

SUMMARY

OVERVIEW

We are a large industrial group operating in various specialized fields, across different industries and in many countries, with engineering and construction, resources development, equipment manufacturing and property development as our principal businesses. We have core competency in innovation and industrialization of technology and strong construction capabilities in metallurgical engineering.

We are one of the largest engineering and construction companies in the world. We are a Fortune Global 500 company in terms of 2008 revenues. In 2008, we ranked 32nd among the Top 500 Chinese Enterprises in terms of 2007 revenues according to the China Enterprise Confederation and China Enterprise Directors Association. In the same year, we also ranked 12th among the Top 225 Global Contractors in terms of 2007 revenues from engineering and construction business according to the ENR.

We have the longest operating history of any metallurgical engineering and construction contractor in China. We also have the strongest capabilities in design and construction among metallurgical engineering and construction contractors in China. As a leading company in the area of construction for the metallurgical industry in China, we have participated in the planning, design or construction of the primary production facilities for substantially all of the medium- and large-scale iron and steel enterprises in China, including Baosteel, Anbensteel and Wusteel. In addition, we are a leading company in the field of non-ferrous metallurgical engineering in China. We own one of the largest non-ferrous metallurgical design institutions in China, China Enfi Engineering Co., Ltd., and have provided planning, design, construction and other services for many medium- and large-scale non-ferrous metal resources enterprises in China. Furthermore, through our years of construction experience in metallurgical engineering, we have established our core technologies related to all aspects of metallurgical engineering and have developed strong design and construction capabilities, which have enabled us to engage also in building construction, transportation infrastructure and other non-metallurgical engineering and construction operations.

While we continued to strengthen and further develop our traditional business in engineering and construction, we have actively expanded our business scope by leveraging our advantages in technology, capital resources and scale. To date, we have successfully established other operations, including in resources development, equipment manufacturing and property development, forming several interrelated and complementary business segments with significant operational synergies. In particular:

- We are one of the main Chinese enterprises engaging in resources development overseas. We hold mining interests in various resources development projects designed to develop iron ore, copper, nickel and other metallic mineral resources. We have developed the capabilities to smelt and process zinc, lead and copper. In addition, we also engage in the production of polysilicon.
- We are a large-scale manufacturer of metallurgical equipment in China. We have the capabilities to produce proprietary core metallurgical equipment and perform equipment integration. In addition to supplying products and services to meet the needs of our engineering and construction business, we also provide relevant equipment, components and parts directly for major medium- and large-scale iron and steel enterprises in China, including Baosteel and Anbensteel. Furthermore, we are the largest manufacturer of steel structures in China in terms of total tonnage of output in 2008, according to the China Steel Construction Society. We hold a leadership position in China in the research, design, manufacture and installation of steel structures, and many of our manufacturing and installation technologies have achieved international standards.
- We are one of the central state-owned enterprises approved by the SASAC to engage in property development as a principal business. In the various cities in which we operate our property

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development business, including Beijing, Shanghai, Tianjin, Chongqing and Nanjing, our property development brand “MCC Real Estate” (「中冶置業」) has established a good reputation and a high level of recognition.

As a large multinational enterprise, we have been actively expanding our business overseas since the early 1980s. In particular, after China’s accession to the WTO, we have accelerated our overseas expansion in the engineering and construction and resources development businesses in many countries and territories around the world.

Our businesses consist principally of four business segments as follows:

- *Engineering and construction*, which involves the provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects;
- *Resources development*, which comprises the development, mining and processing of mineral resources and the production of polysilicon;
- *Equipment manufacturing*, which primarily consists of the development and production of metallurgical equipment, steel structures and other metal products; and
- *Property development*, which comprises the development and sale of residential and commercial properties and primary land development.

The following table shows the revenue of each of our four principal business segments and its percentage of our total revenue before inter-segment elimination for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	Revenue (RMB million)	% of Total (%)	Revenue (RMB million)	% of Total (%)	Revenue (RMB million)	% of Total (%)	Revenue (RMB million) (unaudited)	% of Total (%)	Revenue (RMB million)	% of Total (%)
Segment revenue										
Engineering and construction	75,186	81.7	97,856	77.7	128,041	80.1	59,894	79.8	65,475	86.4
Resources development	9,114	9.9	13,338	10.6	9,538	6.0	5,406	7.2	3,061	4.0
Equipment manufacturing . . .	5,374	5.8	8,531	6.8	15,649	9.8	7,584	10.1	4,375	5.8
Property development	731	0.8	3,888	3.1	4,199	2.6	1,057	1.4	1,831	2.4
Others	1,659	1.8	2,317	1.8	2,400	1.5	1,123	1.5	1,083	1.4
Subtotal	92,064	100.0	125,930	100.0	159,827	100.0	75,064	100.0	75,825	100.0
Inter-segment elimination	(358)		(874)		(1,928)		(950)		(959)	
Total revenue	91,706		125,056		157,899		74,114		74,866	

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The following table shows the segment result of each of our four principal business segments and its percentage of our total operating profit before inter-segment elimination and unallocated costs for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	Segment Result (RMB million)	% of Total (%)	Segment Result (RMB million)	% of Total (%)	Segment Result (RMB million)	% of Total (%)	Segment Result (RMB million) (unaudited)	% of Total (%)	Segment Result (RMB million)	% of Total (%)
Segment results										
Engineering and construction	3,573	79.1	6,426	75.9	5,511	83.5	3,159	77.7	3,398	80.4
Resources development	151	3.3	674	8.0	240	3.6	424	10.4	236	5.6
Equipment manufacturing . .	716	15.9	817	9.6	562	8.5	394	9.7	267	6.3
Property development	48	1.1	471	5.6	271	4.1	78	1.9	227	5.4
Others	29	0.6	80	0.9	17	0.3	10	0.2	100	2.4
Subtotal	4,517	100.0	8,468	100.0	6,601	100.0	4,065	100.0	4,228	100.0
Inter-segment elimination	—		—		(116)		(54)		(36)	
Unallocated costs . .	(107)		(113)		(125)		(53)		(31)	
Total operating profit	4,410		8,355		6,360		3,958		4,161	

Engineering and Construction

Engineering and construction is our traditional and core business. It currently represents the largest proportion of revenue among our business segments.

We are the largest metallurgical engineering and construction contractor in the world in terms of 2007 revenues according to the ENR. We own three geological survey institutes, nine metallurgical engineering design institutes and 13 metallurgical engineering construction enterprises. We have industry leading surveying, consulting, design and construction capabilities in metallurgical engineering in China. We are able to provide comprehensive services covering the full life-cycle of iron and steel enterprises, including surveying, consulting, design, construction, technology upgrades and maintenance services.

In addition to metallurgical projects, we also engage in the provision of engineering and construction services for building construction, transportation infrastructure and other projects involving various industries, including the mining, environmental protection, power, chemicals, light and electronics industries. We provide a wide range of engineering and construction services, including research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services.

We enter into engineering and construction contracts primarily in the form of EPC. We also use various other contracting models, including engineering-procurement, engineering-construction, procurement-construction and project management contracts. Furthermore, we have leveraged, and will continue to leverage, our capital management capabilities established in our engineering and construction business to undertake projects in the form of BT, BOT and other operating models in order to enhance our operational efficiency and business performance.

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While reinforcing and developing our domestic business, we have also been actively expanding our business overseas. According to the MOFCOM, we are one of China’s largest contractors for overseas engineering and construction projects, ranking 14th and 21st in 2008 in terms of new contract value and revenue from completed projects, respectively, from overseas engineering and construction operations. We have provided engineering and construction services in many foreign countries and territories, including India, Japan, Brazil, South Africa, Australia, Singapore and Canada.

As of June 30, 2009, the projects that we had undertaken or in which we had participated had won us 42 Luban Awards, 34 National High Quality Project Awards, two China Civil Engineering Zhan Tianyou Awards, 110 National Outstanding Engineering Design Awards, 20 National Outstanding Engineering Surveying Awards and 34 National Science and Technology Advancement Awards. During the period from 2006 to 2008, we had won 196 Provincial Science and Technology Advancement Awards, had been recognized for the development of 18 National Construction Methods and 88 Provincial Construction Methods, and had compiled or participated in the compilation of 327 national technology standards.

For the year ended December 31, 2008, segment revenue and segment result of our engineering and construction business were RMB128,041 million and RMB5,511 million, respectively, representing 80.1% of our total revenue before inter-segment elimination and 83.5% of our total operating profit before inter-segment elimination and unallocated costs, respectively. For the six months ended June 30, 2009, segment revenue and segment result of our engineering and construction business were RMB65,475 million and RMB3,398 million, respectively, representing 86.4% of our total revenue before inter-segment elimination and 80.4% of our total operating profit before inter-segment elimination and unallocated costs, respectively.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, the backlog of our engineering and construction business amounted to RMB82,923 million, RMB148,222 million, RMB170,060 million and RMB180,188 million, respectively. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the aggregate value of new contracts entered into for our engineering and construction business was RMB97,518 million, RMB181,898 million, RMB172,348 million and RMB79,736 million, respectively.

Resources Development

Our resources development business comprises the development, mining and processing of mineral resources and the production of polysilicon. Our business is focused on metallic mineral products, resources that are scarce in China and resources development overseas.

We are one of the main Chinese enterprises engaging in resources development overseas. Leveraging the PRC Government’s “Going Global” strategy which encourages large Chinese enterprises to expand overseas, we have invested in mining and processing operations of metallic resources in a number of countries and territories, including Afghanistan, Pakistan, Papua New Guinea, Australia and Argentina. As of the Latest Practicable Date, we held mining interests in various overseas resources development projects designed to develop such metallic mineral resources as iron ore, copper, nickel, zinc, lead, cobalt and gold.

In addition to overseas operations, we also engage in resources development in China. In Liaoning, Inner Mongolia, Sichuan and Hunan, we engage in the development of iron ore, lead, zinc and vanadium and have developed the capabilities to smelt and process zinc, lead and copper. In addition, we engage in the production of polysilicon.

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We have adopted various investment or operating models for our resources development business. These include directly investing in the exploration and mining rights, acquiring overseas mining companies, and entering into leasing arrangements, either on our own or with our business partners.

For the year ended December 31, 2008, segment revenue and segment result of our resources development business were RMB9,538 million and RMB240 million, respectively, representing 6.0% of our total revenue before inter-segment elimination and 3.6% of our total operating profit before inter-segment elimination and unallocated costs, respectively. For the six months ended June 30, 2009, segment revenue and segment result of our resources development business were RMB3,061 million and RMB236 million, respectively, representing 4.0% of our total revenue before inter-segment elimination and 5.6% of our total operating profit before inter-segment elimination and unallocated costs, respectively.

Equipment Manufacturing

Our equipment manufacturing business primarily consists of the development and production of metallurgical equipment, steel structures and other metal products. The scope of our business includes research and development, design, manufacture, installation, testing and maintenance of such products, as well as certain related services. Our equipment manufacturing business represents an extension of our strengths in processes and technology related to construction in metallurgical engineering. It also demonstrates our ability to commercialize our core technologies.

Through years of experience in metallurgical engineering and construction, we have developed various technologies pertaining to the metallurgical industry, which have enabled us to produce proprietary core metallurgical equipment, including rolling mills, acid cleansing continuous rolling mills, large-scale electric furnaces, large-scale round billet continuous casting machines, equipment for steel strip processing lines and ancillary equipment, and have established strong equipment integration capabilities. We contribute significantly to the development and manufacture of Chinese-made metallurgical equipment. We have a broad customer base for our equipment manufacturing business. In addition to supplying products and services to meet the needs of our engineering and construction business, we also provide equipment, components and parts directly to major medium- and large-scale iron and steel enterprises in China, including Baosteel and Anbensteel, as well as to overseas markets, including Japan and Germany.

We hold a leadership position in China in research, design, manufacture and installation of steel structures and are the largest manufacturer of steel structures in China. In 2008, we produced approximately 2 million tons of steel structures, accounting for approximately 10% of the total output in China according to the China Steel Construction Society.

For the year ended December 31, 2008, segment revenue and segment result of our equipment manufacturing business were RMB15,649 million and RMB562 million, respectively, representing 9.8% of our total revenue before inter-segment elimination and 8.5% of our total operating profit before inter-segment elimination and unallocated costs, respectively. For the six months ended June 30, 2009, segment revenue and segment result of our equipment manufacturing business were RMB4,375 million and RMB267 million, respectively, representing 5.8% of our total revenue before inter-segment elimination and 6.3% of our total operating profit before inter-segment elimination and unallocated costs, respectively.

Property Development

Our property development business comprises the development and sale of residential and commercial properties and primary land development. Our development of this business segment reflects our establishment of

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an extensive industry chain in construction and our strong capital management capabilities. By leveraging our strong technological capabilities in engineering and construction and our diverse business segments with significant potential synergies, we have recently developed an "urban development" business model for our property development business. Under such model, we utilize our property development business platform (such as MCC Real Estate Co., Ltd.) to establish strategic cooperation with various local governments in the PRC, thereby enhancing our opportunities to engage in the comprehensive urban development business, including planning, demolition and relocation, land preparation, infrastructure construction and public utilities works. In addition to primary land development, we also participate in a series of property development and construction projects, including development of social welfare housing, commodity residential properties and commercial properties as part of our urban development business.

As of the Latest Practicable Date, we had projects located in various cities, including Beijing, Shanghai, Tianjin, Chongqing and Nanjing. Our property development brand "MCC Real Estate" has established a good reputation and a high level of recognition in these cities.

Our residential properties include primarily commodity residential properties and social welfare housing. In January 2008, we entered into the Agreement on Cooperation in Low-Rent Housing Business with China Development Bank, under which we are entitled to obtain a line of credit of not less than RMB10 billion per year, subject to certain financing conditions, to engage in the development and construction of urban low-rent housing projects and relevant ancillary facilities. In addition, in January 2009, we entered into the Agreement on Credit Cooperation for Social Welfare Housing with four large-scale domestic banks, under which Agricultural Bank of China has undertaken to provide us with a line of credit of not less than RMB10 billion per year and Bank of China, China Construction Bank and Bank of Communications have undertaken to provide us with lines of credit of up to RMB25 billion in aggregate, subject in each case to certain financing conditions, to support our development of social welfare housing.

As of June 30, 2009, we had 44 projects under development or held for future development, which had a total site area of approximately 3.2 million sq.m.

For the year ended December 31, 2008, segment revenue and segment result of our property development business were RMB4,199 million and RMB271 million, respectively, representing 2.6% of our total revenue before inter-segment elimination and 4.1% of our total operating profit before inter-segment elimination and unallocated costs, respectively. For the six months ended June 30, 2009, segment revenue and segment result of our property development business were RMB1,831 million and RMB227 million, respectively, representing 2.4% of our total revenue before inter-segment elimination and 5.4% of our total operating profit before inter-segment elimination and unallocated costs, respectively.

The businesses described above are centered around our strengths in core technologies in metallurgical engineering and construction. We have built on our core capabilities in design and construction and expanded steadily into other businesses to create synergies, enhance our core competitiveness, and improve our position to manage regulatory, economic and industry risks.

In addition to the four principal businesses described above, namely engineering and construction, resources development, equipment manufacturing and property development, we also engage in certain other businesses, including primarily import and export and consulting services.

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COMPETITIVE STRENGTHS

We believe our principal competitive strengths include the following:

- We are one of the largest engineering and construction companies in the world. We are the metallurgical engineering and construction contractor with the largest market share, the longest specialized operating history and the strongest capabilities in design in China. We are a leading company in the area of construction for the iron and steel and non-ferrous metallurgical industries in China. In addition, we are China’s largest contractor for overseas metallurgical projects. We are competitive and have significant potential for growth in engineering and construction globally.
- By leveraging our experience and strong technological capabilities in metallurgical engineering and construction, we have actively expanded our non-metallurgical engineering and construction operations. The broad scope of our engineering and construction business segment has helped enhance our ability to manage risks relating to our engineering and construction operations.
- Our achievement in research and development in environmental protection, energy conservation and emissions reduction, among other areas, can help us maintain our industry leading position, capture emerging business opportunities and enhance our ability to grow sustainably.
- By cross-utilizing our interrelated core technologies, we have extended our business steadily from engineering and construction to certain related areas. We have established several interrelated, complementary business segments that have economies of scale and significant operational synergies.
- We own various mining interests in a range of resources development projects in and outside of China designed to develop metallic mineral resources and have an extensive industry chain in developing and processing mineral resources. Leveraging our strength in technology, the PRC Government’s “Going Global” strategy and our market development capabilities, we have established a competitive advantage in obtaining and developing large-scale, high-quality mineral resources in and outside of China.
- We possess strong capabilities to rapidly commercialize our core technologies and have significant growth potential for our equipment manufacturing business. In addition, we hold a leadership position in China in the research, design, manufacture and installation of steel structures.
- We are a leader in technology research and development in China, particularly for specialized technology relating to our businesses.
- We have significant business experience in China and overseas. We have maintained long-term business relationships with our major customers as well as good communications with both the PRC Government and foreign governments.
- We have a corporate culture of pursuing excellence and have established the “MCC” brand as a widely recognized brand in the engineering and construction industry worldwide. In addition, we have experienced corporate management and have a distinguished team of industry experts and technical staff.

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BUSINESS STRATEGIES

Our key business strategies are as follows:

- Seize the opportunities in China’s metallurgical industry and strengthen and enhance our leadership position in metallurgical engineering and construction.
- Increase the proportional contribution of our non-metallurgical engineering and construction operations in order to take further advantage of the rapid growth of the infrastructure construction market in China.
- Develop various types of contracting models of engineering and construction services while controlling risks in a disciplined manner, and strengthen our capability to provide one-stop services.
- Continue to promote our capabilities in technological innovation and leverage our overall strength in rapid commercialization of technology in order to further enhance our core competitiveness.
- Continue to grow and capitalize on our strategically complementary businesses and enhance our risk management capabilities.
- Focus on metallic mineral products, resources that are scarce in China and resources development overseas in order to strengthen our resources development capabilities both overseas and in China and expand the scale of our resources development business.
- Further refine and implement the “urban development” business model for our property development business.
- Accelerate our overseas expansion and continue to selectively explore new overseas opportunities in order to sustain the further development of our overseas markets.
- Enhance our management and operating efficiency, lower costs, and improve our capital management capability and our profitability.
- Continue to develop our corporate culture, attract talent, and fully implement our international brand strategy to further increase the brand recognition of “MCC.”

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Selected Historical Consolidated Financial Information

The following tables present our selected historical consolidated financial information for the periods indicated. The selected summary consolidated income statement and cash flow information and segment financial information for the years ended December 31, 2006, 2007 and 2008 and the six month ended June 30, 2008 and 2009 and the selected summary consolidated balance sheet information as of December 31, 2006, 2007 and 2008 and June 30, 2009 are derived from and should be read in conjunction with the consolidated financial information set forth in the Accountant’s Report included as Appendix I to this document. Such consolidated financial information has been prepared in accordance with IFRS.

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	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Selected consolidated income statement information										
Revenue	91,706	100.0	125,056	100.0	157,899	100.0	74,114	100.0	74,866	100.0
Cost of sales	(82,103)	(89.5)	(112,085)	(89.6)	(145,595)	(92.2)	(67,153)	(90.6)	(67,847)	(90.6)
Gross profit	9,603	10.5	12,971	10.4	12,304	7.8	6,961	9.4	7,019	9.4
Selling and marketing expenses	(530)	(0.6)	(709)	(0.6)	(928)	(0.6)	(365)	(0.5)	(385)	(0.5)
Administrative expenses	(5,072)	(5.5)	(5,786)	(4.6)	(6,559)	(4.2)	(3,080)	(4.2)	(2,984)	(4.0)
Other income	347	0.4	587	0.5	1,064	0.7	327	0.4	490	0.7
Other gains — net	126	0.1	1,390	1.1	564	0.4	132	0.2	71	0.1
Other expenses	(64)	(0.1)	(98)	(0.1)	(85)	(0.1)	(17)	(0.0)	(50)	(0.1)
Operating profit	4,410	4.8	8,355	6.7	6,360	4.0	3,958	5.3	4,161	5.6
Finance income	452	0.5	382	0.3	548	0.3	236	0.3	229	0.3
Finance costs	(1,030)	(1.1)	(1,317)	(1.1)	(3,005)	(1.9)	(1,261)	(1.7)	(1,173)	(1.6)
Share of profits of associates	26	0.0	70	0.1	120	0.1	52	0.1	40	0.1
Profit before income tax	3,858	4.2	7,490	6.0	4,023	2.5	2,985	4.0	3,257	4.4
Income tax expense	(651)	(0.7)	(1,698)	(1.4)	(840)	(0.5)	(605)	(0.8)	(684)	(0.9)
Profit for the year/period	3,207	3.5	5,792	4.6	3,183	2.0	2,380	3.2	2,573	3.4
Attributable to:										
Equity holders of the Company	1,920	2.1	3,855	3.1	3,200	2.0	2,056	2.8	2,137	2.9
Non-controlling interests	1,287	1.4	1,937	1.5	(17)	(0.0)	324	0.4	436	0.6

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			

Selected consolidated balance sheet information

Assets

Non-current assets	19,657	31,813	39,975	45,270
Current assets	70,986	108,910	130,549	139,413

Total assets	90,643	140,723	170,524	184,683
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Equity and liabilities

Total equity	2,254	6,475	7,655	8,505
Equity attributable to equity holders of the Company	(1,754)	2,598	2,014	2,449
Non-controlling interests	4,008	3,877	5,641	6,056
Non-current liabilities	13,705	15,002	26,262	37,838
Current liabilities	74,684	119,246	136,607	138,340

Total equity and liabilities	90,643	140,723	170,524	184,683
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	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2006	2007	2008	2008	2009
	(RMB million) (unaudited)				
Selected consolidated cash flow information					
Cash and cash equivalents at beginning of year/period	13,007	18,517	24,281	24,281	26,094
<i>Net cash generated from/(used in) operating activities</i>	3,224	6,842	5,596	(3,174)	(2,237)
<i>Net cash used in investing activities</i>	(5,043)	(16,005)	(17,014)	(5,255)	(8,866)
<i>Net cash generated from financing activities</i>	7,336	15,049	13,549	8,563	12,001
Net increase in cash and cash equivalents	5,517	5,886	2,131	134	898
Exchange losses on cash and cash equivalents	(7)	(122)	(318)	(137)	(46)
Cash and cash equivalents at end of year/period	18,517	24,281	26,094	24,278	26,946

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	Revenue (RMB million)	% of Total (%)	Revenue (RMB million)	% of Total (%)	Revenue (RMB million)	% of Total (%)	Revenue (RMB million) (unaudited)	% of Total (%)	Revenue (RMB million)	% of Total (%)
Segment financial information										
Segment revenue										
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Resources development	9,114	9.9	13,338	10.6	9,538	6.0	5,406	7.2	3,061	4.0
Equipment manufacturing	5,374	5.8	8,531	6.8	15,649	9.8	7,584	10.1	4,375	5.8
Property development	731	0.8	3,888	3.1	4,199	2.6	1,057	1.4	1,831	2.4
Others	1,659	1.8	2,317	1.8	2,400	1.5	1,123	1.5	1,083	1.4
Subtotal	92,064	100.0	125,930	100.0	159,827	100.0	75,064	100.0	75,825	100.0
Inter-segment elimination	(358)		(874)		(1,928)		(950)		(959)	
Total revenue	91,706		125,056		157,899		74,114		74,866	

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Property development	48	1.1	471	5.6	271	4.1	78	1.9	227	5.4
Others	29	0.6	80	0.9	17	0.3	10	0.2	100	2.4
Subtotal	4,517	100.0	8,468	100.0	6,601	100.0	4,065	100.0	4,228	100.0
Inter-segment elimination	—		—		(116)		(54)		(36)	
Unallocated costs	(107)		(113)		(125)		(53)		(31)	
Total operating profit	4,410		8,355		6,360		3,958		4,161	

PROFIT FORECAST

Forecast consolidated profit attributable to equity holders of our Company⁽¹⁾ [●]

(1) The above profit forecast has been prepared on the bases and assumptions set forth in “Appendix III — Profit Forecast.”

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PRE-ESTABLISHMENT DISTRIBUTION AND SPECIAL DIVIDEND

In accordance with the Provisional Regulations Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment (《企業公司制改建有關國有資本管理與財務處理的暫行規定》) (the “Provisional Regulations”) issued by the MOF, which became effective on August 27, 2002, the Reorganization Agreement entered into between the Parent and our Company and the resolution of our shareholders’ meeting as mentioned above, we are required to make a distribution to the Parent (the “Pre-establishment Distribution”), our controlling shareholder, in an amount equal to the net profit attributable to shareholders for the period from December 31, 2007 to December 1, 2008, the date on which our Company was incorporated.

In addition, pursuant to the resolution of the shareholders’ meeting as mentioned above, our shareholders, the Parent and Baosteel, have resolved to make a special distribution to themselves in an amount equal to the net profit of our Company for the period from December 2, 2008, the date immediately after the date on which our Company was incorporated, to June 30, 2009 (the “Special Dividend”). The net profit of our Company for the Pre-establishment Distribution and the Special Dividend in aggregate has been determined based on the audited accounts prepared in accordance with PRC GAAP for the year ended December 31, 2008 and the six months ended June 30, 2009, after giving effect to relevant necessary adjustments. The Pre-establishment Distribution to be paid to the Parent amounts to approximately RMB3,121 million and the amounts of the Special Dividend to be paid to the Parent and Baosteel are approximately RMB2,110 million and RMB21 million, respectively.

The Pre-establishment Distribution is required to be paid to the Parent under regulations issued by the MOF. We decided to distribute the Special Dividend based on our commercial discretion.

Risks Relating to Our Business and the Industries in Which We Operate

- The current global financial crisis and economic downturn may have a material and adverse effect on our business, results of operations and financial condition.
- Our business is vulnerable to downturns in the industries in which we operate or which we serve.
- Our business and financial performance may be adversely affected by changes in PRC Government policies on the iron and steel industry.
- Our major capital expenditure projects may not be completed as planned, may go beyond our original budgets or schedules, or may not achieve our anticipated economic results or commercial viability.
- Our business and operations require significant capital resources on an ongoing basis. Any failure to obtain sufficient funding may materially and adversely affect our business, financial performance and growth prospects.
- Our significant levels of indebtedness, interest payment obligations and net current liability position could limit our ability to fund our business operations and expansion.
- Failure to accurately estimate the overall risks or costs of our contracts will lead to cost overruns, lower profitability or even losses on such contracts.
- We face risks associated with undertaking BT, BOT and other similar projects.
- Our backlog is subject to unexpected adjustments and cancellations and may, therefore, not be indicative of our future operating results.

SUMMARY

- We may experience delays or defaults in accounts receivable, progress payments or releases of performance bonds or retention funds by our customers.
- Our businesses involve inherent risks and occupational hazards, which could harm our reputation, subject us to liability claims and cause us to incur substantial costs.
- Disputes with our joint venture and other business partners may adversely affect our business.
- We are subject to litigation risks.
- Our operations depend on the availability of an adequate supply of raw materials, including steel in particular, and energy and water supplies at acceptable prices and quality and in a timely manner.
- Measured, indicated and inferred resources may not all turn into mineral reserves, and we may not be able to achieve our production estimates.
- We have invested and will continue to invest a significant amount of capital and other resources in our mining business, which is subject to operational difficulties and other risks.
- The operations and future growth of our equipment manufacturing business may be impaired if we experience capacity constraints or if we fail to develop or offer products that meet the evolving needs of our customers.
- We are subject to risks associated with property development operations.
- We may not be able to obtain sites that are suitable for property development at commercially suitable prices or at all.
- Our property development business is subject to extensive PRC Government regulations.
- Changes in government tax policy may adversely affect our business and financial results.
- We may encounter unexpected difficulties in expanding our business and operations in various sectors or geographic markets.
- We derive a certain amount of business from international operations that are subject to foreign economic and political uncertainties and security risks.
- We are exposed to risks associated with entering into contracts with PRC and foreign governmental entities and other public organizations, and our performance may be significantly affected by government spending on infrastructure and other projects.
- We are dependent upon subcontractors and other third parties for various services and products in our business.
- Failure to hire and retain management executives, technicians and other qualified personnel could adversely affect our business and prospects.
- Our continued growth depends on our research and development capabilities, which may not always produce positive results.
- We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness.
- Our operations expose us to inclement weather and climatic conditions, acts of God, adverse work environments and acts of terrorism or war.

SUMMARY

- Any acquisitions or strategic investments we undertake could be difficult to integrate or manage or may not be successful and may negatively impact our results of operations and financial condition.
- Some of our operations are less profitable, and we cannot assure you that we will be able to generate higher levels of profit from such operations in the future.
- Intense competition in the markets in which we operate could reduce our market share and profitability.
- Any failure to maintain an effective quality control system for our construction, production and other operational activities could have a material adverse effect on our business and operations.
- We are subject to extensive environmental, safety and health laws and regulations, and our compliance with these laws and regulations may be onerous and costly to us.
- Our operations require certain permits, licenses and certificates, the loss of which could significantly hinder our business and operations, and we are subject to periodic inspections, examinations, inquiries and audits by regulatory authorities.
- We have not obtained valid title certificates for certain properties that we occupy.
- We may have difficulties in monitoring and deploying internal control measures with respect to our business operations in an effective and timely manner because of our large number of operating subsidiaries and their broad range of businesses.
- As a recently reorganized company, we face challenges in integrating our operations and we cannot assure you that our business integration plans will be successfully implemented.
- Failure by the Parent to fulfill its obligations to us in connection with the Reorganization may materially and adversely impact our business and operating results.
- We will be controlled by the Parent, our controlling shareholder, whose interests may differ from those of our other shareholders.
- Our limited operating history as an independent entity could affect our operating efficiency and your ability to evaluate our business and growth prospects.
- As a holding company, we are dependent on our subsidiaries for cash distributions. Any decline in the ability of our operating subsidiaries to pay dividends to us would adversely affect our cash flow.
- Our historical dividends may not be indicative of our future dividend policy.

Risks Relating to the PRC

- Changes in China’s economic, political and social conditions as well as governmental policies could affect our financial condition and results of operations.
- We are exposed to foreign currency fluctuations.
- The PRC Government’s control of foreign currency conversion may limit our foreign exchange transactions, including dividend payment.
- The PRC legal system is continuously evolving and has uncertainties, and the legal protections available to our shareholders may be limited.

SUMMARY

- It may be difficult to enforce any judgments obtained from non-PRC courts against our Company or our Directors, Supervisors or senior executive officers residing in China.
- Foreign individual holders of our shares may become subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are our Shareholders.
- Payment of dividends is subject to restrictions under PRC law.
- There may be an occurrence of a widespread public health problem.