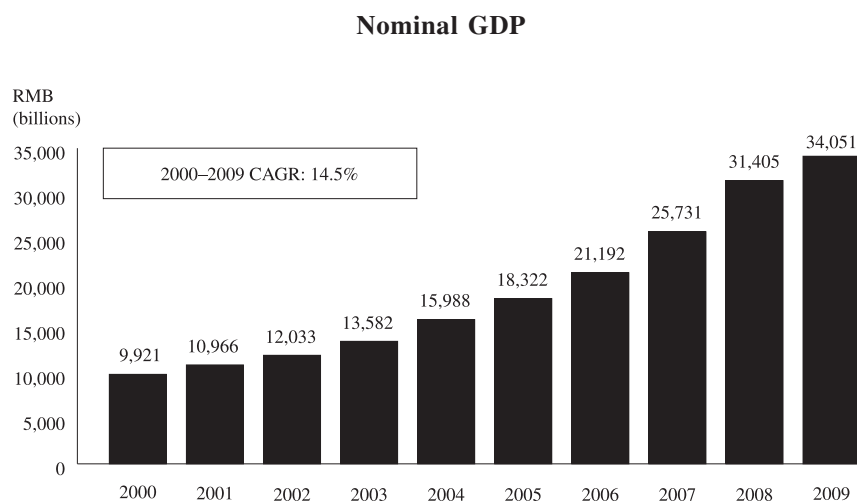

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Certain facts, information, statistics and data relating to the Chinese economy and the industry in which we operate that are presented in this section and elsewhere in this prospectus are derived from publicly available government official sources (including various publications issued by PRC government entities). The information derived from such sources may not be consistent with the information compiled within or outside China. Moreover, certain facts, information, statistics and data set forth in this section and elsewhere in this prospectus are derived from an industry research report we commissioned from Frost & Sullivan, an independent marketing and consulting agency. For information about Frost & Sullivan, please refer to the section headed “Statutory and General Information — Other Information — Qualification of experts” in Appendix VII. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholder, Sole Global Coordinator, Sole Sponsor, Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy or correctness. Accordingly, such information should not be unduly relied on.

OVERVIEW OF CHINA’S ECONOMIC GROWTH

China’s economy has grown significantly over the past decade. From 2000 to 2009, China’s GDP grew at a CAGR of 14.5%.

The following table illustrates China’s nominal GDP for the periods indicated.



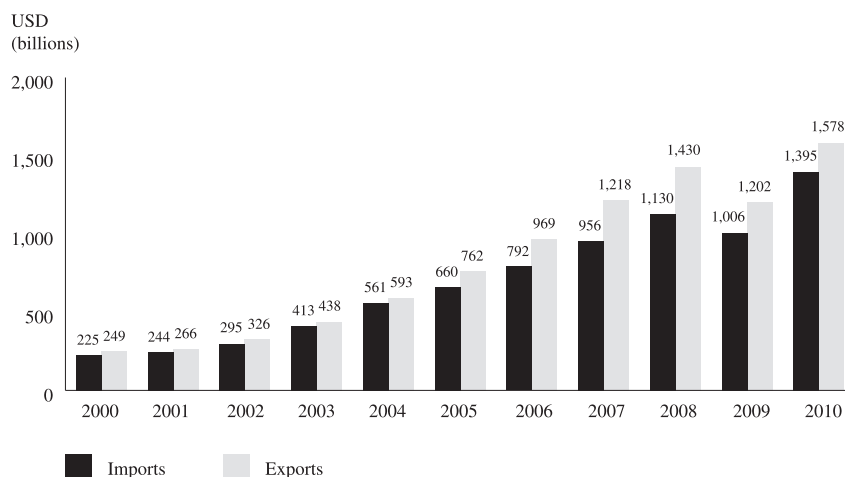
Source: National Bureau of Statistics of China, 2010 Yearbook

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During this period of strong economic growth, China has experienced significant growth in its international trade. From 2000 to 2010, the total value of imports and exports grew at a CAGR of approximately 20.0% and 20.3%, respectively. The total value of imports and exports decreased in 2009 due to the global economic downturn but has been recovered since 2010.

The following chart illustrates the value of China's imports and exports for the periods indicated.

Value of Imports & Exports

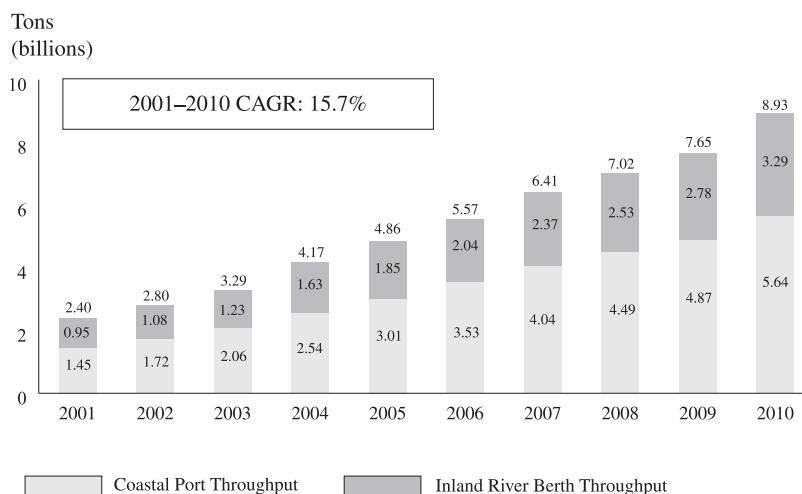


Source: Ministry of Commerce of the People's Republic of China

As a result of increases in import and export volumes, China's annual port throughput has increased steadily in recent years, at a CAGR of 15.7% from 2001 to 2010.

The following chart illustrates China's port throughput for the periods indicated.

Port Throughput



Source: Ministry of Transport of the People's Republic of China

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The development of China's economy and increase in port throughput have contributed to the growth of the dredging industry in China.

OVERVIEW OF THE PRC DREDGING MARKET

Market overview

There are four general types of dredging activity: capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging.

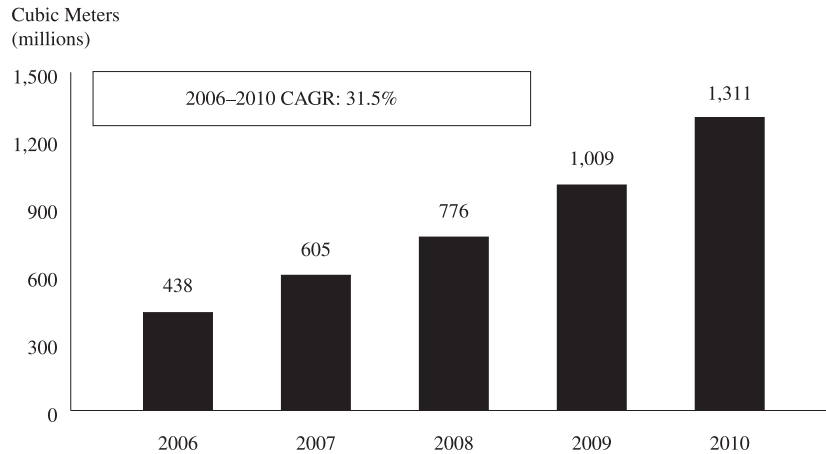
- Capital dredging refers to dredging work during port construction to establish appropriate water dimensions for navigation channels and for other infrastructure projects such as the construction of canals, breakwaters or jetties or for trench digging for pipes, cables or tunnels.
- Reclamation dredging refers to pumping or transferring sand, gravel or other dredged material along or near a sea shore or river bank in order to increase available land.
- Maintenance dredging refers to the regular removal of sediment or other material to maintain navigation channels.
- Environmental protection dredging refers to the removal of contaminated sediment, pollutants or other material from navigation channels to improve water quality, restore aquatic ecosystems or to promote other similar environmental interests.

According to the Frost & Sullivan Report, total dredging volume in China reached 1,311 million cubic meters by the end of 2010, representing a CAGR of 31.5% from 2006. According to the same report, from 2011 to 2015, total annual dredging volume in China is expected to continue growing at approximately 27.1% CAGR and to reach 4,517 million cubic meters by 2015.

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The following chart illustrates China's total dredging volume for the periods indicated.

Total Dredging Volumes



Source: The Frost & Sullivan Report

The growth of port throughput and the development of coastal industrialized zone areas in China have contributed to the significant growth in capital dredging volume in recent years. Since 1999, more than ten major coastal industrial zones have been or are being expanded, including Yingkou Harbor, Dalian Park Industrial Zone, Dalian Changxingdao Harbor, Caofeidian Industrial Area, Tianjin Port, Jiaozhou Bay, Jiangsu Binhai, Shanghai Linggang, Fujian Ningde and Guangdong Zhanjiang. In 2009, the PRC government announced the national strategy of developing the Liaoning Coastal Economic Zone, Jiangsu Coastland and Yellow River Delta Economic Zone. According to the Frost & Sullivan Report, the expected increases in port throughput and the development of coastal industrialized zone areas will create further demand for capital dredging.

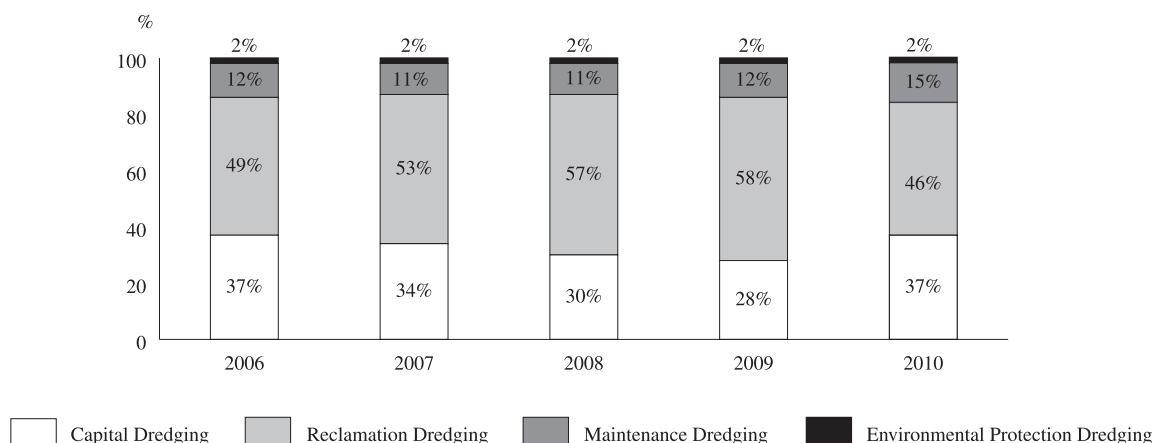
According to the same report, PRC government initiatives to alleviate population pressure and land shortage are expected to contribute to demand for reclamation dredging. Coastal regions have the highest population density in China. In order to address population pressure and land shortage, these regions may adopt land reclamation plans. According to the government working report announced by PRC Prime Minister Wen Jiabao in March 2007 at the National People's Congress, the total cultivated land area in the PRC shall be maintained at not less than 1.8 billion mu (about 120 million hectares). This policy contributes to demand for reclamation dredging in order to supply new land for industry and real estate development uses.

Regular sedimentation and annual runoff from navigable inland rivers in China contribute to demand for maintenance dredging. The Yangtze River, Yellow River and Pearl River have the highest cargo throughput among rivers in China. Each of these rivers requires regular maintenance dredging to maintain navigability. In addition, numerous coastal ports and inland river berths require regular maintenance dredging to maintain appropriate water depth and dimensions for navigation. According to the Frost & Sullivan Report, demand for environmental protection dredging will be driven by widespread pollution problems, particularly in inland rivers and lakes, for which the Chinese government has allocated substantial resources.

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The following chart sets forth a breakdown of the China dredging market by different dredging type in terms of volume for the periods indicated.

China Dredging Market by Dredging Type



Source: The Frost & Sullivan Report

Currently, the Chinese dredging market faces two major constraints: a shortage of dredging capacity from qualified dredging companies and low dredging efficiency.

According to the Frost & Sullivan Report, the existing capacity of qualified contractors is almost fully utilized, which has resulted in a shortage of dredging capacity in the dredging industry in the PRC. The dredging capacity of qualified dredgers was approximately 1.3 billion cubic meters in 2010, according to the Frost & Sullivan Report. CCCC, China's largest dredging company, increased its capacity by 80 million cubic meters from 2009 to 2010, while the market increased by 302 million cubic meters in the same period. This dredging capacity shortage can be attributed to several factors, including, China's rapid economic growth, which has driven increased investment in ports, inland river waterways and infrastructure, thereby creating higher demand for dredging services. In addition, the dredging capacity shortage is also due in part to the high cost of building new dredgers. According to the Frost & Sullivan Report, the minimum cost of building a new and modern dredger is approximately RMB100 million, and typically the larger the capacity of the dredger to be built, the higher the cost of building it. Because of the intensive capital requirements for building new dredgers, dredging companies may require long periods of time to raise and deploy the capital necessary to expand their dredging capacity. Similarly, the long period of time necessary to build new dredgers has also contributed to the dredging capacity shortage in the PRC. Going forward, the Chinese dredging market, measured in terms of volume, is expected to grow at a CAGR of 27.1% from 2011 to 2015, according to the Frost & Sullivan Report. Due to the limitations on dredging companies' ability to increase their capacity, Frost & Sullivan expects that the Chinese dredging industry will continue to face capacity constraints in the coming years.

Meanwhile, according to the Frost & Sullivan Report, the dredging efficiency in China is relatively low at about 70%, compared to efficiency levels of approximately 90% in developed countries such as the Netherlands, Belgium and the United States. Dredging efficiency is generally supported by highly

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efficient dredging vessels, dimensions of dredged areas, flow sediment conditions as well as the skill of dredger operators. Efficient dredging vessels are typically equipped with more advanced dredging technology and are able to achieve on average greater dredging volumes over a given period of time than less efficient vessels. The frequency and duration of maintenance and other downtime also contribute to dredger efficiency. In addition, the experience and ability of the dredger technicians operating the dredger can be another important factor that contributes to dredging efficiency. The dredger technicians' judgments about site conditions, digging depth, swing speed, slurry density and velocity and other factors all affect overall dredging efficiency. In China in particular, dredging efficiency is inhibited by a shortage of highly efficient dredgers and skilled technicians.

Competitive landscape

According to the Frost & Sullivan Report, China's dredging market is largely dominated by a few PRC government entities and large state-owned enterprises, which had an estimated market share of 81.9% in 2010 as measured by dredging volume. By comparison, privately owned enterprises, taken together, accounted for an estimated 15.7% of the total dredging volume in China in 2010. That combined market share remained relatively stable between 2006 and 2010. The top five dredging companies in the PRC in 2010 as measured by dredging volume were CCCC, us, Changjiang Water Bureau, Tianjin G&H Shipping Company Limited and Shanghai Darun Port Construction Group Co., Ltd. In 2010, only seven privately owned companies had greater than 1% market share as measured by output from dredging services, among which we were the largest with a market share of approximately 2.4%. Our dredging volume of 32.0 million cubic meters in 2010 accounted for approximately 15.5% of the total dredging volume contributed by privately owned enterprises. The dredging volume of our main competitors, including Tianjin G&H Shipping Company Limited, Shanghai Darun Port Construction Group Co., Ltd. and Zhejiang Haizhong Zhou Group Co., Ltd. accounted for approximately 14.5%, 12.5% and 10.5%, respectively, of the total dredging volume contributed by privately owned companies in 2010, according to the Frost & Sullivan Report.

However, we believe that privately owned enterprises will play an increasingly important role in the dredging market in China for two main reasons. First, we expect that capacity constraints currently experienced by state-owned companies will provide more business opportunities to privately owned companies. Secondly, we believe that the Chinese government is encouraging increased participation by privately owned businesses in the transportation infrastructure sector, as evidenced by the Several Opinions on Encouraging and Guiding the Healthy Development of Investments from the Private Sector (國務院關於鼓勵和引導民間投資健康發展的若干意見) issued by the State Council in May 2010.

Barriers to entry and key factors to success

There are significant barriers to entry in the PRC dredging market. First, dredging companies may encounter difficulty in obtaining necessary qualifications. Dredging companies must meet the strict requirements of the National Port and Waterway Engineering Construction Contracting Qualifications. As of December 31, 2010, only 39 enterprises had obtained a Level I or Level II general contracting certificate for port and waterway construction (港口與航道工程施工總承包企業資質), which must be obtained in order to undertake large-scale dredging projects in the PRC. Second, dredging companies have significant capital requirements. A large amount of initial investment is necessary to build, buy or lease vessels. Third, dredging companies face human resources constraints. Having available, experienced dredging personnel is required to obtain necessary qualifications and is also necessary to

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ensure the quality and efficiency of dredging operations. China has a limited supply of experienced dredging personnel, including dredger and dredging equipment operators. Fourth, it is difficult for dredging companies to establish and maintain client relationships. The Chinese dredging market is dominated by state-owned enterprises, including CCCC. In addition, most privately owned dredging companies do not have the ability to bid projects on their own. Most of their contracts are subcontracts from state-owned enterprises and not contracts signed directly with project owners. Therefore, privately owned companies must develop good relationships with state-owned enterprises and government entities in order to expand their businesses.

Foreign dredging companies also face significant barriers to entry to the Chinese dredging market. According to the Administration Rules on Certification of Construction Enterprise (建築業企業資質管理規定) promulgated on June 26, 2007 by the Ministry of Construction, enterprises engaging in the dredging business must obtain either one of two types of contracting certificates, including the general contracting certificate for port and waterway construction (港口與航道工程施工總承包企業資質) and the specialty contracting certificate for waterway construction (航道工程專業承包企業資質). Under the Standards for Classification of General Contracting Certificate for Construction (施工總承包企業資質等級標準) and the Standards for Classification of Specialty Contracting Certificate for Construction to Enterprises (專業承包企業資質等級標準), one of the requirements for the issuance of either of such certificates by the relevant PRC authorities is that the applicant enterprise must be the registered owner of vessel(s) with stipulated functions. Under the PRC Ship Registration Regulation (中華人民共和國船舶登記條例), the Maritime Safety Administration of the PRC will not register the ownership of a vessel to an enterprise unless at least 50% of its registered capital has been contributed by a Chinese investor(s). As a result, foreign investment in the dredging business sector is limited to no more than a 50% equity interest in a given enterprise, notwithstanding the fact that the dredging business sector is one of the permitted foreign investment industries under the Catalog for the Guidance of Foreign Investment Industries. In addition, certain foreign dredging companies face tax charges of around 30%, including business tax, import tax and withholding tax.

Cost of Fuel

Fuel and other petroleum-based products are used by dredging companies to operate their dredgers and other equipment, and can represent a large component of these companies' operating cost. The price of crude oil experienced a high level of fluctuation during the global financial crisis in 2008. In 2009 and 2010, the price of crude oil continued to fluctuate, and the highest price of crude oil was 140.1% higher than the lowest such price during this period, based on the Tapis crude oil benchmark. The average price per barrel of crude oil was approximately US\$104, US\$65 and US\$84 in 2008, 2009 and 2010, respectively, based on the Tapis crude oil benchmark.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We have included certain information from the Frost & Sullivan Report in this prospectus. Frost & Sullivan, an independent marketing and consulting agency founded in 1961, was commissioned by us to conduct research and prepare a report on the dredging market in China. Frost & Sullivan currently has more than 40 global offices and 1,800 industry consultants. The fees we have agreed to pay to Frost & Sullivan were negotiated between the parties on an arm's length basis and our Directors believe that the fees are in line with market rates. We have agreed to pay Frost & Sullivan a total commission of RMB928,000 for its research and report.

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The methodology used by Frost & Sullivan in preparing the Frost & Sullivan Report involved conducting both primary and secondary research obtained from numerous sources within the dredging industry in China. The primary research involved interviews with the leading dredging companies in China, national-level departments of the Ministries of Transport and Water Resources of the PRC, and the China Dredging Association, an industry association. Supply-side interviews were used as a cross-checking mechanism to verify the accuracy of market share and revenue figures that were not contained in publicly available company reports. Secondary research was conducted through examining PRC government reports, annual reports of public dredging companies in China and reports published by the China Dredging Association. Market size and company revenue forecasts were obtained from historical data analysis plotted against macroeconomic factors and mapped against the drivers and constraints of the Chinese dredging market to arrive at estimates.