the result of the first voting shall prevail.

6. REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Shareholders' general meetings shall be convened by the board of Directors. Annual general meetings are held once every year within six months after the financial year end.

7. ACCOUNTS AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory authority of the State Council.

The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by the Company.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the aforesaid accounting standards, such difference shall be stated and explained in the financial statements. For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in the different set of financial statements shall be adopted.

The financial reports of the Company shall be made available at the Company for inspection by shareholders 20 days before the annual general meeting. Every shareholder of the Company is entitled to a copy of the financial reports.

A copy of the above financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by pre-paid post to the registered address of every holders of Foreign Shares.

The interim results or financial information that the Company announces or discloses shall be compiled according to both PRC accounting standards, rules and regulations, and international accounting standards or accounting standards of the place at which shares of the Company are listed.

The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of accountants

The Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the State to audit the Company's annual reports and review the Company's other financial reports.

The first accountants firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting fails to exercise its powers as stipulated in the preceding paragraph those powers shall be exercised by the board of directors.

The accountants firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholder until the conclusion of the next annual general meeting of shareholders.

The shareholders in general meeting may by ordinary resolution remove an accountants firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting.

The Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting. The resolution of shareholders' general meeting shall be filed with the securities regulatory authorities of the State Council.

Prior to the removal or the non-renewal of the appointment of the accountants firm, an advance notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to attend and to make representation to the shareholders' general meeting.

Where the accountants firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accountants firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of shareholders.

Where the accountants firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the shareholders or creditors of the Company, it may require the board of directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, president, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of shareholders in general meeting.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(ii) when the unaccounted losses of the Company amount to one third of its share capital;

(iii) when shareholders holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing the convening of an extraordinary general meeting;

(iv) when the board of Directors considers necessary or upon the request of the supervisory committee; and

(v) when 2 or more independent non-executive Directors so request.

In the case of (iii) to (v), the matters proposed to be considered at the meeting shall be listed in the agenda of the meeting.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company to be received by the Company 20 days before the date of the meeting.

When the Company is to convene an annual general meeting, shareholders holding 3 per cent. or more of shares carrying voting rights shall have the right to put forward new proposals in writing to the Company.

The Company shall calculate, according to the written replies received 20 days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more of the one half of total number of shares carrying voting rights. If not, the Company shall make an announcement, within 5 days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders shall:

(i) be in writing;

(ii) specify the place, the date and the time of the meeting;

(iii) state the matters to be discussed at the meeting;

(iv) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another company, to repurchase shares of the Company, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;

(v) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, president, or other senior officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;

(vi) contain the text of any special resolution proposed to be passed at the meeting;

(vii) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder; and

(viii) specify the time and place for lodging proxy forms for the relevant meeting.

Notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. For holders of Domestic Shares, notice of Shareholder's general meeting may be made by way of public announcement.

Public announcement of notices of shareholders' general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council 45 days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Upon issuance of the notice of the shareholders' general meeting, the general meeting shall neither be delayed nor cancelled without proper reasons. Motions listed in such notice shall not be revoked. Once the general meeting is delayed or cancelled, the convenor shall make a public announcement stating the reasons therefor at least two (2) working days prior to the date originally scheduled for convening the meeting.

Shareholders requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

Shareholder(s) alone or in aggregate holding in aggregate 10% or more of the shares have the right to require the Board to convene a shareholders' extraordinary meeting by a written requisition. Within ten days after receipt the requisition, the Board shall, in accordance with laws, regulations and this Articles of Association, give a written response in respect of whether or not it agrees to convene a shareholders' extraordinary meeting.

If the Board agrees to convene a shareholders' extraordinary meeting, a notice of shareholders' meeting shall be issued within five days after the Board reaches such a resolution.

If the Board refuses to convene a shareholders' extraordinary meeting, or fails to respond within ten days after receipt of the requisition, the shareholder(s) alone or in aggregate holding 10% or more of the shares have the right to propose to the supervisory committee by a written requisition that the supervisory committee convene a shareholders' extraordinary meeting.

If the supervisory committee agrees to convene a shareholders' extraordinary meeting, a notice of shareholders' meeting shall be issued within five days after receipt of the requisition. Failure of the supervisory committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the supervisory committee to convene and preside over a general meeting, and shareholder(s) alone or in aggregate holding 10% or more of the Company's shares for ninety consecutive days or more shall be entitled to convene and preside over the meeting.

The supervisory committee shall have the right to propose the Board to convene an extraordinary shareholders' general meeting and shall submit its proposal thereof to the Board in writing.

If the supervisory committee or shareholders determine to convene a shareholders' general meeting by themselves, they shall give a written notice to the Board and file the same with the local office of the CSRC at the place where the Company is located and the stock exchange for record.

Prior to the announcement of the resolutions of the shareholders' general meeting, the shareholding proportion of the convening shareholders shall not be lower than 10%.

The convening shareholder shall submit relevant evidence to the local office of the CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of shareholders' general meeting and the announcement of the resolutions adopted thereat.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

(i) the approval of work reports of the Board and the supervisory committee;

(ii) the approval of plans formulated by the Board for the distribution of profits and for making up losses;

(iii) the election & removal of the members of the Board and members (being the Shareholders' representatives) of the supervisory committee, their remuneration and method of payment;

(iv) the approval of the Company's budget and final accounts, balance sheets and profit and loss accounts and other financial reports; and

(v) save as required by the laws and regulations of the PRC or by the Articles of Association, all other matters other than those required to be adopted by special resolution.

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

(i) the increase or reduction of share capital and the issue of shares of any class or warrants and other similar securities;

(ii) the issue of debentures of the Company;

(iii) the demerger, merger, termination and liquidation of the Company;

(iv) amendments to the Articles of Association; and

(v) any other matters considered by the shareholders' general meeting, resolved by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

The Company shall be subject to the approval of the shareholders' general meeting upon consideration in the event of providing in favour of a third party any of the following security:

(1) any security that is provided after the total amount of security provided by the Company and its controlling subsidiaries in favour of a third party has reached or exceeded 50% of the latest audited net asset value;

(2) any security that is provided after the total amount of security provided by the Company in favour of a third party has reached or exceeded 30% of the latest audited total asset value;

(3) any security to be provided in favour of an entity which is subject to a gearing ratio of over 70%;

(4) the amount of a single security exceeding 10% of the latest audited net asset value; and

(5) security to be provided in favour of any shareholder, effective controlling person of the Company and its connected parties.

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction (provided that the Company is informed) shall not be counted.

If a resolution of a shareholders' general meeting or the Board of the Company is in breach of any law and administrative regulation, the shareholders shall have the right to petition to a court to render the same as invalid.

If the procedures for convening a meeting of, or the method of voting at, a general meeting or the Board are in breach of any law, administrative regulation or these Articles of Association, or the content of a resolution is in breach of the Articles of Association, shareholders may petition to a court to rescind such resolutions within sixty (60) days from the date on which such resolution is passed.

9. TRANSFER OF SHARES

Subject to the approval of the securities authority of the State Council, shares of our Company held on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange.

The directors, supervisors and senior officers of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which a director, supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Company's shares in his or her possession; and shares of the Company in his or her possession are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange. Such personnel shall not transfer the Company's shares in their possession within six (6) months after they have terminated their employment with the Company.

Any gains from the sale of shares of the Company by any Company's director, supervisor, senior officer or shareholders holding 5% or more of the shares in the Company within six (6) months after purchasing such shares, or thereafter any gains from repurchasing such shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. If the Board of the Company fails to comply with the provision set forth in this paragraph, the responsible director(s) shall be jointly and severally liable therefor in accordance with the law.

If the Board of the Company fails to comply with the provision set forth in the preceding paragraph, a shareholder shall have the right to require the Board to effect the same within thirty (30) days. If the Board fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in a court directly in his own name in the interests of the Company.

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. However, the Board may refuse to recognize any instrument of transfer without giving any reason, unless:

(1) a fee (for each instrument of transfer) of HK$2.50 or any higher fee as agreed by the Board has been paid to the Company for registration of any transfer or any other document which is related to or will affect ownership of or change of ownership of the shares;

(2) the instrument of transfer only involves H Shares;

(3) the stamp duty chargeable on the instrument of transfer has been paid;

(4) the relevant share certificate and, upon the reasonable request of the Board, any evidence in relation to the right of the transferor to transfer the shares has been submitted;

(5) if it is intended to transfer the shares to joint owners, then the maximum number of joint owners shall not exceed four (4); and

(6) the Company does not have any lien on the relevant shares.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a general meeting or within five (5) days before the record date for the Company's distribution of dividends.

10. POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, with the approval in accordance with the procedures provided in the Articles of Association and subject to the approval of the relevant governing authorities of the State, repurchase its issued shares in the following circumstances:

(i) cancellation of its shares for the purpose of reducing its share capital;

(ii) merging with another company which holds Shares;

(iii) granting shares as incentive compensation to the staff of the Company;

(iv) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company; or

(v) other circumstances permitted by the laws and administrative regulations.

If the Company repurchases its own shares due to items (1) through (3) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting of shareholders. If the Company repurchases its own shares in accordance with the preceding paragraph under the circumstances set forth in item (1), the shares so repurchased shall be cancelled within ten days of the repurchase. In the event of the circumstances set forth in items (2) and (4), the shares so repurchased shall be transferred or cancelled within six months.

If the Company repurchases its own shares in accordance with item (3) of the preceding paragraph, the shares so repurchased shall not exceed 5% of the total number of shares issued by the Company. The repurchase shall be funded with the post-tax profit of the Company, and the shares so repurchased shall be transferred to the employees within one year.

The Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

(i) making a pro rata general offer of repurchase to all its shareholders;

(ii) repurchasing Shares through public dealing on a stock exchange;

(iii) repurchasing by an off-market agreement outside a stock exchange.

The Company may, with the prior sanction of shareholders obtained at a shareholder's meeting in accordance with the Articles of Association, repurchase its shares by an off-market contract but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of shareholders obtained at a shareholder's meeting in the same manner. A contract to repurchase Shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase Shares.

The Company shall not assign a contract to repurchase its shares or any of its rights thereunder.

Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued shares:

(i) where the Company repurchases its shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new shares made for the purpose of the repurchase;

(ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:

(a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;

(iii) where the Company repurchases its shares which it is entitled to repurchase:

(a) if repurchased not made through the stock market or by way of tender, the price of the repurchased shares shall be subject to a certain maximum price

(b) if repurchased by way of tendering, the tender offer must be sent to all shareholders and all the shareholders must be treated fairly and equally in this process.

(iv) payment by the Company for the following purposes shall be made out of the Company's distributable profits:

(a) acquisition of rights to repurchase Shares;

(b) variation of any contract to repurchase Shares;

(c) release of any of the Company's obligations under a contract to repurchase Shares; and

(v) After the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be transferred to the Company's share premium account or capital reserve fund account.

Where the Company has the power to purchase for redemption a redeemable share:

(i) purchase not made through the market or by tender shall be limited to a maximum price; and

(ii) if purchases are by tender, tenders shall be available to all shareholders alike.

11. POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding Shares.

12. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or bonus shares.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

The Company shall appoint on behalf of holders of Foreign Shares receiving agents to receive on behalf of such shareholders dividends and other monies payable by the Company in respect of their Shares.

The receiving agent appointed on behalf of holders of Foreign Shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

After the resolution in respect of profit distribution has been adopted at the shareholders' general meeting, the Board of the Company is required to complete the distribution of dividends (or shares) within two (2) months after such meeting is convened.

13. PROXIES

Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

(i) the shareholder's right to speak at the meeting;

(ii) the right to demand, whether on his own or together with others, a poll;

(iii) the right to vote on a poll according to the number of shares, the voting rights of which he is authorized to exercise; however, if the proxy represents more than one shareholder, the proxy must vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend the shareholders' meeting as the appointor's representative.

Any form issued to a shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14. CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

15. INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of shareholders and enter therein the following particulars:

(i) the name (title), address (residence) and occupation or nature of each shareholder;

(ii) the class and number of shares held by each shareholder;

(iii) the amount paid up or payable on the Shares held by each shareholder;

(iv) the share certificate numbers of the Shares held by each shareholder;

(v) the date on which each person was entered in the register as a shareholder;

(vi) the date on which any shareholder ceases to be a shareholder.

Unless there is evidence to the contrary, the register of shareholders is sufficient evidence of each shareholder's shareholdings in the Company.

The Company may, in accordance with the understanding or agreements between the securities regulatory authority of the State Council and the overseas securities regulatory organizations, maintain the register of shareholders of Foreign Shares overseas and appoint overseas agent(s) to manage such share register.

Duplicates of the share register for holders of Foreign Shares shall be maintained at the Company's residence. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register. The original register of Overseas-listed Foreign-Invested Shares listed in Hong Kong shall be maintained at Hong Kong.

If there is any inconsistency between the original and the duplicate of share register for holders of Foreign Shares, the original shall prevail.

The Company shall keep a complete register of shareholders.

The register of shareholders shall comprise of the following parts:

(i) register(s) of shareholders other than those specified in items (ii) and (iii) below kept at the domicile of the Company;

(ii) register(s) of holders of the Company's overseas-listed foreign-investment shares kept in the place of the stock exchange(s) where those foreign-investment shares are traded; and

(iii) register(s) of shareholders kept at other places as the board of directors thinks necessary for the purpose of listing.

Different parts of the register of shareholders shall not overlap. No transfer of Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

The alteration or rectification of any part of the register of shareholders shall be carried out in accordance with the laws of the place where such part of the register is maintained.

No changes which are required by reason of a transfer of Shares may be made to the register of shareholders within 30 days prior to the date of a shareholders' general meeting or 5 days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the board of Directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from, the register may apply to the court which jurisdiction to amend the register.

The right of the Shareholders to information includes, but without limitation, the following:

(i) the right to a copy of the Articles of Association after payment of costs;

(ii) the right to inspect and copy, subject to payment of a reasonable fee:

   a. all parts of the register of members;

   b. personal particulars of each of the Company's directors, supervisors, president, and other senior officers;

   c. reports on the status of the Company's share capital;

   d. reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose; and

   e. corporate bond certificates, minutes of the general meetings of shareholders, resolutions of the Board of Directors' meeting, resolutions of the supervisory committee, and financial and accounting reports.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide to the Company written documents indicating the class and number of shares they hold. After confirmation of the shareholder's identity, the Company shall provide such information based on the shareholder's request.

16. QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a shareholders' meeting if the number of Shares carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of Shares carrying voting rights.

The Company can convene a class shareholders' meeting, if the number of Shares of the class carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of such Shares of the class.

17. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the Listing Rules on which Shares are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company in respect of the following matters:

(i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including (without limitation) opportunities beneficial to the Company; or

(iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but not including a restructuring of the Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

For the purposes of the preceding paragraph, a ''controlling shareholder'' means a person who satisfies any one of the following conditions:

(i) he alone or acting in concert with others has the power to elect more than half of the Directors;

(ii) he alone or acting in concert with others has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;

(iii) he alone or acting in concert with others holds 30% or more of the issued Shares; and

(iv) he alone or acting in concert with others in any other manner has de facto control over the Company.

18. PROCEDURE ON LIQUIDATION

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

(i) a resolution for dissolution is passed by a shareholders' general meeting;

(ii) dissolution is necessary due to a merger or division of the Company;

(iii) the Company is legally declared insolvent due to its failure to repay debts due;

(iv) the Company is ordered to close down because of its violation of laws or administrative regulations.

(v) where the Company's operation encounters serious difficulty, continuing operation will cause substantial loss to shareholders and such difficulty cannot be solved some other way, shareholders holding more than 10% of the voting rights of all shareholders may make requisition to the People's Court to liquidate the Company.

A liquidation group shall be set up within 15 days after the events under (i), (iii), (iv), (v) take place. The liquidation group of the Company shall comprise directors or persons appointed by the shareholders' meeting. If the liquidation group is not set up within the stipulated period of time, creditors may request the People's Court to designate the relevant personnel to form a liquidation group to conduct the liquidation.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the group's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation.

The liquidation group shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspapers at least three times.

The liquidation group shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

(i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify all creditors by notice or public announcements;

(iii) to dispose of and liquidate any relevant unfinished business matters of the Company;

(iv) to pay all outstanding taxes;

(v) to settle claims and debts;

(vi) to deal with assets remaining after the Company's debts having been paid in full; and

(vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting and the relevant authority in charge for confirmation.

If the company is liquidated by reason of dissolution and the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group shall present a report on liquidation and prepare a statement of the receipts and payments during the period of liquidation and financial books and records which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or the relevant governing authority for confirmation.

The liquidation group shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited company of perpetual existence.

The Company may invest in other companies with limited liability or joint stock limited companies and shall be liable to the companies in which it invests to the extent of its capital contribution.

The Article of Association constitute a legal document regulating the relationship between the Company and each of its shareholders and among the shareholders interest, actionable by a shareholder against the Company and *vice versa* and by shareholders against each other in respect of rights and obligations concerning the affairs of the Company arising out of the Articles of Association. The shareholders may also bring actions against the Directors, Supervisors, president, and other senior officers of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

Foreign investors mean those investors of foreign countries and regions of Hong Kong, Macau and Taiwan who subscribe for Shares issued by the Company; domestic investors referred to in the preceding paragraph mean those investors within the territory of the PRC (excluding investors of the regions referred to in the preceding sentence) who subscribe for Shares issued by the Company.

The Company may increase its capital in the following ways:

(i) offering new shares to non-specially-designated investors for subscription;

(ii) placing new Shares to its existing shareholders;

(iii) allotting bonus Shares to its existing shareholders; and

(iv) any other ways permitted by laws and administrative regulations.

The Company's increase of capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within 10 days of the date of the resolution for reduction of its registered capital, and shall make a public announcement in a newspaper at least 3 times within 30 days following the date of such resolution. A creditors has the right, within 30 days of receiving the notice or, in the case of such notice not being received, within 90 days of the date of the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debts.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

Subject to the approval of the securities authority of the State Council, shares of our company held on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

(c) Shareholders

A shareholder of the Company is a person who lawfully holds Shares and has his name recorded on the register of shareholders. A shareholder enjoys rights, and is subject to obligations, according to the class and number of Shares he holds. Holders of the same class of Shares enjoy the same rights and subject to the same obligations.

Unless specified otherwise in the Articles of Association, the holders of Domestic Shares and Foreign Shares are ordinary shareholders with the same rights and subject to the same obligations. The ordinary shareholders of the Company shall enjoy the following rights:

(i) the right to dividends and other distributions in proportion to the number of Shares held by him;

(ii) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(iii) the right to supervise the Company's business operations, and the right to present proposals and inquiries;

(iv) the right to transfer, give or pledge Shares in accordance with the laws, administrative regulations and the Articles of Association;

(v) the right to obtain relevant information in accordance with the provisions of the Articles of Association;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of Shares held by him; and

(vii) other rights conferred by laws, administrative regulations and the Articles of Association.

If a shareholder holding 5% or more of the voting shares of the Company pledges any shares that are in his or her possession, he or she shall report the same to the Company in writing on the day on which he or she pledges his or her shares.

The Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

The ordinary shareholders of the Company shall have the following obligations:

(i) to abide by the Articles of Association;

(ii) to pay subscription monies in accordance with the number of Shares subscribed and the method of subscription; and

(iii) other obligations imposed by laws, administrative regulations and the Articles of Association.

A shareholder is not be liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of the Company shall be in registered form.

Share certificates of the Company shall be signed by the Chairman of the Company's board of directors. Where the stock exchanges on which Shares are listed require the share certificates to be signed by senior officers of the Company, the share certificates shall also be signed by such senior officers.

The share certificates shall take effect after being affixed with the Company's seal or a machine-imprinted seal of the Company provided that such seal shall only be affixed with the authority of the Board of Directors. The signatures of the Chairman of the Board or other senior officers of the Company on the Share certificates may be printed in mechanical form.

Any person who is registered shareholder or who requests to have his name (title) entered into the register of shareholders may, if his share certificate (the ''original certificate'') in respect of shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such shares (the ''Relevant Shares'').

If a holder of Domestic Shares loses his share certificate and applies for a replacement new share certificate, it shall be dealt with in accordance with relevant provisions of the Company Law.

If a shareholder of Foreign Shares listed in Hong Kong loses his share certificate and applies for a replacement new share certificate, the issue of such certificate shall comply with the following requirements:

(i) the applicant shall submit an application to the Company in the form prescribed by the Company accompanied by a notarial certificate or a statutory declaration stating the grounds upon which the application is made and the circumstances and evidence of the loss of the original certificate and declaring that no other person is entitled to be registered as a shareholder in respect of the Relevant Shares.

(ii) before the Company decides to issue the replacement new share certificate, no statement made by any person other than the applicant declaring that he shall be registered as a shareholder in respect of the Relevant Shares has been received.

(iii) the Company shall, if it decides to issue a replacement new share certificate to the applicant, make an announcement of its decision at least once every 30 days for a period of 90 days in such newspapers as may be designated by the Board.

(iv) the Company shall have, prior to publication of its decision to issue a replacement new share certificate, delivered to the stock exchange on which its shares are listed a copy of the announcement to be published. The Company may publish the announcement upon receiving a confirmation from such stock exchange that the announcement has been exhibited in the premises of the stock exchange. The announcement shall be exhibited in the premises of the stock exchange for a period of 90 days.

In the case of an application to issue a replacement new certificate being made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.

(v) if, by the expiration of the 90-day period referred to in above (iii) and (iv), the Company shall not have received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.

(vi) where the Company issues a replacement new share certificate under the Articles of Association, it shall forthwith cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly.

(vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

(d) Untraceable members

The Company may exercise power to cease sending dividend warrants by post to a holder of foreign shares listed overseas when such warrants have not be cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall not exercise power to sell the shares of a shareholder who is untraceable unless:

(i) during a period of 12 years at least three dividends in respect of the shares in question have become payable an no dividend during that period has been claimed; and

(ii) on expiry of the 12 years the Company, after approval by the securities regulatory authority of the State Council, gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Stock Exchange of such intention.

(e) The Board of Directors

The board of Directors shall be accountable to the general meeting of the shareholders, and shall exercise the following functions and powers:

(i) to convene general meetings and report on its work to the shareholders;

(ii) to implement the resolutions of general meetings;

(iii) to decide on the Company's business plans and investment plans;

(iv) to formulate the Company's proposed annual financial budget and final accounts;

(v) to formulate the Company's profit distribution plan and plan for making up for losses;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, the issue of corporate bond or other securities and the listing plan;

(vii) to prepare plans for material acquisition, purchase of the Company's shares, merger, demerger, dissolution or change of the form of the Company;

(viii) to decide on the establishment of the Company's internal management structure;

(ix) to appoint or dismiss the Company's president, the secretary of the Board, the chairman of the special committee of the Board and pursuant to the president's nominations to appoint or dismiss other senior officers of the Company and to decide on their remuneration and benefits;

(x) to formulate the Company's basic management system;

(xi) to formulate plans for the amendment of the Company's Articles of Association;

(xii) to decide on the issues in respect of external investment, acquisition and disposal of assets, pledge and charge of assets, provision of guarantees, entrusted financial management and connected transactions as authorized by the shareholders in the general meetings;

(xiii) to decide on any plans for the conversion, demerger, reorganization or dissolution of our subsidiaries;

(xiv) to decide on any plans for profit distribution to employees of our Company;

(xv) to decide on the establishment and dissolution of the branches of our Company;

(xvi) to appoint or replace any directors and supervisors representing shareholders of the wholly-owned subsidiaries of our Company, and to appoint, replace or nominate shareholders' representatives, directors (candidates) and supervisors representing shareholders (candidates) of controlling and holding subsidiaries;

(xvii) to decide on and to monitor the implementation of our Company's risk management system, including risk assessments, financial control, internal audit, legal risk control;

(xviii) to deal with disclosures of information on our Company;

(xix) to propose to the shareholders' general meetings the appointment or replacement of the auditor of our Company;

(xx) to receive work report submitted by the president of our Company and to review his performance;

(xxi) to exercise other functions and powers conferred at general meetings and by the laws, regulations and the Articles of Association.

Resolutions relating to the above, with the exception of items (vi), (vii) and (xi) above which shall require the consent of more than two thirds of the Directors, shall require the consent of more than half of the Directors.

Meetings of the Board shall be held regularly at least once in each six-month period in a year and shall be convened by the Chairman of the board of Directors. A quorum will be formed by more than half of the Directors attending in person and appointing another Director as his attorney.

If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization.

A director shall be deemed to be unable to carry out his duties if he or she fails to attend two consecutive board meetings in person and fails to appoint an alternate director to attend board meetings on his behalf. The Board shall propose at the shareholders' general meeting for the removal of such director.

Directors attending board meetings shall exercise their powers as directors within their scope of authorization. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting.

Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the board of directors must be passed by more than half of all the Directors. Where the number of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

A director shall abstain from voting in connection with the relevant motion under any of the following circumstances:

(1) circumstances that such director should abstain from voting as provided for in the listing rules of the stock exchange located at the listing venue of the Company;

(2) circumstances that such director thinks fit to do so;

(3) any other circumstance that as provided for in the Articles of Association, such director should abstain from voting on the ground that he or she is connected with the enterprise involved in the motion tabled to the meeting.

To the extent that the directors abstain from voting, the relevant Board meeting may be conducted if more than half the number of non-connected directors are present at the meeting and resolutions shall be adopted by a simple majority vote of all non-connected directors present thereat. If there are less than three (3) non-connected directors present at the Board meeting, no voting shall be conducted for the relevant motion and the matter concerned shall be submitted to the shareholders' general meeting for consideration.

(f) Independent Directors

Members of the Board of the Company shall include at least one-third or more of the independent directors.

The following persons shall not act as the independent directors of the Company:

(1) persons working in the Company or its subsidiaries, as well as their direct family members or major social relations (in which direct family members refer to their spouses, parents and children etc.; and major social relations refer to siblings, parents-in-law, sons- or daughters-in-law, spouses of their siblings and siblings of their spouses etc.);

(2) natural person shareholders as well as their direct family members who directly or indirectly hold not less than 1% of the issued shares of the Company or who are ranked as the top ten shareholders of the Company;

(3) persons as well as their direct family members who work in entities which are such shareholders of the Company directly or indirectly holding not less than 5% of the issued shares of the Company or which are ranked as the top five shareholders of the Company;

(4) persons who have satisfied any condition stated in the above three paragraphs within the most recent year;

(5) persons who provide financial, legal and consultation services and otherwise to the Company or its subsidiaries;

(6) other persons specified in these Articles of Association; or

(7) other persons identified by the CSRC.

Independent directors of the Company shall be elected through methods set forth below:

(1) The Company's board of directors, supervisory committee and shareholders who alone or in aggregate hold 1% or more of the voting shares of the Company may nominate candidates for the independent directors. The independent directors shall be decided through election at a shareholders' general meeting.

(2) The consent of the nominees shall be obtained before nominating such persons as independent directors. The nominator shall be fully aware of information of such nominees relating to his or her occupation, educational background, professional title, detailed working experience and all other positions undertaken on a part-time basis etc., and shall declare his/her opinion on the nominee's qualification and independence for holding the position as an independent director. The nominee shall make a public statement that no relationship between such nominee and the Company will affect him or her to make any independent and objective judgment.

(3) Before a general meeting of shareholders is held to elect independent directors, the Board of the Company shall make the aforementioned information public in accordance with the relevant provisions.

(4) In the event that the Company issues A Shares and such A Shares are listed on domestic stock exchange, before a general meeting of shareholders is held to elect independent directors, the Company shall simultaneously submit relevant materials regarding all

nominees to the CSRC, the local office of the CSRC at the place where the Company is located and the stock exchanges on which the Company's shares are listed. If the Board challenges the qualifications of the nominees, a written opinion of the Board in connection therewith shall also be submitted at the same time.

If the CSRC has an objection to a nominee, such nominee may become a candidate for election as a director of the Company, but not a candidate for election as an independent director.

When convening a shareholders' general meeting for election of independent directors, the Board of the Company shall explain whether the CSRC had any objection to any of the candidates being elected as independent directors.

In addition to the functions and powers stipulated by the Company Law, the independent directors shall have the following specific functions and powers:

(1) to approve a major connected transaction, which is defined in the listing rules of the stock exchange where the Company's shares are listed before submitting the same to the Board for discussion;

(2) prior to making any judgment, to retain an intermediary to issue the independent financial adviser's report so as to form the basis of making such judgment;

(3) to propose to the Board to retain or dismiss an accounting firm;

(4) to propose to the Board to convene an extraordinary general meeting;

(5) to propose to convene the Board meeting;

(6) to appoint, on an independent basis, external auditors and consulting advisors;

(7) to publicly canvass for votes from shareholders prior to convening the shareholders' general meetings.

Expenses incurred by the independent directors arising from retaining intermediaries and those required for performing other functions and powers shall be borne by the Company.

(g) Secretary of the Board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board. His primary responsibilities include:

(1) to ensure that the Company's documents are in compliance with the relevant requirements of the law;

(2) to ensure that the Company has complete organizational documents and records;

(3) to ensure the Company prepares and submits the required reports and documents to the relevant authorities according to the law;

(4) to ensure that the register of shareholders are adequately kept, and to ensure that persons who have the right to obtain the Company's relevant records and documents can promptly obtain these records and documents; and

(5) all other obligations under the Articles of Association and the listing rules of the stock exchanges where the Company is listed.

(h) Supervisory Committee

The Company shall have a supervisory committee.

The supervisory committee shall be composed of members, one of whom shall be the chairman of the supervisory committee.

The election or removal of the chairman of the supervisory committee shall be decided by two-thirds or more of the supervisors. Decisions of the supervisory committee shall be made by the affirmative vote of two-thirds or more of the supervisors.

The term of office of supervisors shall be three years, renewable upon re-election.

The Directors, president, financial officer of the Company shall not act concurrently as Supervisors.

The supervisory committee shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:

(i) to check the regular reports prepared by the Board and provide written opinion;

(ii) to examine the Company's financial situation;

(iii) to supervise the directors and senior officers in their performance of duties and to propose the removal of directors and senior officers who have contravened any law, regulations, the Articles of Association or shareholders' resolutions, represent the Company to bargain with or sue directors;

(iv) to demand any director and senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behaviour, and to report such situations to the shareholders meeting or relevant authorities when necessary;

(v) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the general meeting in accordance with the Company Law;

(vi) to propose resolutions at a shareholders' general meeting;

(vii) to propose to convene an extraordinary meeting of the board of directors;

(viii) to conduct investigation into any irregularities in the Company's operations identified; if necessary, professionals such as accounting firms and law firms may be hired to provide assistance at the expense of the Company.

Supervisors shall be present at meetings of the Board.

(i) President

The Company shall have one president, who shall be appointed and dismissed by the Board. The Company shall have financial controller(s) who will assist the president in his work. The financial controller(s) shall be appointed and dismissed by the Board upon the nomination by the president.

The president shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management and to organize the implementation of the resolutions of the Board;

(ii) to organize the implementation of the Company's annual business plan and investment plan;

(iii) to draft plans for the establishment of the Company's internal management structure;

(iv) to draft the Company's basic management system;

(v) to formulate basic rules and regulations of the Company;

(vi) to propose the appointment or dismissal of the Company's financial controller(s);

(vii) to appoint and dismiss management personnel other than those required to be appointed or dismissed by the Board; and

(viii) to propose to convene an extraordinary meeting of the board of directors;

(ix) to formulate our Company's annual financial budget and final report, and to propose the same to the Board of Directors;

(x) to formulate the plans for conversion, demerger, reorganization or dissolution of our wholly-owned subsidiaries;

(xi) to formulate the salary level of and distribution plan to our employees, and to decide on the employment and dismissal of our employees;

(xii) to formulate the plans for the establishment of branches of our Company; and

(xiii) other functions and powers conferred by the Articles of Association and the Board.

(j) Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to the company.

No profits shall be distributed in respect of the shares held by the Company.

The common reserve fund of the Company shall be used to make up its losses, increasing the scale of production and operation of the Company or converting the same into the capital of the Company to increase the amount thereof, provided that the capital common reserve fund shall not be applied for making up the losses of the Company.

At the time of converting the statutory common reserve fund into registered capital, the amount retained in such common reserve fund shall not be less than 25% of the registered capital before the said conversion.

(k) Settlement of Disputes

The Company shall act according to the following principles to settle disputes:

(i) Whenever any disputes or claims arise between holders of the Foreign Shares and the Company, holders of the Foreign Shares and the Directors, Supervisors, president or other senior officers; or holders of the Foreign Shares and holders of Domestic Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration, provided that such person is the Company or the Company's shareholder, Director, Supervisor, president or other senior officer.

Disputes in relation to the definition of shareholders and disputes in relation to the shareholders' register need not be resolved by arbitration.

(ii) A claimant may elect arbitration at the CIETAC or the HKIAC in accordance with the arbitration rules of the chosen arbitral body. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

(iii) If a claimant elects arbitration at HKIAC, either party may submit that the arbitral proceeding is initiated in Shenzhen in accordance with the rules and requirements of HKIAC.

(iv) If any disputes or claims of rights are settled by way of arbitration in accordance with the above (i), the laws of China shall apply, save as otherwise provided in laws and administrative regulations.

(v) The award of an arbitral body shall be final, conclusive and binding on all parties.

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated under the PRC laws as a joint stock limited company with limited liability on October 8, 2006. Our principal place of business in Hong Kong is at 19/F, China Harbour Building, 370-374 King's Road, North Point and we have been registered as an oversea company under Part XI of the Hong Kong Companies Ordinance. We have appointed Mr. Luu Yeu Khiem as our agent for the acceptance of service of process in Hong Kong.

As the Company is incorporated in the PRC, it is subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix VII to this Prospectus. A summary of the Articles of Association of the Company is set out in Appendix VIII to this Prospectus.

2. Changes in Share Capital

Upon the incorporation of the Company, its initial registered capital was RMB10,800,000,000, divided into 10,800,000,000 Domestic Shares, all of which have been fully paid up.

Immediately after the Global Offering (assuming the Over-allotment Option is not exercised), the registered capital of the Company will be RMB14,300,000,000, comprising 10,450,000,000 Domestic Shares and 3,850,000,000 H Shares, representing approximately 73.1% and 26.9% of the total registered capital, respectively.

Immediately after the Global Offering (assuming the Over-allotment Option is fully exercised) the registered capital of the Company will be RMB14,825,000,000, comprising 10,397,500,000 Domestic Shares and 4,427,500,000 H Shares, representing approximately 70.1% and 29.9% of the total registered capital, respectively.

Save as disclosed herein and in the paragraphs headed ''The Shareholder Resolutions of the Company'' below, there has been no alteration in our share capital since our incorporation.

3. The Shareholder Resolutions of Our Company

Resolutions were passed by CCCG, being our sole Shareholder, on October 8, 2006, pursuant to which, among other matters:

(a) the Global Offering has been approved and the Board has been authorized to apply for the listing of H Shares on the Hong Kong Stock Exchange as well as to approve matters in relation to the Global Offering;

(b) conditional upon, among other things, (i) the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued under the Global Offering; and (ii) the Hong Kong Underwriting Agreement and International Underwriting Agreement becoming unconditional and not being terminated in accordance with their terms or otherwise, the following has been approved:

- the conversion of the Company into an overseas subscription joint stock company with limited liability as defined under the PRC laws; and
- the issue and allotment of H Shares and the grant of the Over-allotment Option by the Board under the Global Offering;

(c) the Articles of Association has been adopted, which shall only become effective on the Listing Date and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Hong Kong Stock Exchange and relevant government authorities of the PRC;

(d) subject to the completion of the Global Offering, a general mandate has been granted to the Board to (i) allot and issue H Shares and Domestic Shares at any time, either separately or concurrently, within a period of 12 months from the Listing Date upon such terms and conditions and for such purposes and to such persons as our Directors in their absolute discretion deem fit, and (ii) make necessary amendments to the Articles of Association in accordance with relevant laws and regulations, provided that the aggregate number of H Shares or Domestic Shares to be issued under the general mandate shall not exceed 20% of the aggregate number of each of our H Shares and Domestic Shares in issue, respectively, as at the Listing Date (excluding any Shares which may be issued upon the exercise of the Over-allotment Option); and

(e) the PRC Public Offering has been approved and the Board has been authorized to apply for the listing of A Shares on Shanghai Stock Exchange as well as to approve matters in relation to the PRC Public Offering and to amend the Articles of Association to the extent required by the PRC laws and regulations for the purpose of PRC Public Offering.

4. The Reorganization

The Reorganization was effected in preparation for the Global Offering. More information on the Reorganization is set out in section headed ''Reorganization and Corporate Structure'' of this Prospectus.

The Reorganization involved the following PRC government procedures and approvals:

- On 16 August 2006, the SASAC issued an approval document (*Guo Zi Gai Ge* [2006] No.1063) to CCCG approving the Reorganization;
- On 29 September 2006, the SASAC issued an approval document (*Guo Zi Chan Quan* [2006] No.1170) to CCCG approving the valuation of our assets pursuant to the Reorganization;
- On 30 September 2006, the SASAC issued an approval document (*Guo Zi Chan Quan* [2006] No.1172) to CCCG regarding the management of the State-owned equity interest in the Company;

FURTHER INFORMATION ABOUT OUR GROUP

1. Subsidiaries of Our Company

Our principal subsidiaries are listed in the Accountants' Report set out in Appendix I to this Prospectus.

2. Joint Ventures in Our Group

Our Group includes some Sino-foreign joint ventures set up between us and third parties. Information on these Sino-foreign joint ventures is set out below:

Joint venture	Expiry date of joint venture	Joint venture partners and their proportion of capital contribution
Guangzhou CRBC Hangsheng Engineering Company Limited	June 6, 2025	China Road and Bridge Group (HK) Engineering Ltd (60%) GuangDong Province Hangsheng Engineering Co., Ltd. (40%)
Haian New Harbour Co., Ltd.	December 22, 2055	CRBC Port (H.A.) Co Ltd (41%) Guangdong Shuangtai Transport Group Ltd (46%) GuangDong Province Hangsheng Engineering Co., Ltd. (3%) Hainan Zhongsheng Invest Ltd. (10%)
Shanghai Jianshe Luqiao Machinery Co., Ltd	April 13, 2014	CRABEC (Shanghai) Ltd (25%) Shanghai Electrical Industrial Investment Corporation (75%)
Tianjin Shun Ye International Trade Co., Ltd	October 11, 2008	The Fourth Engineering Company of FNEB of China Harbour Engineering Group (50%) Kuanglung Commercial Corporation of Japan (50%)
Ningbo Sea Power Engineering Development Co., Ltd	June 25, 2013	Second Navigational Engineering Bureau (52%) Nakanishi Kikai Kogyosho Co., Ltd (48%)
Shanghai Changjiang-Zueblin Construction & Engineering Co., Ltd	October 31, 2013	Ed Zueblin AG (75%) Second Navigational Engineering Bureau (25%)
Shanghai Sanhang Onoda Cement Co., Ltd	May 24, 2025	Third Navigational Engineering Bureau (11.4%) Taiheiyo Cement Corporation (88.6%)
Shanghai San Ho Hup Pile Co, Ltd	June 13, 2015	The Seventh Engineering Company of Third Navigational Engineering Bureau (45%) Ho Hup Construction Company Berhad of Malaysia (45%) Pudong New Area Heqing County Industrial Development Company(10%)
Shanghai Third Navigation Asp Pipe Ltd.	October 8, 2023	Third Navigational Engineering Bureau (33%) Ovin Consortium Ltd. (67%)

Joint venture	Expiry date of joint venture	Joint venture partners and their proportion of capital contribution
Shanghai International Port Engineering Consultants Ltd.	September 9, 2008	Shanghai Qinye Investment and Consulting Co., Ltd. (50%) Third Navigational Engineering Design Institute (10%) Third Navigational Engineering Bureau Science Institute (10%) Shanghai Institute of Waterway (5%) Han-Padron Associates, LLC (25%)
Guangzhou CHEC Savcor Antisepsis Engineering Co., Ltd.	October 25, 2019	Guangzhou Fourth Navigation Rock and Earth Technology Co., Ltd. (43%) CHEC Group (6%) Savcor ART Global Oy (51%)
Guangzhou Hangtong Shipbuilding and Shipping Company Limited	March 2, 2008	Fourth Navigational Engineering Bureau (73%) Hong Kong Run Tong Development Co., Ltd. (25%) Guangzhou Foreign Trade Co., Ltd. (2%)
Guangdong Port Construction Co., Ltd.	February 1, 2025	Zhenhua Engineering (Hong Kong) Co. Ltd. (30%) Fourth Navigational Engineering Bureau (30%) Guangdong Shipping Co., Ltd. (40%)
Eastern Alliance Construction Engineering Co., Ltd	November 30, 2013	Second Highway Engineering Bureau (51%) BVI Chung Yi Holding Ltd. (26%) Xián Tongrui High Grace Highway Engineering Co. Ltd. (23%)
Chelbi Engineering Consultants, Inc.	December 23, 2014	Highway Planning and Design Institute (50%) Louis Berger Group. Inc. (50%)
NYK Zhenhua Logistics (Tianjin) Co., Ltd	November 7, 2019	Tianjin Zhenhua Logistics Group Co. Ltd. (51%) Nippon Yusen Kaisha (NYK Line) (49%)
''K'' Line Zhenhua Logistics (Tianjin) Co., Ltd.	November 7, 2017	Tianjin Zhenhua International Logistics Transportation Co., Ltd. (51%) Kawasaki Kisen Kaisha, Ltd (25%) ''K'' Line (China) Ltd (24%)
Cargo Services (Tianjin) International Shipping Co., Ltd	December 22, 2018	Tianjin Zhenhua International Freight Co. Ltd. (30%) Cargo Services Far East Limited (70%)

All of the above joint ventures are Sino-foreign equity joint ventures.

Pursuant to PRC laws, transfer by any joint venture partner of its share, in part or in full, in the registered capital of a Sino-foreign joint venture is subject to the pre-emption rights of the other joint venture partners.

The profits and losses of the above Sino-foreign joint ventures are allocated in accordance with each joint venture partner's proportion of capital contribution to the joint venture. The number of representatives of each joint venture partner at the board of the relevant joint venture is determined through negotiation between the joint venture partners of that joint venture with reference to their respective capital contribution.

3. Changes in Share Capital of Our Principal Subsidiaries

In connection with our Reorganization, some of our wholly-owned subsidiaries were transformed from state-owned enterprises to normal companies which are regulated by the PRC Company Law). The share capital of each of these subsidiaries has been re-valued upon its re-registration as a normal company as required by PRC laws. All the share capital of these reformed subsidiaries has been fully paid up.

The following sets out the changes in the share capital of our principal subsidiaries (excluding the changes arising from the abovementioned transformation process) within the two years immediately proceeding the date of this Prospectus:

First Highway Survey & Design Institute Co. Ltd.

The registered capital of First Highway Survey & Design Institute Co. Ltd., a wholly-owned subsidiary of ours, increased from RMB25,663,074.20 to RMB100,000,000.00 on April 25, 2005 as a result of China Road and Bridge Corporation's additional capital contribution.

Fourth Highway Engineering Bureau Co. Ltd.

The registered capital of Fourth Highway Engineering Bureau Co. Ltd., formerly known as China Communications Construction Engineering Co., a wholly-owned subsidiary of ours, increased from RMB50,000,000 to RMB63,000,000 at October 12, 2005 as a result of CRBC Group's additional capital contribution.

ZPMC Shipping Co., Ltd.

The registered capital of ZPMC Shipping Co., Ltd. increased from RMB90,000,000 to RMB120,000,0000 on April 18, 2005 as a result of our additional capital contribution of RMB30,000,000 after which ZPMC Shipping Co., Ltd. became our subsidiary.

ZPMC

The registered capital of ZPMC, one of our subsidiaries listed on the Shanghai Stock Exchange, increased from RMB913,000,000 to RMB1,027,280,000 in December 2004 as a result of issuance of 114,280,000 additional shares with par value of RMB1.00 each.

The registered capital of ZPMC further increased from RMB1,027,280,000 to RMB1,540,920,000 in July 2005 as a result of issuance of dividend shares of RMB513,640,000 with nominal value of RMB1.00 each.

It was approved by the general meeting of ZPMC on March 8, 2006 that 481,668,000 non-listed domestic shares of ZPMC that we held can convert into listed domestic shares on the condition that we shall transfer 108,855,000 shares in ZPMC to the public investors of listed domestic shares of ZPMC.

It was approved by the general meeting of ZPMC on 15 May 2006 that the registered share capital of ZPMC shall be further increased from RMB1,540,920,000 to RMB3,081,840,000 as result of the issuance of dividend shares of RMB616,368,000 and application of RMB924,552,000 from capital reserve to share capital.

In September 2006, CSRC approved that 293,832,000 shares of ZPMC held by two of our overseas subsidiaries can be converted from non-listed foreign shares into domestically listed foreign shares from 20 September 2007.

Chuwa Bussan Co., Ltd.

The share capital of Chuwa Bussan Co., Ltd. increased from Japanese Yen30,000,000 to Japanese Yen60,000,000 on June 30, 2005 as a result of shareholders' additional pro rata capital contribution.

4. Debt Securities

In May 2005, ZPMC issued short-term notes to PRC institutional investors with aggregate face value of RMB1.2 billion and a duration of 365 days. The interest of these notes was determined through bidding process and was paid upfront. The principal of these notes was due in May 2006 and has been fully repaid on time.

In November 2006, ZPMC issued short-term notes to PRC institutional investors with aggregate face value of RMB1.8 billion and a duration of 365 days. The offer price of these notes was determined through book building process and the interest was paid upfront. The principal of these notes will be due and repayable in November 2007. These notes are traded at PRC intra-bank market between institutional investors.

In January 2006, CRBC International issued short-term notes to PRC institutional investors with aggregate face value of RMB300,000,000 and a duration of 365 days. The interest of these notes was determined at the prevailing market rate and was paid upfront. The principal of these notes will be due and repayable in January 2007. These notes are traded at PRC intrabank market between institutional investors.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that are or may be material:

(a) a share transfer agreement dated December 6, 2004 and entered into between China Harbour Engineering Company (Group) and Macau Tourism and Amusement Company and SJM-Investment Limited for the transfer of 49% shareholding in Zhen Hwa Harbour Construction Co. Ltd. from China Harbour Engineering Company (Group) to Macau Tourism and Amusement Company and SJM-Investment Limited for a consideration of MOP$ 19,573,429;

(b) a share transfer agreement dated December 10, 2004 and entered into between Third Highway Engineering Bureau Co. Ltd. and Mr. Wang Ruirong for the transfer of 30% shareholding in Qionglai Road and Bridge Engineering Co., Ltd. from Mr. Wang to Third Highway Engineering Bureau Co. Ltd. for a consideration of RMB 30 million;

(c) a share transfer agreement dated December 29, 2004 and entered into between Third Highway Engineering Bureau Co. Ltd. and Mr. Ren Huibiao for the transfer of 51% shareholding in Ningbo Guotai Road and Bridge Co., Ltd. from Mr. Ren to Third Highway Engineering Bureau Co. Ltd. for a consideration of RMB9,690,000;

(d) a short-term notes underwriting agreement dated May 18, 2005 and entered into between Industrial and Commercial Bank of China (''ICBC'') and ZPMC in respect of the issuance by ZPMC of short-term notes with an aggregate face value of RMB1.2 billion;

(e) a share transfer agreement dated November 14, 2005 and entered into between Shanghai Husheng Investment Company, Shanghai Tongjin Property Company and Ms. Huang Min for the transfer of 55% and 5% shareholding in Shanghai Tongxing Property Company from Shanghai Tongjin Property Company and Ms. Huang to Shanghai Husheng Investment Company for a consideration of RMB38.5 million and RMB3.5 million, respectively;

(f) a share transfer agreement entered into between Third Highway Engineering Bureau Co. Ltd. and Mr. Ai Huaimin in November 2005 for the transfer of 37.04% shareholding in Henan Chunji Road and Bridge Engineering Co., Ltd. from Mr. Ai to Third Highway Engineering Bureau Co. Ltd. for a consideration of RMB10 million;

(g) a share transfer agreement dated April 18, 2006 and entered into between First Highway Engineering Bureau Co. Ltd., Beijing Jinlutong Investment Co., Ltd., Hong Kong Xiangli Construction Co., Ltd. and Mr. Jiang Laixin for the transfer of 23% and 12% shareholding in CRBC Huaxiang International Engineering Co., Ltd. from Hong Kong Xiangli Construction Co., Ltd. and Mr. Jiang Laixin, respectively, to Jinlutong Investment Co., Ltd. for a consideration of RMB7.14 million and RMB3.66 million, respectively;

(h) a short-term notes underwriting agreement dated November 4, 2005 and entered into between China Merchants Bank Co., Ltd. and CRBC International in respect of the issuance by CRBC International of short-term notes with an aggregate face value up to RMB580 million;

(i) a short-term notes underwriting agreement dated June 1, 2006 and entered into between China Minsheng Banking Corporation Limited and ZPMC in respect of the issuance by ZPMC of short-term notes with an aggregate face value of RMB1.8 billion;

(j) a reorganization agreement dated October 8, 2006 between the Company and CCCG regarding the reorganization described in the section headed ''Reorganization and Corporate Structure'';

(k) a non-competition agreement dated October 18, 2006 between the Company and CCCG and a non-competition undertaking by CCCG to the Company dated November 20, 2006 regarding the non-compete arrangements described in the section headed ''Reorganization and Corporate Structure'';

(l) a placing agreement dated November 22, 2006 entered into between the Company, BOCI, Merrill Lynch, UBS AG and Chow Tai Fook Nominee Limited pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe for our H Shares in the amount of HK$650 million;

(m) a placing agreement dated November 24, 2006 entered into between the Company, BOCI, Merrill Lynch, UBS AG and Government of Singapore Investment Corporation Pte Ltd pursuant to which Government of Singapore Investment Corporation Pte Ltd agreed to subscribe for our H Shares in the amount of HK$650 million;

(n) a placing agreement dated November 24, 2006 entered into between the Company, BOCI, Merrill Lynch, UBS AG and China Life Insurance (Group) Company pursuant to which China Life Insurance (Group) Company agreed to subscribe for our H Shares in the amount of HK$650 million;

(o) the Hong Kong Underwriting Agreement dated November 30, 2006 entered into between the Company, BOCI, Merrill Lynch, UBS AG and the Hong Kong Underwriters.

2. Intellectual Property Rights

Trademarks

The following are the trademarks that we had registered in China as at June 30, 2006 and which we consider to be material to our business activities.

No.	Trademark	Registered Owner	Class	Registration No.	Registration Expiry Date
1.	R.B	China Road and Bridge Corporation	42	1227854	November 27 2008
2.	R.B	China Road and Bridge Corporation	41	1235958	December 27 2008
3.	R.B	China Road and Bridge Corporation	37	1221907	November 6 2008
4.	R.B	China Road and Bridge Corporation	35	1229858	December 6 2008
5.	R.B	China Road and Bridge Corporation	36	1221954	November 6 2008
6.	HEC	China Harbour Engineering Company (Group)	41	1774219	May 20 2012
7.	HEC	China Harbour Engineering Company (Group)	37	1037893	June 20 2007
8.	HEC	China Harbour Engineering Company (Group)	36	1037553	June 20 2007
9.	HEC	China Harbour Engineering Company (Group)	39	1049581	July 6 2007
10.	HEC	China Harbour Engineering Company (Group)	41	1037932	June 20 2007
11.	HEC	China Harbour Engineering Company (Group)	42	1055528	July 13 2007
12.	HEC	China Harbour Engineering Company (Group)	40	1655745	October 20 2011
13.	HEC	China Harbour Engineering Company (Group)	39	1731468	March 13 2012
14.	HEC	China Harbour Engineering Company (Group)	38	1635853	September 13 2011
15.	HEC	China Harbour Engineering Company (Group)	37	1719548	February 20 2012
16.	HEC	China Harbour Engineering Company (Group)	42	1749869	April 13 2012
17.	HEC	China Harbour Engineering Company (Group)	36	1744284	April 6 2012
18.	HEC	China Harbour Engineering Company (Group)	35	1663727	November 6 2011
19.	HEC	China Harbour Engineering Company (Group)	31	1614604	August 6 2011
20.	HEC	China Harbour Engineering Company (Group)	29	1631160	September 6 2011
21.	HEC	China Harbour Engineering Company (Group)	30	1650926	October 13 2011
22.	HEC	China Harbour Engineering Company (Group)	22	1596973	July 6 2011
23.	HEC	China Harbour Engineering Company (Group)	20	1620908	August 20 2011
24.	HEC	China Harbour Engineering Company (Group)	19	1628193	September 6 2011

No.	Trademark	Registered Owner	Class	Registration No.	Registration Expiry Date
25.	CHEC	China Harbour Engineering Company (Group)	9	1634516	September 13 2011
26.	CHEC	China Harbour Engineering Company (Group)	7	1665839	November 13 2011
27.	CHEC	China Harbour Engineering Company (Group)	6	1621616	August 20 2011
28.	CHEC	China Harbour Engineering Company (Group)	2	1596156	July 6 2011
29.	CHEC	China Harbour Engineering Company (Group)	41	1774218	May 20 2012
30.	CHEC	China Harbour Engineering Company (Group)	36	1744283	April 6 2012
31.	CHEC	China Harbour Engineering Company (Group)	40	1655746	October 20 2011
32.	CHEC	China Harbour Engineering Company (Group)	39	1731469	March 13 2012
33.	CHEC	China Harbour Engineering Company (Group)	38	1635884	September 13 2011
34.	CHEC	China Harbour Engineering Company (Group)	37	1719547	February 20 2012
35.	CHEC	China Harbour Engineering Company (Group)	35	1699706	January 13 2012
36.	CHEC	China Harbour Engineering Company (Group)	31	1614605	August 6 2011
37.	CHEC	China Harbour Engineering Company (Group)	30	1627016	August 27 2011
38.	CHEC	China Harbour Engineering Company (Group)	29	1631161	September 6 2011
39.	CHEC	China Harbour Engineering Company (Group)	22	1596972	July 6 2011
40.	CHEC	China Harbour Engineering Company (Group)	20	1620909	August 20 2011
41.	CHEC	China Harbour Engineering Company (Group)	19	1616856	August 13 2011
42.	CHEC	China Harbour Engineering Company (Group)	11	1630011	September 6 2011
43.	CHEC	China Harbour Engineering Company (Group)	9	1626530	August 27 2011
44.	CHEC	China Harbour Engineering Company (Group)	7	1629737	September 6 2011
45.	CHEC	China Harbour Engineering Company (Group)	6	1621615	August 20 2011
46.	CHEC	China Harbour Engineering Company (Group)	2	1596155	July 6 2011
47.	港湾	China Harbour Engineering Company (Group)	42	1671731	November 20 2011
48.	港湾	China Harbour Engineering Company (Group)	41	1735761	March 20 2012
49.	港湾	China Harbour Engineering Company (Group)	40	1691838	December 27 2011

No.	Trademark	Registered Owner	Class	Registration No.	Registration Expiry Date
50.	港湾	China Harbour Engineering Company (Group)	39	1667693	November 13 2011
51.	港湾	China Harbour Engineering Company (Group)	38	1671877	November 20 2011
52.	港湾	China Harbour Engineering Company (Group)	37	1647787	October 6 2011
53.	港湾	China Harbour Engineering Company (Group)	36	1647725	October 6 2011
54.	港湾	China Harbour Engineering Company (Group)	31	1638607	September 20 2011
55.	港湾	China Harbour Engineering Company (Group)	30	1639290	September 20 2011
56.	港湾	China Harbour Engineering Company (Group)	29	1646815	October 6 2011
57.	港湾	China Harbour Engineering Company (Group)	22	1617104	August 13 2011
58.	港湾	China Harbour Engineering Company (Group)	20	1624901	August 27 2011
59.	港湾	China Harbour Engineering Company (Group)	19	1620182	August 20 2011
60.	港湾	China Harbour Engineering Company (Group)	12	1629858	September 6 2011
61.	港湾	China Harbour Engineering Company (Group)	11	1638032	September 20 2011
62.	港湾	China Harbour Engineering Company (Group)	9	1630527	September 6 2011
63.	港湾	China Harbour Engineering Company (Group)	7	1637711	September 20 2011
64.	港湾	China Harbour Engineering Company (Group)	6	1633574	September 13 2011
65.	港湾	China Harbour Engineering Company (Group)	2	1604161	July 20 2011
66.	三航 PHC	Shanghai Sanhang No. 7 Engineering Company	19	1365738	February 20 2010
67.	ZPMC	ZPMC	7	1139209	December 27 2007
68.	中交一公院	First Highway Survey & Design Institute	42	3534586	May 6 2015
69.	SPMP	Shanghai Port Machinery Plant Co. Limited	7	3234081	March 6 2014

Classes referred to in the above table are based on the 8th edition of the Nice Classification published by World Intellectual Property Right Organization as revised by the Committee of Experts of The Nice Agreement which has been adopted by the PRC government with minor modifications. More information on the classification is set out below:

Class 2 relates to preservatives against rust and against deterioration of metal and others.

Class 6 relates to anchors, braces of metal for handling loads, vanes of metal (weather or wind) and others

Class 7 relates to hauling machines (net) (fishing), hoists, woodworking machines and others

Class 9 relates to marking buoys, transformers (electricity), reflecting discs for wear, for the prevention of traffic accidents

Class 11 relates to air deodorising apparatus, desalination plants, water purification installations and others)

Class 12 relates to dredgers (boats), launches, boats and others

Class 19 relates to cement posts, concrete building elements, building timber and others

Class 20 relates to buoys (mooring) not of metal

Class 22 relates to cables, not of metal, gaskets (fibrous) for ships, sails and others

Class 29 relates to fruit jellies, vegetable salads, fruit salads and others

Class 30 relates to coffee, sugar, tea and others

Class 31 relates to grains (cereals), plants, timber (undressed) and others

Class 35 relates to business management assistance, business consultancy (professional), auctioneering and others

Class 36 relates to factoring, fiduciary, leasing of real estate and others

Class 37 relates to asphalting, building construction supervision, construction information and others

Class 38 relates to computer aided transmission of messages and images

Class 39 relates to car rental, car transport, transport and others

Class 40 relates to air freshening, metal treating, water treating and others

Class 41 relates to educational services, educational examination, arranging and conducting of conferences and others

Class 42 relates to technical research, architecture, computer software design and others

We have applied to the Trademark Office of SAIC for the re-registration of trademarks No. 1 to No. 65 as set out in the above table under the names of the Company's subsidiaries pursuant to the Reorganization.

Trademarks under application

The following are trademark applications that we have applied for in China as at the Latest Practicable Date pending approval and we consider to be material to our business activities.

No.	Trademark	Applicant(s)	Class	Application No.
1.		China Communications Construction Company Limited	3	5714846
2.		China Communications Construction Company Limited	5	5714845
3.		China Communications Construction Company Limited	7	5714844

No.	Trademark	Applicant(s)	Class	Application No.
4.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	9	5714843
5.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	11	5714842
6.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	19	5714841
7.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	25	5714840
8.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	35	5715028
9.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	36	5715029
10.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	37	5715027
11.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	39	5715357
12.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	40	5715356
13.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	42	5715355
14.	中国交通建设 CHINA COMMUNICATIONS CONSTRUCTION	China Communications Construction Company Limited	45	5714847

We have applied for registration in Hong Kong under Classes 19, 35, 37, 39, 40, 42 respectively in respect of the below trademark:

中国交通建设
CHINA COMMUNICATIONS CONSTRUCTION

Patents

The following are patents that we had been granted in China as at June 30 2006 and which we consider is or may be material to our business activities.

No.	Patent	Registered Owner	Type	Certificate No.	Application Date
1.	Vacuum combined ground preloading for soft soil foundation	Science Institute of First Navigation Bureau of Ministry of Communications	Invention	ZL86107233.2	October 24, 1986
2.	Vibratory sinking technology for steel cylinder with large diameter and vibratory hammer system applied	First Engineering Company of First Navigation Engineering Bureau	Invention	ZL 03 1 09305.1	April 4, 2003
3.	Core structure of mold hard soil cofferdam, dam and revetment	First Engineering Company of First Navigation Engineering Bureau	Utility model	ZL2004 2 0028689.0	April 5, 2004
4.	Climbing device of hydraulic automatic climbing mould system	Wuhan Bay Engineering and Design Institute	Utility model	ZL 2004 2 0076354.6	August 19, 2004
5.	Dredging depth automatic control device for cutter suction dredger	Tianjin Channels Survey and Design Institute	Utility model	ZL2004200296 23.3	August 27, 2004
6.	Flood detector & remote alarming device for a ship	Tianjin Channels Survey and Design Institute	Utility model	ZL2004200292 99.5	July 12, 2004
7.	A new type environmental-friendly cutter head	Tianjin Channels Survey and Design Institute	Utility model	ZL00264795.8	December 15 2000
8.	Drag head position monitoring device for trailing suction hopper dredger	Tianjin Channels Survey and Design Institute	Utility model	ZL00257277.X	October 13 2000
9.	A device for anti-diffusion of suspended material caused by dredging operation	Tianjin Channels Survey and Design Institute	Utility model	ZL02282554.1	October 16 2002
10.	Loading monitoring device for hopper dredger	Tianjin Channels Survey and Design Institute	Utility model	ZL03258311.7	August 22 2003
11.	Durable alloy applied in dredging equipment and its manufacturing method	Tianjin Channels Survey and Design Institute	Invention	ZL02131466.7	October 16 2002
12.	A method for conversion of bulk carrier into trailing suction hopper dredger	Shanghai Dredging Corporation China Ship and Marine Engineering Design Institute	Invention	ZL 02 1 12021.8	June 1 2002
13.	Trailing suction hopper dredger with single propeller and single rudder	China Ship and Marine Engineering Design Institute Shanghai Dredging Corporation	Utility model	ZL 02 2 18087.7	June 11 2002
14.	Component for opening and closing the bottom door	China Ship and Marine Engineering Design Institute Shanghai Dredging Corporation	Utility model	ZL 02 2 18086.9	June 11 2002
15.	Dual function working vessel for placing sandbag and laying bottom protection mattress	Shanghai Dredging Corporation	Utility model	ZL 03 2 10304.2	September 3 2003

No.	Patent	Registered Owner	Type	Certificate No.	Application Date
16.	A kind of cutter suction dredger	Shanghai Dredging Corporation	Utility model	ZL 03 2 55433.8	July 9 2003
17.	Steel float caisson used in queen-post abutment tie girder submerged construction	First Highway Engineering Bureau	Utility model	ZL 01 2 20113.8	April 24 2001
18.	Hanging basket main girder back anchor transform device	Second Highway Engineering Bureau	Utility model	ZL2005 2 0078649.1	April 21 2005
19.	Cable gearing device of main cable strand for suspension bridge construction	Second Highway Engineering Bureau	Utility model	ZL2005 2 0078657.6	April 21 2005
20.	Hollow-square sloping breakwater	First Navigational Engineering Design Institute	Utility model	ZL 2004 2 0028228.3	January 9 2004
21.	New wave-damping breakwater	First Navigational Engineering Design Institute	Utility model	ZL 98 2 03241.2	April 10 1998
22.	Anti-slanting device for sloping wharf large roll clearance cable car	Second Navigational Engineering Design Institute	Utility model	ZL 00 2 55997.8	December 22 2000
23.	Cableless spreader	ZPMC	Invention	ZL 01 1 13425.9	June 13 2001
24.	Hydraulic-charging power station of cableless spreader	ZPMC	Invention	ZL 01 1 37716.X	June 13 2001
25.	Power source of cableless spreader	ZPMC	Invention	ZL 01 1 37717.8	June 13 2001
26.	Spreader dual-box inspection device	ZPMC	Invention	ZL 01 1 39109.X	December 19 2001
27.	Satellite positioning system movable station used in rubber-tyred gantry cranes	ZPMC	Invention	ZL 01 1 42631.4	December 12 2001
28.	Dual-box movable spreader	ZPMC	Invention	ZL 01 1 32073.7	October 31 2001
29.	Remote control system of cableless spreader	ZPMC	Invention	ZL 01 1 37715.1	June 13 2001
30.	Rubber-tyred gantry cranes cart traveling wheel hydraulic lift rising and steering device	ZPMC	Invention	ZL 01 1 39212.6	December 26 2001
31.	Rubber-tyred gantry cranes cart traveling wheel hydraulic lift rising and steering component	ZPMC	Utility model	ZL01 2 374435.2	December 26 2001
32.	Telescopic component and hook device of dual-box spreader	ZPMC	Utility model	ZL01 2 53648.2	September 14 2001
33.	Container spreader floating swivel	ZPMC	Utility model	ZL01 2 353646.6	September 14 2001
34.	Part of swivel-available box in dual-box movable spreader	ZPMC	Utility model	ZL01 2 53647.4	September 14 2001

No.	Patent	Registered Owner	Type	Certificate No.	Application Date
35.	Container spreader swivel chain device	ZPMC	Utility model	ZL01 2 53649.0	September 14 2001
36.	Floating dragging rail	ZPMC	Utility model	ZL01 2 10710.7	February 23 2001
37.	Differential complemented reclaimers	ZPMC	Invention	ZL 02 1 11196.0	March 29 2002
38.	Rubber-tyred gantry cranes utilizing super capacitance	ZPMC	Invention	ZL 02 1 51021.0	December 4 2002
39.	Double-frame airproof installation for axis of reducer	ZPMC	Utility model	ZL03 2 28936.7	February 21 2003
40.	Differential car onshore container crane	ZPMC	Invention	ZL 02 1 11195.2	March 29 2002
41.	Double-car container crane	ZPMC	Utility model	ZL03 2 31375.6	May 21 2003
42.	Two-way anti-shaking installation for crane	ZPMC	Utility model	ZL03 2 31376.4	May 21 2003
43.	Large vehicle driving installation for crane with close gear-driven device	ZPMC	Utility model	ZL03 2 30811.6	April 30 2003
44.	Arc flex-sheet butt-joint boggie frame	ZPMC	Utility model	ZL03 2 30810.8	April 30 2003
45.	Differential reducer seal planet carrier	ZPMC	Utility model	ZL03 2 28934.0	February 21 2003
46.	Differential reducer cabinet tub	ZPMC	Utility model	ZL03 2 28935.9	February 21 2003
47.	Installation for inducting cable in-out cable circle	ZPMC	Utility model	ZL03 2 30813.2	April 30 2003
48.	4-supporting-line car for differential grab bucket cart	ZPMC	Utility model	ZL03 2 28639.2	January 30 2003
49.	Standard container pitch mixture milling equipment	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 01 2 79595.X	December 27 2001
50.	Fiber appending installation for emulsification pitch slurry seal coater	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 03 2 44557.1	April 4 2003
51.	Slurry seal coater carriage	Xi'an Road Construction Machinery Co., Ltd.	Exterior Design	ZL 03 3 05992.6	April 4 2003
52.	Emulsification pitch slurry seal coater guss cabinet	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 03 2 66817.1	July 4 2003
53.	Liquid dye appending installation for emulsification pitch slurry seal coater	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 03 2 06266.4	July 30 2003
54.	A kind of hydraulic pressure flex vibrating & mixing installation	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 03 2 08947.3	September 3 2003
55.	Grease mixer	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 2005 2 0078240.X	January 13 2005

No.	Patent	Registered Owner	Type	Certificate No.	Application Date
56.	Static mixer	Xi'an Road Construction Machinery Co., Ltd.	Utility model	ZL 2005 2 0078241.4	January 13 2005
57.	Light onshore container crane	Shanghai Port Machinery Factory	Utility model	ZL 01 2 53395.5	August 30 2001
58.	A kind of onshore bridge frame crane	Shanghai Port Machinery Factory SPMP	Invention	ZL 03 129573.8	June 27 2003
59.	A kind of onshore bridge frame crane	Shanghai Port Machinery Factory SPMP	Utility model	ZL 03 2 32583.5	June 27 2003
60.	A kind of self-lifting installation for onshore bridge frame crane	Shanghai Port Machinery Factory SPMP	Invention	ZL 03 1 41764.7	July 23 2003
61.	A kind of lifting installation for bridge or gate crane	SPMP	Utility model	ZL 2004 2 0082464.3	September 1 2004
62.	A kind of wind proofing installation for crane	SPMP	Utility model	ZL 2004 2 0107731.8	October 25 2004
63.	Large vehicle cable reek subassembly for container crane	SPMP	Utility model	ZL 2004 2 0119017.0	December 29 2004
64.	Gate seat crane	SPMP	Utility model	ZL 2004 2 0110000.9	December 10 2004
65.	A kind of braking system for gate seat crane	SPMP	Utility model	ZL 2004 2 0110850.9	December 8 2004
66.	Onshore bridge frame crane	SPMP	Utility model	ZL 2004 2 0110449.5	November 29 2004
67.	A kind of security hook securing front crossbeam and echelon rack of crane	SPMP	Utility model	ZL 2005 2 0038973.0	January 14 2005

Pursuant to PRC laws, a granted invention has a validity period of 20 years from the date of its application and a granted utility model has a validity period of 10 years from the date of its application.

Patents under application

The following are patent applications that we had made in China as at the Latest Practicable Date pending approval and we consider to be material to our business activities.

No.		Applicant(s)	Type	Application No.
1.	Preparation method of hydrated heat reducing agent for concrete	Second Navigational Engineering Bureau	Invention	200510120551.2
2.	Self-jack up anchor platform vessel	Second Navigational Engineering Bureau	Utility model	200620094995.3
3.	Underwater software platoon laying engineering vessel and underwater software laying	Third Navigational Engineering Bureau Shanghai Dredging Corporation	Invention	02110954.0
4.	PHC tubular pile	Third Navigational Engineering Bureau	Utility model	200620039307.3
5.	PHC tubular pile connecting device	Third Navigational Engineering Bureau	Utility model	200620039308.8
6.	Computerized auto optimization dredging method for cutter suction dredger	Tianjin Dredging Company of CCCG Jiao Da Dongwei Technology Company	Utility model	200610038629.4
7.	Density checking device	Shanghai Dredging Corporation Jiao Da Dongwei Technology Company	Utility model	200520038795.1
8.	Sand-filling method with net sandbags	Shanghai Dredging Corporation Yang Shan Tong Sheng Port Construction Co., Ltd	Invention	200510026571.3
9.	Auto optimization method for dredging by suction hopper dredger	Shanghai Dredging Corporation Jiao Da Dongwei Technology Company	Invention	200510123193.0
10.	A kind of flushing rake teeth	CHEC Dredging Co., Ltd	Utility model	200520045370.3
11.	Installation technology of double-track crane swing for steel girder suspension bridge on land and shallow water area	Second Highway Engineering Bureau	Invention	200510042909.4
12.	Double wedge joint connecting puller	Second Highway Engineering Bureau	Utility model	200520078833.6
13.	Two-lane reciprocating guidance device of main cable strand for suspension bridge construction	Second Highway Engineering Bureau	Utility model	200520078653.8
14.	Steel box girder of cableless area for multi-span suspension bridge	Second Highway Engineering Bureau	Utility model	200520078907.6
15.	Bumper and interception facilities for non-navigation pier of offshore bridges	First Navigational Engineering Design Institute Shenyang Sixing Rubber and Plastic Products Co., Ltd.	Utility model	200620025697.9
16.	A three-axis testing disturbed soil of sample test module system and operation	First Highway Survey & Design Institute	Invention	200510041978.3

No.		Applicant(s)	Type	Application No.
17.	A three-axis device for testing disturbed soil sample test module	First Highway Survey & Design Institute	Utility model	200520078642.X
18.	A water stoppage method for reinforced-concrete cylindrical culvert	First Highway Survey & Design Institute	Invention	200610041827.2
19.	Cylindrical culvert for wet and bogged loess region	First Highway Survey & Design Institute	Utility model	200620078450.3
20.	Combined coupled shaft	Xi'an Road Construction Machinery Co., Ltd	Utility model	200520079307.1
21.	Track filling and paver	Xi'an Road Construction Machinery Co., Ltd	Utility model	200520079306.7
22.	A kind of self-propelled transverse power transmission poles pressed machine for cement concrete road surface	Changsha University of Science & Technology Xi'an Road Construction Machinery Co., Ltd	Invention	200510031497.4
23.	A kind of machinery for road construction	Xi'an Road Construction Machinery Co., Ltd	Utility model	200520079317.5
24.	A kind of integrated installing method and equipment for gantry cranes for shipbuilding	Shanghai Port Machinery Factory SPMP	Invention	02112218.0
25.	A kind of air-lift device for quayside or gantry crane	SPMP	Invention	200410054191.6
26.	Quayside crane for loading-unloading vessel	SPMP	Invention	200510023429.3
27.	A lifting machine of container crane for use in container terminal	SPMP	Invention	200510024696.2
28.	A kind of loading and unloading crane	SPMP	Utility model	200520041547.2
29.	A kind of container crane	SPMP	Utility model	200520044214.5
30.	A kind of rail mounted gantry cranes	SPMP	Invention	200510030789.6
31.	Remote framework for quayside container crane for use in elevated dock of inland river	SPMP	Utility model	200520045860.3
32.	Lifting device of container crane with anti-swaying function	SPMP	Utility model	200520046245.4

Major Domain Names of the Group

No.	Member of the Group	Domain Name
1	the Company	www.ccccltd.com.cn
2	CRBC International Co., Ltd.	www.crbcint.com
3	ZPMC	www.zpmc.com

FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Particulars of Directors' and Supervisor's Service Agreements

None of our Directors or Supervisors has entered into or proposes to enter into a service contract with the Company other than a service contract expiring or terminable by the Company within one year without payment of compensation (other than statutory compensation).

2. Directors' and Supervisor's Remuneration

The aggregated remuneration paid and benefits in kind granted to our Directors and Supervisors for the year ended December 31, 2005 by any member of our Group amounted to approximately RMB 2,855,000.

It is estimated that the aggregate amount of remuneration payable to, and benefits in kind receivable by, the Directors and Supervisors by any member of our Group in respect of the year ending December 31, 2006 would be approximately RMB4,177,000 (inclusive of discretionary bonuses) under the arrangement in force as at the date of this Prospectus.

3. Personal Guarantees

None of our Directors has provided any personal guarantees in favour of lenders in connection with banking facilities granted to us.

4. Business Address

The business address for each of our Directors and senior officers is No. 88C, An Ding Men Wai Street, Dongcheng District, Beijing 100011, PRC.

DISCLOSURE OF INTERESTS

1. Directors' and Supervisors' Interests and Short Positions in the Share Capital and Debenture of Our Company and Its Associated Corporations

Immediately following the completion of the Global Offering, none of our Directors and Supervisors will have any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the H Shares are listed on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to our Supervisors.

2. Substantial Shareholders and Persons Who Have an Interest or Short Position Disclosable Under Division 2 and 3 of Part XV of the SFO

Information on the persons, including Directors, Supervisors or chief executive of our Company, who will have, immediately following the completion of the Global Offering and taking no account of any H Shares which may be taken up under the Global Offering or which may be sold pursuant to the exercise of the Over-allotment Option, an interest or short position in the H Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provision is of Divisions 2 and 3 of Part XV of the SFO is set out in the section headed ''Substantial Shareholders'' in this Prospectus.

So far as our Directors are aware, as at the date of this Prospectus, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Member of our Group	Total share capital or registered capital	Person with 10% or more interest (other than us)	Approximately percentage of that person's interest
Tianjin Yihang Installation and Engineering Co., Ltd.	RMB54,000,000	Trade Union of Tianjin Yihang Installation and Engineering Co., Ltd.	20%
		China Tianjin International Technology Cooperation Company	10%
The Third Engineering Co., Ltd. of CHEC Wuhan Port Construction Corporation	RMB75,000,000	Huabao Trust	18%
Jiangyang Haizhou Construction and Engineering Co., Ltd.	RMB15,000,000	Jiangyang Hongzhou Shipping and Engineering Co., Ltd.	25%
		Jiangyang New Iron Metal and Material Co., Ltd.	20%
Ningbo Sea Power Engineering Development Co., Ltd	US$11,000,000	Nakanishi Kikai Kogyosho Co., Ltd	48%
Xiamen Sanhang Tieka Commodities and Concrete Co., Ltd.	RMB10,000,000	Tieka Machinery Co., Ltd., Germany	25%
Xiamen Jiehang Construction and Engineering Quality Inspection and Assessment Co., Ltd.	RMB500,000	Xiamen Port and Bay Commissioner	55%
Shanghai Sanhang Xinganji Construction and Engineering Co., Ltd.	RMB60,000,000	Shanghai Urban Construction Group Company	10%
Shanghai Port and Bay Engineering Quality Inspection Co., Ltd.	RMB5,000,000	Guangzhou Euro-America Dadi Instruments and Equipment Co., Ltd.	20%
Shanghai Shenhang Infrastructural Engineering Co., Ltd.	RMB8,000,000	Shanghai Jinhu Underwater Engineering Co., Ltd.	20%
Guangzhou Hangtong Shipping Co., Ltd.	US$1,750,000	Hong Kong Runtong Development Co., Ltd.	25%
Guangdong Port and Bay Engineering Co., Ltd.	RMB10,000,000	Guangdong Shipping Co., Ltd	40%
Shanghai Yuanshen Engineering Construction Supervision and Administration Co., Ltd.	RMB3,000,000	Shanghai Scientific and Technology Consultancy Service Centre	10%
Shanghai Channel Engineering Consultancy Co., Ltd.	RMB2,000,000	Shanghai Changsheng Engineering and Management Co., Ltd.	12%
Zhonglutong (Beijing) Tunnel Engineering Co., Ltd.	RMB80,000,000	Yuyang Tongquxinglu Company	10%
Luqiao East China Engineering Co., Ltd.	RMB80,000,000	Zhejiang Lugang Construction Group Co., Ltd.	12.5%

Member of our Group	Total share capital or registered capital	Person with 10% or more interest (other than us)	Approximately percentage of that person's interest
Shanghai Dongyuan Computerized Automation Engineering Cooperative	RMB600,000	Shanghai Sanyuan Transportation and Engineering Technology Development Cooperation Company	12.5%
Shanghai Zhenhua Changxing Precision and Casting Co., Ltd.	RMB5,000,000	Changxing Assets Operation and Investment Company	30%
Changxing Accessories Manufacturing Co., Ltd. of Shanghai Zhenhua Port Machinery	RMB5,500,000	Changxing Assets Operation and Investment Company	10%
Floating Crane Co., Ltd. of Shanghai Zhenhua Port Machinery Group	RMB100,000,000	Trade Union of Shanghai Zhenhua Port Machinery	49%
Zhangjiagang Assembly Co., Ltd. of Shanghai Port Machinery	RMB9,980,000	Jiangsu Changjiang Runfa Group Company	10%
Shanghai Qinquan Port Machinery Services Co., Ltd.	RMB700,000	Shanghai Gangan Technology and Industry Company	14.3%
NYK Zhenhua Logistics (Tianjin) Co., Ltd.	US$5,400,000	NYK Line	49%
''K'' Line Zhenhua Logistics (Tianjin) Co., Ltd.	US$3,400,000	Kawasaki Kisen Kaisha, Ltd	25%
		''K'' Line (China) Ltd	24%
Shanxi China Hong Kong Junhou Expressway Co., Ltd.	RMB685,000,000	Shanxi Guonan Group Co., Ltd (formerly Shanxi Zhongchang Group Co., Ltd.)	10.22%
Eastern Alliance Construction Engineering Co., Ltd	US$10,000,000	BVI Chung Yi Holding Limited	26%
		Xi'an Tongrui High Grade Highway Engineering Co., Ltd.	23%
Beijing Zhongjiao Engineering and Exploration Co., Ltd.	RMB2,000,000	Shanghai Geological Prospecting Technology Research Institute	44%
Guangzhou CRBC Hangsheng Engineering Company Limited	RMB10,000,000	Guangdong Hangsheng Engineering Company	40%
Shanghai Hanghuan Structural Engineering Co., Ltd.	RMB11,880,000	Villagers' Committee of Xinzhou Village, Xinmushan, Chongming County	49%
Xian Xizhualun Machinery Co., Ltd.	RMB4,150,000	Alun International Co., Ltd., Australia	50%
Huajie Engineering Consultancy Co., Ltd.	RMB8,000,000	Louis Berger Group, INC	50%
Congo New Cement Company	USD9,706,115	The government of Congo	44%
Zhen Hwa Harbour Construction Co. Ltd.	Macau dollar 20,000,000	SJM-Investment Limited	49%
Zhen Hua (Singapore) Engineering Pte Ltd.	Singapore dollar 7,000,000	SembCorp Marine Ltd.	19%
Chuwa Bussan Co., Ltd.	Japanese Yen 60,000,000	Wako Koeki Co., Ltd.	10%
		Bridgestone Corporation	15%
CHEC-CWF Limited	HK$10,000	CWF PIiling & Civil Engineering Co. Ltd.	30%

OTHER INFORMATION

1. Estate Duty and Tax Indemnity

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us, as there is currently no estate duty under PRC law.

Pursuant to the Reorganization Agreement, CCCG has given indemnities in connection with or arising from, among others, (i) all taxes payable in respect of the transferred assets on or before the effective date of the Reorganization; and (ii) all taxes not provided for by any tax provisions in the audited financial reports that are payable in respect of the transferred assets arising prior to October 8, 2006, the date of the establishment of the Company.

2. Litigation

Currently we are involved in certain litigation either as plaintiff or defendant, which have arisen in our ordinary course of business, but we are not involved in any material litigation, arbitration or administrative proceedings.

The major litigation we are currently involved in are as follows.

Dispute over Payment for Construction Service

China Communications Construction Engineering Co., one of the Company's subsidiaries (now known as Fourth Highway Engineering Bureau Co. Ltd.), was engaged as the general contractor by Beijing Hexiangheng Real Estate Development Company for the construction of a residential project. Upon the completion of our work however, Beijing Hexiangheng Real Estate Development Company defaulted in making payment to us for our services. Civil proceedings were brought by us against Beijing Hexiangheng Real Estate Development Company in April 2004 at the Beijing Second Intermediary People's Court pursuant to which we made a claim for payment of approximately RMB91.8 million under the general construction contract entered into with Beijing Hexiangheng Real Estate Development Company, interest accrued thereunder and our related losses.

In January 2005, we entered into a settlement agreement with Beijing Hexiangheng Real Estate Development Company pursuant to which it agreed to pay us approximately RMB76.7 million for purposes of settling the dispute. Based on the settlement agreement, the court issued a binding civil mediation ruling.

Beijing Hexiangheng Real Estate Development Company has however, failed to make payment of the agreed sum under the settlement agreement and the civil mediation ruling and as of the Latest Practicable Date, we have brought three enforcement actions against Beijing Hexiangheng Real Estate Development Company for payment of the agreed amount based on the earlier obtained civil mediation ruling. Only approximately RMB14.2 million has been recovered however and as of the Latest Practicable Date, enforcement proceedings brought by us against Beijing Hexiangheng Real Estate Development Company remain pending before the court.

Dispute over Insurance Indemnity

In May 2005, adverse weather conditions caused an incident under which one of our unloading equipment was toppled and resulting in damage to the piece of equipment in question as well as to the operation site in Ningbo, Zhejiang Province of the PRC. The incident was subsequently investigated by the local government authority which came to the conclusion that it was an accident caused by adverse weather.

Pursuant to an insurance policy issued by China Pacific Property Insurance Co., Ltd., SPMP, the relevant subsidiary of our Group which was involved in the incident, submitted a claim to China Pacific Property Insurance Co., Ltd. for insurance indemnity but was rejected. We brought civil proceedings against China Pacific Property Insurance Co., Ltd. in October 21, 2005 at Ningbo Maritime Court for payment of the insurance indemnity, interest accrued thereunder and related losses totalling approximately RMB56.83 million. The parties' contentions focused on, among other things, whether the insurance policy concerned was valid or otherwise and whether the accident was due to our fault. As at the Latest Practicable Date, the case remains pending before the court.

Dispute over Payment for Survey Service

In September 2000, First Highway Survey & Design Institute Co. Ltd., one of the Company's subsidiaries, engaged Xi'an Investigation and Design Research Institute of China National Nonferrous Metals Industry (the ''Xi'an Institute'') for the provision of geologic investigation services in respect of a highway project.

While we have made part payment to the Xi'an Institute for its service, we are currently disputing on the total amount payable by us under our contractual arrangements. The Xi'an Institute brought civil proceedings against us at the High People's Court of Shaanxi Province of the PRC in March 2005, claiming for the payment of approximately RMB53.3 million in connection with the provision of its geologic investigation services.

The parties' contentions focused on, among other things, the applicable statutory pricing standards for the detailed geologic investigation services in question, the issue of how the actual work volume undertaken by the Xi'an Institute in the preliminary investigation stage could be ascertained and the quantum of payment ought to be made by us in connection with the services provided.

In September 2006, the High People's Court of Shaanxi Province ordered us to pay Xi'an Institute RMB31,992,849 and the relevant interest accrued. We have made appeal to the Supreme Court of China and as at the Latest Practicable Date, the case remains pending before the court.

Dispute over Payment for Construction Service

China Communication Construction Engineering Co., one of our subsidiaries (now known as Fourth Highway Engineering Bureau Co. Ltd.) was engaged by Beijing Wangjing Xinxing Company for construction services. Upon the completion of our work however, Beijing Wangjing Xinxing Company defaulted in making payment to us for our service. We initiated arbitration proceedings against Beijing Wangjing Xinxing Company in March 2006 for the construction service fee of approximately RMB 49.99 million and as at the Latest Practicable Date, the outcome of arbitration is still pending.

While the outcome of our current lawsuits can not be determined at present, we believe that any resulting liabilities will not have a material adverse effect on the financial position or operation of us.

So far as we are aware, no material litigation, arbitration or administrative proceedings are pending or threatened.

3. Joint Sponsors and Compliance Advisors

Joint Sponsors

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by BOCI, Merrill Lynch and UBS.

Merrill Lynch and UBS have declared their independence from us pursuant to Rule 3A.08 of the Hong Kong Listing Rules that they are independent pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

Bank of China Limited, the indirect holding company of BOCI, and/or its subsidiaries provides or is expected to provide various banking and insurance services to CCCG and/or its subsidiaries (including the Group) and accordingly, BOCI is not considered independent pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

Compliance Advisors

We will appoint BOCI, Merrill Lynch and UBS as our joint compliance advisors (the ''Compliance Advisors'') upon listing in compliance with Rules 3A.19 of the Hong Kong Listing Rules.

We expect to enter into a compliance advisors' agreement with the Compliance Advisors, the material terms of which we expect to be as follows:

(a) we will appoint the Compliance Advisors as our joint compliance advisors for the purpose of Rule 3A.19 of the Hong Kong Listing Rules for the period commencing on the date of the listing of our H Shares on the Hong Kong Stock Exchange and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the date of listing, or until the agreement is terminated, whichever is earlier;

(b) the Compliance Advisors will provide us with certain services, including providing guidance and advice as to compliance with requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines and, where appropriate, acting as one of our principal channels of communication with the Hong Kong Stock Exchange; and

(c) we will agree to indemnify the Compliance Advisors for actions against and losses incurred by the Compliance Advisors arising out of, or in connection with, certain events including the performance by the Compliance Advisors of their duties under the agreement.

We may terminate the appointment of any Compliance Advisor if its work is of an unacceptable standard as permitted by Rule 3A.26 of the Hong Kong Listing Rules. Each of the Compliance Advisors may resign or terminate its appointment by service of three months notice to us.

4. Preliminary Expenses

Our estimated preliminary expenses are approximately RMB2,800,000 and have been paid by us.

5. Qualification of Experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
BOCI Asia Limited	Licensed under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) as defined therein
Merrill Lynch Far East Limited	Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) as defined therein

Name	Qualification
UBS AG	Licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading service) and type 9 (asset management) as defined therein
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Sallmanns (Far East) Limited	Property valuers
Jia Yuan Law Firm	Licensed PRC legal advisers

6. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the Hong Kong branch register, including in circumstances where such transaction is effected on the Hong Kong Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Share being sold or transferred.

7. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since June 30, 2006.

8. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

9. Miscellaneous

(a) Save as disclosed in this Prospectus:

(i) within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(ii) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(iii) our Company does not intend to apply for the status of a Sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-foreign Joint Venture Law;

(iv) within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerages or other special items have been granted or paid to any director, proposed director, supervisor, promoter, any of the experts as listed in paragraph 5 immediately above or any other person in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(v) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(vi) as at the Latest Practicable Date, none of our Directors and Supervisors nor any of the experts as listed in paragraph 5 immediately above is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(vii) none of our Directors and Supervisors nor any of the experts as listed in paragraph 5 immediately above is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;

(viii) as at the Latest Practicable Date, no authorized debentures of our Company and its subsidiaries have been issued.

(b) We have neither issued nor agreed to issue any founder shares, management shares or deferred shares.

(c) We have no outstanding convertible debt securities.

(d) Save in connection with the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the experts as listed in paragraph 5 immediately above:

(i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;

Other than:

UBS Limited, a wholly-owned subsidiary of UBS AG, held 4,329,110 A shares in ZPMC, a subsidiary of the company, as at the Latest Practicable Date;

Merrill Lynch International, an affiliate of Merrill Lynch, held (i) 1,433,962 A shares and 19,570 B shares in ZPMC, a subsidiary of the Company, and (ii) 16,566,038 units of the cash-settled covered European Call warrant (with ZPMC's A shares as underlying shares) issued by its affiliate, Merrill Lynch International & Co. C.V. (who had issued a total of 18,000,000 units on August 10, 2006, and with the share/warrant ratio of 1:1), in each case, as at the Latest Practicable Date.

(e) Our five largest customers and five largest suppliers accounted for less than 30% of the total sale or purchase for the year ended December 31, 2005.

10. Consents

Each of the Joint Sponsors, PricewaterhouseCoopers, Sallmanns (Far East) Limited and Jia Yuan Law Firm has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or the references to its name included herein in the form and context in which they are respectively included.

11. Promoter

The promoter of our Company is CCCG. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no amount or benefit has been paid or given to the promoter in connection with the Global Offering or the related transactions described in the Prospectus.

12. Dividends

There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

13. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. Exemption and Waiver from Certain Requirements regarding Property Valuation Report

We currently own 318 parcels of land in the PRC, with an aggregate area of approximately 8,573,970.86 square meters, and 17 parcels of land in overseas countries and regions with a total site area of approximately 95,546.16 square meters. We also lease 29 parcels of land with an aggregate site area of approximately 2,792,407.89 square meters in the PRC. We currently own 2,204 buildings or units in the PRC, with an aggregate floor area of approximately 2,251,584.59 square meters, and 130 buildings or units with an aggregate floor area of approximately 23,045.96 square meters in overseas countries and regions. We currently lease 173 buildings or units in the PRC, with an aggregate floor area of approximately 166,172.62 square meters, and 31 buildings or units in overseas, with an aggregate floor area of approximately 11,990.96 square meters.

Owing to the substantial number of properties we own or lease, we have applied to the SFC for an exemption and the Hong Kong Stock Exchange for a waiver from strict compliance with certain of the valuation report requirements contained in paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance and Rules 5.01, 5.06 and 19A.27(4) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, respectively, on the grounds that:

(a) it would be unduly burdensome to list all of the properties and show their particulars and values individually in this Prospectus and the inclusion of such detailed information would be irrelevant to potential investors especially given that our Company is not a property development company; and

(b) it would be unduly burdensome to prepare an English translation of the report, as substantially all of the properties of the Company are located in the PRC and consequently the underlying valuation and title information is in Chinese.

The exemption has been granted by the SFC under section 342A(1) of the Hong Kong Companies Ordinance, subject to the following conditions:

(i) a valuation report in the Chinese language complying with all the requirements of paragraph 34 of the Third Schedule to the Companies Ordinance will be made available for inspection in accordance with ''Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection'';

(ii) the valuer's letter, summary of values and the valuation certificates relating to our Group's property interests be included in this Prospectus in the form set out in Appendix V to this Prospectus; and

(iii) this Prospectus shall set out particulars of this exemption.

The waiver has been granted by the Hong Kong Stock Exchange from Rules 5.01, 5.06 and 19A.27(4) and paragraph 3 (a) of Practice Note 16 of the Hong Kong Listing Rules, subject to the following conditions:

(i) a full valuation report in Chinese complying with all the requirements under the Listing Rules and paragraph 34 of Part II of the Third Schedule to the Companies Ordinance will be made available for inspection in accordance with ''Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection'';

(ii) a summary valuation of all property interests of us and our subsidiaries, as set out in Appendix V to this Prospectus, has been included in this Prospectus; and

(iii) we obtain a Certificate of Exemption from the SFC in relation to compliance with relevant requirements under the Companies Ordinance.

Our Directors are of the view that the exemption and waiver granted by the SFC and the Hong Kong Stock Exchange, respectively, will not prejudice the interests of potential investors.

15. Ongoing Disclosure of Information on ZPMC

For so long as disclosure of ZPMC's results would provide an investor with a material assessment or indication of our results and performance as a whole, we will simultaneously release in Hong Kong, among other things, the quarterly and interim reports of ZPMC, our subsidiary listed on the Shanghai Stock Exchange, when ZPMC is required to publish these reports pursuant to the requirement of the Shanghai Stock Exchange.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

Documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- copies of the application forms;
- the written consents referred to in Appendix IX to this Prospectus;
- copies of the material contracts referred to in Appendix IX to this Prospectus; and
- the statement of adjustments signed by PricewaterhouseCoopers.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Exchange Square Two, Central, Hong Kong during normal business hours up to and including December 15, 2006:

- our Articles of Association;
- our Accountants' Report signed by PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus;
- the statement of adjustments signed by PricewaterhouseCoopers;
- the report from PricewaterhouseCoopers on the unaudited pro forma financial information, the text of which is set out in Appendix II of this Prospectus;
- the letters relating to the profit forecast, the texts of which are set out in Appendix III to this Prospectus;
- the review report on the unaudited interim financial information of ZPMC signed by PricewaterhouseCoopers, the text of which is set out in Appendix IV to this prospectus;
- the letter dated December 1, 2006, summary of values and valuation certificates relating to our property interests prepared by Sallmanns (Far East) Limited, the texts of which are set out in Appendix V to this Prospectus, and the full valuation report (in the Chinese language only) of Sallmanns (Far East) Limited referred to therein;
- the letter dated December 1, 2006 from Jia Yuan Law Firm referred to in Appendix VII to this Prospectus;
- the material contracts referred to in Appendix IX to this Prospectus;
- the written consents referred to in Appendix IX to this Prospectus;
- copies of the PRC Company Law, Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, the PRC Securities Law (in Chinese) together with unofficial English translation; and
- the PRC audited accounts of the Group for the years ended December 31, 2003, 2004 and 2005.