

Chairman's Statement



Chairman

Zhou Jichang

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Dear Shareholders,

I am pleased to present to you the annual report for year 2006 on behalf of the Board.

The year 2006 is a fruitful year rooted in our efforts. The Company was successfully listed on The Stock Exchange of Hong Kong Limited on 15 December 2006, making it the largest initial public offering in the transportation infrastructure sector across the Asia Pacific market so far. As the first PRC leading transportation infrastructure enterprise listed overseas, the Company has established a solid presence in the international capital markets as demonstrated by the robust share price. Given its leading position in the PRC construction industry and robust stock price performance, the Company is honoured to be selected as a constituent stock in the Morgan Stanley Capital International Index and the Hang Seng China Enterprises Index.

Chairman's Statement (Continued)

1. Financial Results

The year 2006 witnessed the Company's rapid and healthy development as demonstrated by an overall improvement in major financial and operational indicators. During the year, the value of new contracts signed amounted to RMB153,936 million, representing a year-on-year increase of 44.1%. Turnover amounted to RMB114,881 million, representing a year-on-year increase of 38.0%. Profit attributable to equity shareholders of the Company for the year amounted to RMB3,199 million, representing a year-on-year increase of 45.7%. Earnings per share amounted to RMB0.29.

This outstanding performance was built on the management team's dedication and innovation and the commitment demonstrated by all employees. Without their diligence, we would not be able to achieve the Company's robust growth in each business segment.

2. Business Development

In 2006, leveraging on its integrated business model, the Company focused on the delivery of the best service to customers, the enhancement of the sales and marketing efforts and the development of core business markets. As a result, our four major business segments, namely Infrastructure Construction, Infrastructure Design, Dredging and Port Machinery Manufacturing, were able to maintain a strong growth momentum.

Infrastructure Construction Business segment has been growing rapidly. Both the value of new contracts and turnover recorded a significant increase over last year, and the construction progress of major projects progressed smoothly. By continuing to enhance and secure our dominant position in port construction and our business edge on large-scale bridge and high-grade road construction projects, we were able to maintain the leading position in technology applied in high-end and complex construction work.

Infrastructure Design Business segment enjoyed a stable growth with increase in the business volume generated from comprehensive contracts.

Dredging Business segment achieved considerable growth in productivity. By speeding up and increasing investment in the renovation of dredging vessel equipment, our leading position in domestic dredging business in the PRC was further solidified.

Port Machinery Manufacturing Business segment continued its dominant position in the international market, with the value of contracts and turnover both hitting a record high. In addition, we successfully explored the global markets in steel structure for bridge construction, heavy marine machinery, bulk material-handling machinery in ports and heavy specialised equipment for construction.

While consolidating its leading position in existing business, the Company also made breakthroughs in new business. This included a major progress in exploring railway market as an initiative to extend our core businesses. We won the mandates to construct several railway infrastructure projects with a total length of 292 kilometres in 2006. Our design subsidiaries also successfully tapped into the railway design market, and secured the design work for several railway infrastructure construction projects.

3. Improvement of Management

In 2006, the Company, as a newly incorporated company through reorganisation in preparation of its initial public offering, focused on improving operation management and streamlining fundamental management functions so as to adapt its management to the needs of business development. Since the incorporation of the Company, various new operating rules have been developed and modifications to existing internal rules have also been made. We had remarkable result in areas such as strengthening business management and regulating subsidiaries' tendering activities. The Company also enhanced contract management and put in place an effective system to control legal risks. Budget management was fully implemented for improving cost control. The Company took the initiative to conduct quality programmes as a key measurement to raise the performance of quality management.

Abiding by the philosophy of "Safety First, Prevention First, and Comprehensive Management", the Company emphasises on the safety of employees as well as on fulfilling its corporate social responsibility for environmental protection. The safety management was enhanced by establishing and implementing a production safety system. No material accidents on production safety, vessels and environmental pollution occurred during 2006.



Chairman's Statement (Continued)

4. Outlook

China's economy will continue to grow at a fast pace. In order to meet the needs of economic growth, development of transportation was given high priority under the Eleventh Five-Year Plan of Chinese government, leading to substantial investment in the industry. The port and channel construction markets are very promising, which represent development of five groups of ports in the Bohai Rim, the Yangtze River Delta, the coastal area in the south-eastern China, the Pearl River Delta and the coastal area in the south-western China, and coastal large-scale specialised ports for coal, oil, ore and container as well as deepwater navigation channels. Another growth area is the construction of harbour industrial zone, land reclamation, dredging and reclamation works. The momentum of investment in road and bridge construction is sustainable and the construction of a number of major bridge projects is expected to commence. While a new round of railway construction is emerging, the market in underground railway and intercity railway is expected to develop at a faster pace. All these provide promising opportunities for the Company to capitalise on the booming transportation market in China.

From a global perspective, international contracting market for construction projects will flourish along with the continuous growth in global economy. Supported by the State's strategic guidelines and policies on overseas expansion, the Company will benefit from new opportunities arising in overseas markets.

In 2007, the Company will continue to take advantage of the opportunities to speed up its growth. As a listed company, the Company is committed to maximising its corporate value to return shareholders with superior value from outstanding results. Capturing the opportunities arising from rapid development of transportation infrastructure in China, the Company will align its business strategies, focus on development of core businesses and leverage on synergy generated by different business segments. In addition to consolidating market share of existing business, the Company will explore related new markets and develop overseas markets, with a view to expanding its scale of operation for better profitability. The Company is well positioned to enhance its leading position in the market.

The Company expects to improve its profitability of transportation infrastructure construction business through innovative business model. Capitalising on its access to financing and inter-segment synergy, the Company will proactively invest in and construct transportation infrastructure projects in the coming 5 years or longer period of time, so as to drive the profitability of its core businesses. For the dredging business, The Company will further increase the productivity of the vessel fleet to improve its profitability. As to the manufacturing business, profitability is expected to be enhanced by product upgrades and by research and development of new products. The Company aims at innovation-based improvements in the profit margin throughout all business segments, enabling it to generate higher overall profitability for better return to shareholders and superior shareholder value.

In 2007, the Company will strengthen its corporate management and launch a programme of "Year of Efficient Management" to promote management efficiency. Effective measures such as stringent budget management, project management and centralised procurement of materials will be put into place to lower cost, raise profit margin and improve the overall profitability. Moreover, the Company's increased efforts in fulfilling social responsibility on production safety, product quality, environmental protection and energy saving will further sustain its rapid and healthy development.

With corporate missions of "Trustworthy service to clients, High quality returns to shareholders and Consistent out-performance" and corporate philosophies of "Harmony, Dedication and Innovation", the Company strives to develop itself as one of the global leading transportation infrastructure giants.

My colleagues and I strongly believe that there is a starting point but no end point on our way for development. We quest for a better performance without limit. The only way to reward shareholders for their support is to achieve a better result by hard work and relentless efforts, which is also the ever-lasting foundation for the Company.

Lastly, I would like to take this opportunity to express my heartfelt gratitude to all shareholders and the general public who gave their support to the Company's development, and to all diligent employees who made dedicated contribution to the Company throughout the year.



Zhou Jichang
Chairman

14 April 2007