LAWS AND REGULATIONS RELATED TO SHIPS AND OCEAN TRAFFIC SAFETY

Maritime Regulation

Laws and regulations related to maritime safety

According to the Provisions Concerning the Functions Allocation, Internal Organization Structure and Personnel Establishment of the Ministry of Transport (the "**MOT Functions Provisions**") (交通部職能配置、內設機構和人員編製規定) issued by the General Office of the State Council on June 18, 1998, the original port authority of the PRC and the original ship examination authority of the PRC were merged to form the Maritime Safety Administration of the PRC, an authority directly under MOT, which is responsible for exercising the administrative functions of maritime safety supervision and administration, prevention of ship contamination, examination of ships and maritime facilities, and navigational safeguards. In addition, according to the Notice Issued by the General Office of the State Council Concerning the Proposal for the Establishment of a Maritime Organization Directly Under MOT (國務院辦公廳關於印發交通部直屬海事機構設置方案通知), which became effective on September 26, 1999, MOT has also set up various local maritime authorities directly under it, and direct branch offices, where necessary.

Laws and regulations related to ships

According to the PRC Maritime Law (the "**Maritime Law**") (中華人民共和國海商法) promulgated by the Standing Committee of the National People's Congress of the PRC and effective as of July 1, 1993, and the PRC Ship Registration Regulation (中華人民共和國船舶登記條例) promulgated by the State Council of the PRC on June 2, 1994 and effective as of January 1, 1995, the acquisition, transfer or extinction of the ownership of a ship and the establishment, transfer or extinction of ship mortgage or bareboat charter must be registered with the ship registration authority; no such acquisition, transfer or extinction of the ship's ownership or mortgage, or the bareboat charter shall act against a third party unless registered. The relevant maritime safety administration is responsible for registering the ownership of the ship and issuing the ownership certificate. Any transfer of ownership of a ship must be made by written contract. The owner of a ship or those authorized thereby may effect a mortgage of the ship. Any mortgage of a ship must be established by a written contract.

All ships registered or intended to be registered in the PRC shall apply for statutory examination with the ship examination authority in accordance with the provisions of the Interim Measures for the Administration of Ships Examination (船舶檢驗工作管理暫行辦法), which became effective on November 9, 2000. Pursuant to the provisions of the Regulations of the PRC for the Examination of Ships and Maritime Facilities (中華人民共和國船舶和海上設施檢驗條例), which became effective on February 14, 1993, the examination of ships may be conducted by the ship examination authority established by the ship examination bureau (currently, the PRC Maritime Safety Bureau), the local ship examination authority established by the competent transport authority of the provincial People's government or the examination authorities entrusted, designated or recognized by the PRC Maritime Safety Bureau. A corresponding examination certificate will be issued by the ship examination authority in accordance with relevant requirements after the ship has passed the examination.

Laws and regulations related to maritime traffic safety

According to the PRC Maritime Traffic Safety Law (中華人民共和國海上交通安全法) promulgated by the National People's Congress of the PRC on September 2, 1983 and effective as of January 1, 1984, ships shall be manned with qualified crew members to ensure the ships' safety. The captain, chief engineer, pilot, engineers, radio and telephone operators and similar personnel on board seaplanes or submersibles must hold valid job certificates. All other crew members must undergo specialized technical training required for their work. Ships of Chinese nationality sailing on domestic routes that enter and leave domestic harbors must obtain port entry and departure visas. Construction operations to be carried out on the surface or underwater in coastal waters and the demarcation of corresponding safe operation zones must be reported to the competent authorities for examination and approval and must be publicly announced.

According to the Ship Safety Inspection Rules of the PRC (中華人民共和國船舶安全檢查規則) promulgated by the Ministry of Transport on November 30, 2009, the relevant maritime safety administration is responsible for inspecting, among others, the manning levels, the structures, facilities and equipments, cargo handling equipments of the ships, and certificate of competency obtained by and health conditions of the crews. After they finish the inspections, the relevant maritime safety administration will issue a supervision and inspection records book that must be kept in the ship. The owner, operator or manager must rectify according to the corrective opinions of and actions required by the relevant maritime safety administration, or they will face a fine of up to RMB30,000.

Laws and regulations related to dredging

On December 7, 2006, the Ministry of Transport promulgated the Notice on Issuing the Quality Inspection Standards of Dredging and Reclamation ("**the Notice**") (JTJ324-2006) (《疏浚與吹填工程質量檢驗標準》(JTJ324-2006)) and it came into effect on June 1, 2007. The Notice mainly regulates infrastructure dredging engineering and maintenance dredging engineering. According to the Notice, the Quality Inspection Standards of Dredging and Reclamation (JTJ324-2006) have been approved as mandatory industry standards for the dredging industry.

Laws and regulations related to environmental protection

Pursuant to the Environmental Protection Law of the PRC (the "'**Environmental Protection Law**"') (中華人民共和國環境保護法) promulgated by the Standing Committee of the National People's Congress of the PRC and effective as of December 26, 1989, the environmental protection department of the State Council sets national discharge standards for pollutants. The governments of provinces, autonomous regions and municipalities directly under the central government may issue local standards that are stricter, but not more lenient, than the national standards. An entity discharging pollutants in a region where there are local standards for the discharge of pollutants must comply with those standards. Entities discharging pollutants must report and register with the relevant 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. According to the Marine Environmental Protection Law（中國人民共和國海洋環境保護法）promulgated by the Standing Committee of the National People's Congress of the PRC and effective as of December 25, 1999, an entity discharging pollutants or wastes directly into the sea must pay a discharge fee according to relevant regulations.

Pursuant to the Water Pollution Prevention Law of the PRC (中華人民共和國水污染防治法) promulgated by the General Committee of the National People's Congress of the PRC on November 1, 1984, amended on February 28, 2008 and effective as of June 1, 2008 and the Implementation Rules of the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法實施細則) promulgated and effective as of March 20, 2000, the environmental protection department of the county government or above levels is responsible for the prevention and control of water pollution, and the maritime administration department under the transport authorities is responsible for the prevention and control of water pollution caused by ships.

Pursuant to the Law on Environmental Impact Evaluations of the PRC (中華人民共和國環境影響評價法) promulgated on October 28, 2002 and effective as of September 1, 2003, depending on the magnitude of the impact of its business operations on the environment, an enterprise must prepare either an environmental impact assessment report, or an environmental impact assessment report in the standard form, or an environmental impact assessment registration form, setting forth the specific impact the proposed construction project may have on the environment and any measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project.

Pursuant to the Regulations on the Control over Dumping Wastes into the Sea Waters (中華人民共和國海洋傾廢管理條例) promulgated by the State Council of the PRC on March 6, 1985, and the Implementing Measures of the Regulations on the Control over Dumping Wastes into the Sea Waters (中華人民共和國海洋傾廢管理條例實施辦法) promulgated by the State Ocean Administration on September 25, 1990, the departments responsible for regulating the dumping of waste are the State Oceanic Administration and its agencies. In order to dump waste into the ocean, a company must apply for permission from the relevant department. Waste to be dumped into the ocean is divided into three categories with corresponding permit categories, namely emergency dumping permits, special dumping permits and general dumping permits, which must be obtained before the dumping of the waste into the ocean. Emergency dumping permits can be used once only, whereas special dumping permits and the general dumping permits are valid for up to six months and one year, respectively.

Pursuant to the Classification and Assessment Procedures of Dumping of Dredged Materials Into Ocean (疏浚物海洋傾倒分類和評價程序) promulgated by the State Oceanic Administration on December 30, 2002, dredged materials are divided into three categories including clean dredged materials (清潔疏浚物), contaminated dredged materials（沾污疏浚物）and heavily contaminated dredged materials (污染疏浚物). Clean dredged materials (清潔疏浚物) may be dumped into the designated ocean zones provided that a general dumping permit is obtained from relevant PRC authorities. Dredged materials biological inspection must be carried out toward both contaminated dredged materials（沾污疏浚物）and heavily contaminated dredged materials (污染疏浚物) before they are dumped into the ocean. Contaminated dredged materials（沾污疏浚物）may be dumped into the designated ocean zones provided that a special dumping permit is obtained from the relevant PRC authorities, and whether the contaminated dredged materials shall go through proper treatment procedures before they are dumped into the ocean would depend on the results of the dredged materials biological inspection.

The PRC authorities may allow the dumping of the heavily contaminated dredged materials (污染疏浚物), which they consider may not heavily pollute the ocean, into the designated ocean zones but the dumped amount would be limited. The heavily contaminated dredged materials (污染疏浚物) which may

heavily pollute the ocean are generally not allowed to be dumped into the ocean except in the case that the occurrence of an incident makes dumping thereof into the ocean really necessary, and in such case, the heavily contaminated dredged materials (污染疏浚物) may be allowed to be dumped into designated ocean zones after a special treatment is conducted and an emergency dumping permit is obtained from the PRC authorities.

Laws and Regulations Governing Foreign Investment

Foreign investment in the PRC

Common forms of direct foreign investment in the PRC include Sino-foreign joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises.

Wholly foreign-owned enterprises

According to the Law of the PRC on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法) amended by the Standing Committee of the National People's Congress of the PRC on October 31, 2000 and its implementation rules, the application for establishment of a Wholly Foreign-owned Enterprise ("**WFOE**") must be reviewed and approved by the Ministry of Commerce or its competent local counterparts. Where two or more foreign investors jointly apply for establishment of a WFOE, a copy of the contract between the joint investors must be submitted to the relevant approval authority for its record. A WFOE must obtain a business license from the relevant local Administration for Industry and Commerce prior to commencement of its business. The form of organization of a WFOE could be a limited liability company and other forms of liability may be adopted after approval. In case of a limited liability company, the foreign investor shall be liable for the enterprise to the extent of its/his subscribed capital contribution. In case of any other liability form, the foreign investor shall be liable for the enterprise according to the PRC laws and regulations. The foreign investor may make its/his capital contribution by installments, provided that the last installment shall be paid within two years after the date of issuance of the business license. Among them, the first installment shall not be less than 15% of the total subscribed capital contribution of the foreign investor and shall be paid within 90 days upon the date of issuance of the business license of the WFOE.

Foreign exchange controls

The Regulations of the PRC on Foreign Exchange Control (中華人民共和國外匯管理條例) (the "**New Foreign Exchange Regulation**") promulgated on January 29, 1996 and amended on January 14, 1997 and August 1, 2008, contains detailed provisions in relation to foreign exchange control. According to the New Foreign Exchange Regulation, the retaining or selling of the foreign exchange earnings obtained from capital account shall be subject to the approval of foreign exchange authorities.

Enterprises within the PRC which require foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents. Furthermore, foreign-invested enterprises ("**FIEs**") may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks. Should such foreign exchange be insufficient, enterprises may purchase foreign exchange from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise.

According to the Notice of the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) issued by SAFE on August 29, 2008, a foreign-invested enterprise must designate a competent accounting firm to verify the capital fund prior to application for the settlement of the foreign currency capital. The settled foreign currency capital must be used only for the type of business approved by the related authorities and must not be used for equity investment except as otherwise provided. It is also prohibited to use the settled foreign currency capital for purchasing not-self-use domestic real estate except if the foreign-invested enterprise is incorporated for real estate business.

On October 21, 2005, SAFE promulgated Circular 75, effective as of November 1, 2005, which abolished the previous rules issued in January and April 2005. Under Circular 75, PRC residents are required to register with the local competent SAFE branches before establishing or controlling any company, referred to in the circular as an "offshore special purpose vehicle" ("**SPV**"), outside of the PRC for the purpose of offshore capital financing. Any change of shareholding or any other material capital alteration in such SPV must be registered or filed within 30 days starting from the date of shareholding transfer or capital alteration. The new rules also provide that PRC residents who have established SPV or acquired control of SPV prior to November 1, 2005 must register their offshore investment by March 31, 2006.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

In August 2006, MOFCOM, together with the SASAC, State Administration of Taxation, State Administration for Industry and Commerce, CSRC and SAFE, issued the New M&A Rule, which became effective on September 8, 2006. The New M&A Rule replaces a regulatory framework governing foreign acquisitions of Chinese companies previously referred to as the "Interim Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors" (the "**Interim M&A Provisions**") issued in 2003. An SPV is defined under the New M&A Rule as an offshore entity directly or indirectly controlled by PRC individuals or enterprises with the objective of an overseas listing, and the main assets of which are its rights and interests in an affiliated domestic PRC enterprise. Under the New M&A Rule, an approval is required by central level MOFCOM for (1) the establishment of an SPV for overseas listings by PRC companies; and (2) the SPV's acquisition of PRC affiliates. PRC enterprises and PRC ultimate shareholders of the SPV must, within six months of receipt, remit into China any dividends, profit and proceeds of any capital adjustments received from the SPV. In addition, the offshore listing of an SPV under the New M&A Rule is subject to approval by the CSRC.

Laws and Regulations related to Labor and Safety

Effective as of January 1, 2008, labor contracts must be in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labor Contract Law**"). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime work in accordance with national regulations. In addition, labor wages must not be lower than local standards for minimum wages and must be paid to the laborers timely.

According to The Labor Law of the PRC (中華人民共和國勞動法) effective as of January 1, 1995, enterprises and institutions shall establish and perfect its system of workplace safety and sanitation, strictly abide by rules and standards on work place safety and sanitation of the State, and educate laborers of work place safety and sanitation. Workplace safety and sanitation facilities must comply with standards fixed by the State. The enterprises and institutions must provide laborers with workplace safety and sanitation conditions in compliance with stipulations and relevant labor protection regulations of the State.

Effective as of November 1, 2002, enterprises and institutions must be equipped with the measures for safe production as provided in the PRC Production Safety Law (中華人民共和國安全生產法) (the "**Production Safety Law**") and other relevant laws, administrative regulations, national standards and industrial standards under the Production Safety Law. Any entity that is not equipped with the measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions must offer education and training programs to employees regarding production safety. The design, manufacture, installation, use, checking, maintenance, repair and disposal of safety equipment must conform with national or industry standards. In addition, enterprises and institutions must provide personal protective equipment that conforms with national or industry standards for their employees and must supervise and educate them on how to use the equipment according to the prescribed rules.

Pursuant to the Regulation on Production Safety Licenses (安全生產許可證條例) promulgated by the State Council of the PRC on January 13, 2004, the PRC government establishes a production safety licensing system for enterprises engaged in mining, construction, and the production of dangerous chemicals, fireworks and crackers, and blasting equipment for civil use. These enterprises are not allowed to engage in production activities without production safety licenses. The administrative department of construction under the State Council is in charge of issuance and administration of production safety licenses for construction enterprises managed by the central government. The production safety licenses for other construction enterprises are issued and administrated by the administrative departments of construction under the People's governments of provinces, autonomous regions, and municipalities directly under the Central government. The valid period for a production safety license shall be three years. If a production safety license needs to be renewed upon its expiration, the enterprise shall go through the renewal procedures three months prior to such expiration with the administrative department(s) who issue the production safety license.

TAX LAWS AND REGULATIONS

The New Enterprise Income Tax Law of the PRC and its implementing rules

Prior to January 1, 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) ("**old FIE Tax Law**") promulgated on April 9, 1991 and effective as of July 1, 1991 and the related implementation rules. According to the old FIE Tax Law and the relevant implementation rules, foreign-invested enterprises engaging in the production of goods and provision of services with an expected business life of over 10 years were to enjoy full exemption from income tax for two years beginning in the first year of achieving profitability, and thereafter were to enjoy a 50% discount in income tax for the following three years (that is, the third to fifth year from the year of achieving profitability). However, under the Enterprise Income Tax Law of the PRC (中華人

民共和國企業所得税法) ("**EIT Law**"), which was promulgated on March 16, 2007 and became effective on January 1, 2008, income tax rates applicable to both domestic and foreign-invested enterprises were unified at 25% effective from January 1, 2008. Enterprises which enjoyed income tax rates lower than the standard rate of 25% are given a five-year transitional period. Such enterprises will continue to enjoy the lower tax rate before they are gradually subject to the tax rate of 25% within the transitional period. Enterprises which were entitled to two years of 100% exemption and three years of 50% reduction on tax payments before the EIT Law was promulgated may continue to enjoy such exemption and reduction until the term of such privilege expires.

Furthermore, the Notice Regarding the Determination of Chinese-controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of "de facto management body" (Guo Shui Fa [2009] No. 82) (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知，國税發[2009]82號) promulgated by the State Administration of Taxation currently in force has clarified the conditions under which a foreign company invested in by a Chinese enterprise or a group of Chinese enterprises as its majority shareholders would be considered as a PRC tax resident enterprise which has its "de facto management body" located in the PRC. However, the relevant PRC tax rules have not clarified whether and under what conditions a foreign company invested by PRC natural persons as its majority shareholders will be considered as a PRC tax resident enterprise having its "de facto management body" located in the PRC, and currently, it is uncertain whether the PRC local tax authority will make such determination. As at the Latest Practicable Date, we have not received any document from the PRC local tax authorities informing or confirming our Company as a PRC tax resident enterprise.

Business tax

Pursuant to the amended "Provisional Regulations of the People's Republic of China on Business Tax" (中華人民共和國營業税暫行條例) enacted by the State Council on November 10, 2008 and enforced on January 1, 2009 and its "Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax" (中華人民共和國營業税暫行條例實施細則) issued by the Ministry of Finance on December 15, 2008, the tax rate applicable to construction services is 3%.

Withholding tax

The EIT Law removes the prior tax policy that dividends paid by FIEs to foreign investors were exempted from PRC income tax profits. According to the EIT Law, dividends paid to foreign investors will now be subject to a 10% withholding tax. However, for non-PRC resident shareholders from countries or regions that have signed bilateral tax agreements with China, the withholding rate may be reduced to as low as 5% depending on the terms of the applicable tax treaty.

In accordance with the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) (the "**Relevant Tax Treaties**") signed on August 21, 2006, a 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident shareholder, provided that the Hong Kong resident shareholder holds at least 25% of the registered capital of the PRC company. The 10% withholding tax rate applies if the Hong Kong resident shareholder holds less than 25% of the registered capital of the PRC company. Further, pursuant to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (Guo Shui Fa

[2009] No. 124) (關於印發《非居民享受税收協定待遇管理辦法(試行)的通知》，國税發[2009]124號), which became effective on October 1, 2009, the preferential tax rate under the relevant tax treaties does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the relevant tax treaties. In addition, in accordance with the Notice of the State Administration of Taxation on How to Understand and Determine the "Beneficial Owners" in the Relevant Taxation Treaties (Guo Shui Han [2009] No. 601) (關於如何理解和認定税收協定中「受益所有人」的通知，國税函[2009]601號) issued by the State Administration of Taxation on October 27, 2009, the term "Beneficial Owners" refers to persons who have the right of ownership and disposal over the item of income, or the right or property from which the item of income is derived. A Beneficial Owner generally conducts substantive business activities. The tax treaty benefits will be denied to "conduit" or shell companies without actual business. The PRC tax authorities will evaluate whether an applicant (income recipient) can qualify as a "Beneficial Owner" under the relevant tax treaties on a case-by-case basis, and, in conducting such evaluation, the taxation authorities will examine the substance rather than the form of the relevant case. Further, pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (國家税務總局關於執行税收協定股息條款有關問題的通知，國税函[2009]81號) issued by the State Administration of Taxation on February 20, 2009, the preferential tax rate under the relevant tax treaties shall only apply to a Hong Kong tax resident that directly holds at least 25% of the registered capital of a PRC company for a period of 12 consecutive months prior to receiving the dividends.

Restriction on foreign investment in the dredging business sector

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 of the two types of contracting certificates, *i.e.*, 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) or 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 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 issuance of either such certificate 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 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.