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 businesses, results of operations and financial condition.

The current global financial crisis and economic downturn have adversely affected economies and businesses around the world, including in China. Due to the global economical downturn, a decrease in consumer demand and a slowdown in domestic property investments, the economic situation in China has been challenging since the second half of 2008. This change in the macroeconomic conditions has had and may continue to have an adverse impact on our business and operations. We have experienced pricing pressure on our services and products, which has an adverse effect on our profitability. Specifically,

- during the global crisis, certain of our customers had postponed or were unable to carry out their metallurgical engineering and construction projects as planned since September 2008 and our new contract value from this operation had also been declined in the second half of 2008 as compared to the first half of 2008. If the crisis continues, our clients may be unable to pay amounts owed to us on time or at all in connection with our projects and the new contract value of our engineering and construction business and the revenues of our metallurgical equipment and products may decline further as a result of lower demand of and decreased investments by our domestic and overseas customers;
- the revenues of the iron ore, copper, nickel, zinc, lead, cobalt, gold and other products in our resources development business may decrease as a result of the fluctuation in prices in domestic and international markets;
- the revenues of certain of our property development projects may decrease due to the weakening in domestic consumer confidence; and
- the upstream and downstream enterprises related to our businesses may experience operational difficulties, which could directly or indirectly result in an adverse effect on our business and operations.

If the current economic downturn continues, our businesses, results of operations and financial condition could be materially and adversely affected.

Our business is vulnerable to downturns in the industries in which we operate or which we serve.

Demand for our services and products depends on the general level of activity and growth in the industries in which we operate, including, among others, the engineering and construction, resources development, equipment manufacturing and property development industries, as well as in the industries which we serve, such as the iron and steel, building construction, civil and public services, transportation and other infrastructure-related industries. Factors which may influence the performance and growth of the construction industry include general economic conditions, governmental investment plans, mortgage and interest rates, inflation, demographic trends and consumer confidence. An economic downturn and a downturn in any of the industries we serve in our engineering and construction business and equipment manufacturing business will generally lead to a decrease in the number of new engineering and construction projects available to us as well as delays in or cancellations of our ongoing projects. Economic downturns in China and worldwide will also likely result in decreased demand or lower prices for the mineral products of our resources development business. Since mid-2008, the prices of various metals and ores such as iron, copper, nickel, lead and zinc have significantly decreased due to the deterioration in global economic conditions resulting primarily from the credit crisis and related turmoil in the global financial system.

Moreover, our property development business depends heavily on the performance of the property market in China, particularly, in Beijing, Shanghai, Tianjin, Chongqing, Nanjing and certain other markets where we currently have or will have operations. Demand for private properties in China had generally grown rapidly in the past several years until late 2007 when the property market in China started to experience a significant slowdown. Although the PRC Government has recently implemented a series of economic policies and measures that may stimulate the growth of the property market in China, it is not possible to predict whether such policies and measures will be successful and the property demand in China will continue to grow in the future as many social, political, economic, legal and other factors may materially and adversely affect the development of the property market in China.

Demand for our services and products also depends on the general level of activity and growth in the industries we serve and their downstream industries, if any. These include the iron and steel, non-ferrous metals, civil and public services, transportation, environmental protection, power, chemicals, light and electronics industries. The downturn of any of these industries may lead to a decrease in the number of contracts in our engineering and construction business and equipment manufacturing business. It may also lead to a decrease in demand for and prices of various mineral products we supply, thereby resulting in lower sales volume and profitability for our resources development business. Since the second half of 2008, the adverse conditions in the global economy have negatively impacted the growth of the iron and steel industry in China. The steel prices in the domestic and international markets have decreased, and a large number of Chinese steel producers have accumulated excessive inventories and experienced other significant difficulties in their operations. Some of the steel producers in China have even reduced or limited their production. These factors could significantly limit the scale of the fixed assets investments and construction activities in China's iron and steel industry and other related sectors, which in turn may have a material and adverse effect on our engineering and construction business and equipment manufacturing business.

In addition, the PRC Government has from time to time adjusted its monetary, fiscal and other policies and measures to manage the rate of growth of the economy or control the overheating of the general economy or the overheating and overcapacity in particular industries or markets. As a result, the general economy in China or any particular industry in which we operate, such as the property development industry, or which we serve, such as the iron and steel industry, may grow at a lower-than-expected rate or even experience a downturn. This in turn could materially and adversely affect our business, results of operations and financial condition.

Our business and financial performance may be adversely affected by changes in PRC Government policies on the iron and steel industry.

The PRC Government exerts significant influence on the development of the iron and steel industry in China by implementing industry policies and other economic measures, such as those relating to credit and financing, land use, governmental approval of new projects, environmental protection, technological and capacity requirements of production facilities and foreign investment. These industry policies and economic measures may significantly reduce the level of construction activities and capital investments in the PRC iron and steel industry, which in turn could have a material and adverse effect on our business and financial performance, in particular, with respect to our engineering and construction and equipment manufacturing business segments.

The PRC Government has implemented a series of policies and regulations designed to prevent overcapacity in, and enhance the production efficiency and global competitiveness of, the PRC iron and steel industry. For example, in 2005, the NDRC promulgated the Policy on the Development of the Iron and Steel Industry (《鋼鐵產業發展政策》), which provides, among other things, that in principle, there shall be no increase in the overall production capacities in the PRC iron and steel industry and the amount of new production capacities shall generally be commensurate with the capacities of the obsolete and inefficient production facilities to be phased out.

This policy also requires steel producers to meet higher technological, environmental and energy-efficiency standards for their production facilities through technological improvement or equipment upgrading. In June 2006, ten ministries and commissions under the State Council, including the NDRC, jointly promulgated the Notice on Controlling the Total Production Capacity of, Phasing Out Obsolete Production Facilities in and Accelerating the Structural Adjustment of, the Iron and Steel Industry (《關於鋼鐵工業控制總量、淘汰落后、加快結構調整的通知》), which aims to promote the transformation of China's iron and steel industry from being highly resource consuming into being resource efficient. In early 2009, the State Council approved a plan to overhaul and invigorate China's iron and steel industry, which calls for the implementation of the various measures to increase domestic steel demand and the adoption of export tax policies with appropriate flexibility to maintain a stable market share by China's steel producers in the international market. In addition, the plan requires a stringent control over the addition of new production capacity, the phasing out of obsolete production capacities, and expanded efforts in technological reformation, research and development, and technology importation. Furthermore, in April 2009, the Ministry of Industry and Information Technology issued the Urgent Circular on the Control of Excessive Increase of the Iron and Steel Output (《關於遏制鋼鐵行業產量過快增長的緊急通報》), which provides further guidelines for the iron and steel industry to control the growth of production capacity, especially in respect of obsolete facilities, reduce iron imports and improve the cost structure of iron and steel companies by focusing on implementing effective technologies and corporate management. In response, we have increasingly focused on large-scale and technically advanced iron and steel construction projects and the design and manufacture of advanced iron and steel equipment in our engineering and construction and equipment manufacturing business segments in an effort to address the challenges resulting from, and capture the opportunities presented by, these and other relevant policy initiatives. On the other hand, the transformation of China's iron and steel industry may result in limitations on expansion of production scale, reductions in investments in additional production capacities and uncertainties associated with business reorganizations and consolidations, which could present significant challenges for our business. The PRC Government may from time to time adopt new policies and economic measures to guide the continued growth of and further regulate the industry. These new industry policies and economic measures may have any material and adverse effect on our engineering and construction and equipment manufacturing business segments.

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.

As part of our business growth strategy, we have been undertaking and plan to undertake in the future a number of significant capital expenditure projects. Our major capital expenditure projects generally require a significant amount of capital investment and take years to complete. For example, we plan to invest, in phases, a large amount of capital in the construction of the production and ancillary facilities of the Aynak copper mine in Afghanistan. See "Business — Resources Development — Resources Development Projects — Overseas Resources Development Projects — Aynak Copper Mine, Afghanistan."

Our planned projects could be delayed or otherwise adversely affected by a number of risks or uncertainties, including, among others, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, and local governments and communities, natural disasters, power and other energy supplies, availability of technical or human resources, any adverse changes in the bilateral relationships between China and the relevant foreign governments, and war or other significant adverse developments in international relationships. In addition, before we commence many of our major capital expenditure projects, in particular, mining and other resources development-related projects, we typically conduct extensive feasibility studies, which may require significant capital outlays. However, we cannot assure you that each of such planned projects will ultimately be implemented or generate any profits. Moreover, actual costs for our capital expenditure projects may exceed our original budgets as a result of various reasons such as delays in schedule, increases in funding costs due to volatilities in foreign exchange and interest rates, changes in original design, and increases in materials and other supplies or labor costs. In addition, our major capital expenditure projects may not be able to achieve the anticipated economic results and commercial viability due to a variety of factors, including, for example, adverse changes in market conditions, industry downturns, lower-than-expected grade or yield of mineral reserves in respect of our mining projects, low utilization of capacity in respect of our manufacturing facilities, high construction and production costs, and decreased demand and prices for our products and services. If any of our major capital expenditure projects is not completed as planned, goes beyond our original budgets or schedules, or fails to achieve anticipated economic results or commercial viability, our business, results of operations, financial condition and growth prospects could be materially and adversely affected.

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 operations are generally capital-intensive. We require significant capital resources to fund our operations in each of our business segments. Under most of our construction contracts, we are generally required to use our own cash and other resources to finance the performance of engineering, construction and other work before we receive progress payments from customers in amounts sufficient to cover our expenditures. Significant capital expenditures are also required in relation to our resources development business to enable us to acquire and develop mineral resources, obtain exploration and mining rights and permits, and purchase and maintain mining and processing facilities and equipment both in and outside of China. In addition, we require significant capital to build, maintain and operate production facilities, purchase machinery and equipment, and develop new technologies and products for our equipment manufacturing business. With respect to our property development business, we are required to spend a significant amount of capital resources on the acquisition of land and the construction of properties.

To the extent that our funding requirements exceed our financial resources, we will be required to seek additional debt or equity financing or to defer planned expenditures. In the past, we have funded our capital requirements primarily with cash generated from our operations and through bank and other borrowings. As we further grow our businesses, which would include, among others, engaging in more domestic and overseas construction projects, acquiring and developing additional mining projects both in and outside of China, expanding our equipment manufacturing capabilities and capacity, and expanding our property development operations, we expect our capital requirements to increase significantly in the future. We cannot assure you that cash generated from our operations will be sufficient to fund our development and expansion. If we are unable to obtain financing in a timely manner or at a reasonable cost, our expansion plans may be delayed, our projects may be hindered, and our financial performance and growth prospects may be materially and adversely affected. The availability of external funding is subject to various factors, including governmental approval, market conditions, credit availability, interest rates and the performance of each of the businesses we operate. The PBOC determines the benchmark lending rates for RMB-denominated loans in China. Since September 2008, such benchmark lending rates have been continuously lowered and as of June 2009, the benchmark lending rate for RMB-denominated loans with a one-year term had declined to 5.31%. However, if the PBOC raises the benchmark lending rates in order to control the growth rate of the Chinese economy or for other policy objectives, the cost of our external funding could significantly increase and our fund-raising ability may thus be limited.

Our significant levels of indebtedness, interest payment obligations and net current liability position could limit our ability to fund our business operations and expansion.

We are subject to a high degree of financial leverage. We have relied, and expect to continue to rely, on both short-term and long-term borrowings to fund a significant portion of our capital requirements. As of December 31, 2006, 2007 and 2008 and June 30, 2009, we had total borrowings of approximately RMB24,133 million, RMB40,869 million, RMB57,439 million and RMB73,090 million, respectively, and our ratio of total borrowings to total assets was approximately 26.6%, 29.0%, 33.7% and 39.6%, respectively. In addition, as of December 31, 2006, 2007 and 2008, we had net current liabilities of approximately RMB3,698 million, RMB10,336 million and RMB6,058 million, respectively, in part due to our large amounts of short-term borrowings from commercial banks in China. While we had net current assets of RMB1,073 million as of June 30, 2009, we may incur net current liabilities as of any subsequent balance sheet dates due to our short-term borrowings or other reasons. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our short-term borrowings accounted for 75.6%, 81.8%, 64.0% and 56.1% of our total borrowings, respectively. The significant level of our borrowings and our net current liability position could limit our ability to secure funding for our operations and our future expansion. The decrease in funds available to us could also limit our ability to respond to changing market conditions, increase our vulnerability to adverse economic and industry conditions and place us at a competitive disadvantage compared to those of our competitors that have greater capital resources. Moreover, we may not have sufficient funds to pay off our borrowings upon maturity, and we may not be able to refinance or restructure such borrowings on terms satisfactory to us or at all.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we paid interest in the amount of approximately RMB1,271 million, RMB1,813 million, RMB3,287 million and RMB1,954 million, respectively on our borrowings. Interest payments reduce the amount of funds available for working capital, capital expenditures, acquisitions and other business purposes. Our results of operations may also be materially and adversely affected by increases in interest rates.

In addition, we are often required to provide performance bonds or bank guarantees in favor of clients to secure obligations under contracts. See "Business — Engineering and Construction — Business Process." The availability of performance bonds or bank guarantees depends on various factors, including our capitalization, working capital, borrowing levels, past performance, management expertise and external factors such as the relevant financial institutions' evaluation of our credit, general market conditions and overall financial capacity of the financial institutions, some of which are beyond our control. We may not be able to continue obtaining new performance bonds or bank guarantees in sufficient amounts to meet our business requirements. If our financial condition deteriorates, we may also be required to provide cash collateral or other security to maintain existing performance bonds or bank guarantees. If this occurs, our ability to perform our contracts may be adversely affected.

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 currently generate, and expect to continue to generate, a substantial portion of our revenues from contracts with a pre-agreed price relating to our engineering and construction business and equipment manufacturing business. The terms of these contracts require us to complete a project for a pre-agreed price and therefore expose us to cost overruns. Cost overruns, whether due to inflation, inefficiency, fluctuations in foreign exchange and interest rates, inaccurate estimates or other factors, result in a lower profit or a loss on a project. As a result, we will only realize profits on these contracts if we successfully estimate our project costs and avoid cost overruns. Our cost estimates are subject to a number of assumptions, including those about future economic conditions, the cost and availability of labor and materials, subcontractors' performance, facility utilization rates, and the construction and technical standards to be applied for a subject project. However, these assumptions may prove to be inaccurate. In addition, other variations and risks inherent in the performance of contracts with a pre-agreed price such as delays caused by inclement weather, technical issues and any inability to obtain the requisite permits and approvals, may cause our actual overall risks and costs to substantially differ from our original estimates despite any buffer we may have built into our bids for increases in labor, materials and other costs. Some of our construction contracts contain price adjustment clauses, which allow us to reclaim additional costs incurred as a result of unexpected increases in raw material costs. However, we are typically required to bear a portion of the increased cost. We cannot guarantee that we will not encounter cost overruns or delays in our current and future construction projects. If such cost overruns or delays occur, our costs could exceed our budget or we could be required to pay liquidated damages in accordance with the terms of our contracts with a consequent reduction in, or elimination of, any profits on our contracts.

From time to time, we may need to perform extra or "change order" work in connection with our contracts. This may result in disputes over whether the work performed is beyond the scope of work included in the original project specifications, or over what price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may impact the progress of our projects and our ability to meet specific contract milestone dates. We may also incur costs due to unapproved construction change orders or contract disputes. We cannot assure you that we will be able to recover the cost of the extra or "change order" work in full or at all, which may lead to business disputes, or may otherwise adversely affect our business, financial condition, results of operations and prospects. Moreover, the performance of extra work may cause delays in our other project commitments and may have a negative impact on our ability to meet the specified deadlines of our other projects.

We face risks associated with undertaking BT, BOT and other similar projects.

We have in the past undertaken and expect to continue to undertake a portion of our engineering and construction projects on a BT, BOT or other similar project-type basis. The risks associated with BT projects include, among others, the risk that the customer may delay, or even be unable to make, payment upon completion of the project. Likewise, BOT projects expose us to the risk of an incorrect forecast at the bidding stage concerning the turnover to be derived from operations of the constructed facility and the risk of extended exposure to fluctuating economic conditions. Reduced profitability or losses from BOT projects that do not perform as forecast could have a material and adverse effect on our results of operations. Undertaking BT, BOT and other similar projects also requires significant capital outlays over extended periods which would have an adverse impact on our cash flow. Moreover, BT, BOT and other similar projects have been conducted in China only relatively recently, and we have limited experience in assessing and addressing risks particular to BT, BOT and other similar projects. As a result, we may not be able to properly execute or handle BT, BOT and other similar projects, which could materially and adversely affect our business, financial condition and results of operations.

Our backlog is subject to unexpected adjustments and cancellations and may, therefore, not be indicative of our future operating results.

Backlog data included in this document represents our estimate of the contract value of work that remains to be completed as of a certain date. See "Business — Backlog." Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. The contract value of a project or other transaction represents the amount as at the relevant date we expect to receive assuming our performance is in accordance with the terms of the contract. As of June 30, 2009, the aggregate backlog of our engineering and construction business amounted to approximately RMB180,188 million. We cannot guarantee that the revenue projected in our backlog will be realized or the related contracts will be profitable. Some of our contracts do not require our customers to purchase a minimum amount of services or products and are subject to modification or termination by customers on a short notice. Project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog and could reduce the amount of our backlog and the revenues and profits that we actually earn. In addition, projects may remain in our backlog for an extended period of time. As a result, you should not rely on our backlog information presented in this document as an indicator of our future earnings.

We may experience delays or defaults in accounts receivable, progress payments or releases of performance bonds or retention funds by our customers.

Our construction contracts typically provide for progress payments from customers with reference to the value of work completed at specific milestone dates. Our customers generally pay us an advance equal to 10% to 30% of the total contract value, and once the project reaches a certain stage as specified in the relevant contract, we will be paid the remaining portion of the contract value on a progressive basis. As a result, we may be required to commit cash and other resources to projects prior to receiving additional payments from customers to cover certain expenditures on the projects as they are incurred. In addition, upon the completion of a project, an amount equal of 5% to 10% of the contract price is usually retained by our customers and will generally be released after the guaranteed maintenance period. As of June 30, 2009, the amount of retention funds withheld by our customers was RMB1,121 million. Moreover, we generally obtain our construction contracts through bidding, and in general, after winning a bid, we are usually required by the project owner to provide a performance bond in an amount equal to 5% to 10% of the total contract value. Such fund will be returned to us typically within one month of the issuance of the completion certificate for the relevant project. Due to the foregoing and other factors, we may have a large amount of receivables at any given date. As of June 30, 2009, we had total trade and other receivables of RMB62,430 million. Delays in accounts receivable, progress payments or release of such performance bond or retention funds from our customers may increase our working capital needs. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes significant time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts, including those arising from accounts receivable, progress payments or releases of performance bonds and retention funds, based primarily on ageing and other factors such as special circumstances relating to specific customers. There can be no assurance that the accounts receivable, progress payments, performance bonds and retention funds will be remitted by our customers to us on a timely basis or at all or that we will be able to efficiently manage the level of bad debts arising from such payment practice.

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.

Our businesses, in particular, our engineering and construction, resources development and equipment manufacturing businesses, involve inherent risks and occupational hazards. Due to the nature of our businesses, we engage or may engage in certain inherently risky and hazardous activities, including, among others, operations at height or on dangerous terrains, underground excavation and construction, use of heavy machinery, mining, and handling of flammable and explosive materials, and we are therefore subject to risks associated with these activities, including geological catastrophes, toxic gas and liquid leakages, equipment failures, industrial accidents, fire, explosions and underground water leakages. These risks and hazards have in some cases resulted in personal injury and loss of life, damage to or destruction of properties or production facilities, and pollution and other environmental damage. Any of these consequences, to the extent they are significant, could result in business interruption, possible legal liability and damage to our business reputation and corporate image. In addition, we may also be subject to claims resulting from the subsequent use by our customers or other third parties of the facilities and products we have constructed or produced.

We normally seek to lower our exposure to the potential claims associated with our businesses through contractual limitations of liability, indemnities from our customers, subcontractors and suppliers, and insurance. These measures, however, may not always be effective due to various factors, many of which may be outside of our control. These factors include, among others:

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

Insurance policies, in particular, have become increasingly expensive and are sometimes difficult to obtain from the market. Moreover, there may be circumstances where we are not fully covered or compensated under insurance policies for environmental liability, business interruption, loss of profit, or other liabilities or losses arising from disruptions of operations, industrial accidents, demonstrations or other activities by our employees or third parties. Failure to effectively cover ourselves against risks relating to our operations for any of the above reasons or otherwise could expose us to substantial costs and potentially lead to material losses. In addition, the occurrence of any of these risks may harm our reputation, which could inhibit our ability to win more projects or other contracts or otherwise grow our businesses.

Disputes with our joint venture and other business partners may adversely affect our business.

In the course of our business, we have in the past formed, and will in the future continue to form, joint ventures, consortiums or other cooperative relationships with other parties, including in some cases foreign governmental entities, to jointly engage in certain business activities, which include, among others, undertaking construction projects, operating mining and other resources development facilities, and developing residential and commercial properties. For example, from time to time, we tender for significant overseas construction projects and invest in resources development projects, such as the Sierra Grande iron ore mine in Argentina, jointly with other parties. We may bear joint and several liabilities to the project owners or other parties with other consortium members or joint venture or business partners under the relevant consortium, joint venture or other agreements, and as a result, we may incur damages and other liabilities for any defective work or other breaches by other consortium members or joint venture or business partners. Our joint venture and other business partners may:

- have economic or business interests or goals that are inconsistent with ours;

- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements or other cooperative arrangements, including their obligation to make the required capital contribution; or
- have financial difficulties.

A serious dispute with our joint venture or other business partners may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. Such dispute may also give rise to litigation or other legal proceedings, which will divert our management attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations. In the event that we encounter any of the foregoing problems, our business, results of operations and financial condition may be materially and adversely affected.

We are subject to litigation risks.

In the ordinary course of business, claims involving project owners, customers, suppliers and subcontractors are brought against us and by us in connection with our contracts. Claims may be brought against us for back charges for alleged defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, delayed payments to our suppliers or subcontractors, or late completion of projects or other contracts. The claims and back charges may involve actual damages and contractually agreed upon liquidated sums. If we were found to be liable on any of the claims, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of project delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from project or other claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects for future contract awards.

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.

Our successful operations depend on our ability to obtain in a timely manner from suppliers sufficient quantities of raw materials, auxiliary materials, energy and water supplies and other commodities at acceptable prices and quality. We are exposed to the market risk of price fluctuations for certain raw materials and other commodities, such as steel, timber, cement, sand, explosives, waterproofing materials, geotechnical materials, additives and other materials used in our engineering and construction business, resources development business and property development business and steel used in our equipment manufacturing business. The prices and availability of such materials may vary significantly from period to period due to factors such as consumer demand, producer capacity, market conditions and costs of materials. In particular, steel and cement, which are critical to our operations, are subject to substantial pricing cyclicality and periodic shortages in China. Furthermore, if we are not able to pay our raw material suppliers according to the payment schedules in our raw material supply contracts, our relationships with these suppliers could be materially and adversely affected, which may in turn result in a negative impact on our business operations. Increases in energy prices, including oil fuel and electricity prices, or water prices may also adversely affect our businesses, in particular our resources development business and equipment manufacturing business. In addition, any unavailability of or interruption in electricity, oil fuel or water supply could materially and adversely affect the production or other operations of our resources development business and other businesses.

We typically do not have long-term contracts or guarantees of supply for our raw material requirements, and the supply of energy and water required for our operations to a large extent depends on the economic, natural and other conditions of the regions where we operate our resources development business and other businesses. As such, we cannot assure you that we will be able to continue to obtain sufficient amounts of raw materials, energy or water from our existing suppliers or from alternative sources at prevailing or acceptable prices, in a timely manner, or at all. Furthermore, we cannot assure you that shortages of raw materials, energy or water will not occur in the future or that we will be able to pass on any cost increases in raw materials, energy or water supplies to our customers. Any failure to obtain adequate raw materials, energy or water, or to do so on commercially acceptable terms or in a timely manner, could materially and adversely affect our business, results of operations and financial condition.

Measured, indicated and inferred resources may not all turn into mineral reserves, and we may not be able to achieve our production estimates.

Measured, indicated and inferred resources of mineral deposits are estimated quantities and qualities of mineral deposits and are not equivalent to reserves (i.e., minerals that have the potential to be economically mined and processed under present and anticipated conditions to extract their mineral content). There are numerous uncertainties inherent to estimating quantities and qualities of resources and in projecting potential future rates of mineral production, including many factors beyond our control. Resources and reserves engineering is a subjective process of estimating underground mineral deposits that cannot be measured in an exact manner, and the accuracy of any resources or reserves estimates is a function of the quality of available data and engineering and geological interpretation and judgment. The resources and reserves data on our iron, copper, nickel, zinc, lead, cobalt, gold and other mineral resources, on which the production and capital expenditures plans for our resources development business are based, are estimates made by our Company and, except for data on the Western Australian Sino iron ore mine, are reviewed and substantiated by Minarco-MineConsult, an independent mining and geological consultant. Estimates of different engineers may vary, and subsequent results of our actual mining and production operations may lead to revisions of these initial estimates. Resources estimates and estimates of mine life may require revision based on actual production experience, prevailing commodity prices and other factors, and resources estimates may not translate into reserves. In addition, we cannot give any assurance that we will achieve our production estimates. Actual production depends on many factors, many of which are beyond our control. As a result of uncertainties regarding the nature, scope and results of future activities, we do not have the benefit of actual experience in verifying our estimates and there is a substantial likelihood that these factors may cause actual production results to vary from our estimates. The failure to achieve our production estimates could have a material and adverse effect on our future cash flow, profitability, results of operations and financial condition.

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.

We have various overseas mining operations designed to develop such metallic mineral resources as iron ore, copper, nickel, zinc, lead, cobalt and gold in a number of countries and territories, including Afghanistan, Pakistan, Papua New Guinea, Australia and Argentina. In addition, we also engage in mining business in Liaoning, Inner Mongolia, Sichuan, and Hunan of the PRC. We have invested and will continue to invest a significant amount of capital and other resources in these mining projects. In particular, we intend to further strengthen our resources development capabilities and expand the scale of our resources development business. As part of our growth strategy, we expect that an increasing portion of our revenue and profits will be derived from our mining business for the foreseeable future. As a result, we are exposed to various operational and transportation-related risks associated with our mining projects.

We have experienced and may continue to experience various types of operating difficulties in connection with our mining projects. For instance, some challenges we face in connection with our Minera Sierra Grande iron ore mine project in Argentina include the lack of adequate water and power supplies to fully utilize our production capacity, the shortage of skilled labor and occasional labor strikes, the high procurement costs due to the high level of inflation, and the long time required for obtaining equipment and spare parts. In relation to our Cape Lambert iron ore mine project in Australia, we also experience various difficulties, including in reaching agreement on an appropriate level of compensation for the indigenous residents, clearance of sites and relocation of ancient relics, compliance with strict environmental protection and safety requirements, limitation on use of transportation vehicles and shortage of low cost local labor. Furthermore, in order to realize the planned output levels at certain of our mining projects, we require the provision of equipment, water, electricity and labor at reasonable costs. However, some of these mining areas lack sufficient basic infrastructure, including roads, power networks and water supply systems. Failure to complete the construction of these infrastructure facilities by us or by third parties on time may cause delays or interruptions to these operations.

Our various mining projects are dependent on access to adequate transportation channels for their output. We rely on a combination of rail, sea and road transportation both overseas and in China to deliver our products to our customers. However, there can be no assurance that the existing or planned transportation systems will be sufficient to meet our transportation requirements. Any shortage, disruption or limitation of transportation capacity may limit the volume of products delivered to our customers and may lead us to accumulate inventories and scale back production. For example, in connection with both our Cape Lambert iron mine project in Australia and the Western Australian Sino Iron ore mine project, we plan to deliver our mining output to nearby seaports for trans-shipping. Although we plan to require the future buyers to pay the costs of marine freight transport, insurance, unloading, and transportation from the arrival port to the final destination, if the buyers are unable to secure economically reasonable shipping arrangements or if bad weather and/or accidents become frequent, our buyers may be reluctant to purchase our mining products from these two operations. With respect to our other mining projects where we primarily rely on land transportation to deliver our products, we may be required to construct railways ourselves, which may require significant capital expenditures over a long period of time. Furthermore, any disruption to, or decrease in the availability or capacity in the transportation networks, such as due to an earthquake, major rail or highway accidents or seasonal congestion during holidays, or any significant rise in our transportation costs, could materially and adversely affect our ability to deliver our mining products to our customers and have a significant adverse effect on our overall mining business and results of operations.

Our level of exposure to these risks varies with respect to each project and its respective geographic location, and is dependent on the particular stage of each project. As the majority of our mining operations are either under development or in the exploration stage, although we have made an effort to partner with experienced mining companies in various projects, our management may not have the relevant experience to develop an effective control system to manage the risks mentioned above or other mining operation-related risks. Furthermore, given that our involvement in the mining business is still in an early phase, there is only limited historical information available upon which you can base your evaluation of our mining business and its prospects. Any of the above factors could lead to project disruptions or adversely affect our ability to generate profits from our mining projects, which could harm our resource development business and our overall financial condition and profitability.

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.

Our ability to undertake projects and manufacture products is limited by the capacity of our production facilities and workforce. To expand our capacity we must either upgrade our existing production facilities and equipment or acquire new equipment and hire additional skilled workers. Many operations in our equipment manufacturing business are highly specialized and capital-intensive, requiring expensive and specialized equipment. Acquisition of new equipment may require significant capital expenditures, which we may not be able to fund, and installation and operation of such equipment may require highly qualified personnel. Moreover, many of the specialized equipment may not be readily available in the market and we may have to allow for a long delivery time after we place an order. We cannot assure you that equipment will be available to us in a timely manner or at a reasonable cost or that we will have access to a sufficient number of skilled employees to upgrade, install or operate the equipment.

In addition, we need to improve our ability to manufacture, process and produce complete sets of equipment to strengthen our overall capabilities to industrialize our core technologies. The success of our equipment manufacturing business also depends on our ability to develop and offer, on a continuous basis, products that meet the evolving demand of our customers. This requires us to continue to innovate and enhance our technological capabilities and to adapt to rapidly changing industrial standards and trends. There is no assurance that our efforts in this regard will succeed continuously or at all.

If we are unable to increase our production capacity effectively or in a timely manner or if we fail to develop or offer products that meet the evolving needs of our customers, our ability to contract for and perform new projects and maintain and expand our customer base will be significantly impaired and we may lose projects and other business opportunities to our competitors, which would have a material and adverse effect on our business, results of operations, financial condition and prospects.

We are subject to risks associated with property development operations.

Our property development activities involve acquiring from provincial and city governments in the PRC primary development rights for large plots of land, many of which have existing structures and residents. Acquiring these development rights, converting them into land use rights and committing the financial and managerial resources to develop the land involve significant risks. Before a property development generates any revenues, we must make a variety of material expenditures, including for land use rights acquisition and property construction. It generally takes several years for a planned development to generate revenues, and we cannot assure you that such development will achieve a positive cash flow. Our current and future property development activities may be exposed to the following risks:

- we may fail to obtain or face material delays in obtaining requisite certificates, permits and government approvals, including, among others, qualification certificates, land use right certificates and pre-sale permits, for our property developments, which may substantially disrupt the construction schedule, pre-sales and sales of our developments;

- we may re-evaluate or delay opportunities of property development after we begin to explore them, and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred;
- we may not be able to develop land according to the terms of the land grant contracts, including those relating to payment of fees, designated use of land, authorized GFA, time for commencement and completion of the development, which may cause imposition of a penalty, denial of completion certificates or forfeiture of the relevant land;
- we may be unable to complete the construction of properties on schedule or on budget, due to a variety of factors including shortages or increased costs of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in the relocation process, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities, and other problems and circumstances, and as a result may incur increased debt service expenses and liabilities for the losses or damages of the purchasers of our pre-sold properties;
- we are subject to the risk of default by our customers on their mortgage loans for purchasing pre-sold properties, to the extent that we provide performance guarantees for those loans, which is in line with the industry practice, until construction of the properties is completed and the relevant property ownership certificates and certificates of other interests in the related property are then submitted to the relevant banks;
- we may be liable to our customers for damages if we fail to assist them in obtaining the individual property ownership certificates in a timely manner;
- the relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations;
- we may lease or sell developed properties at below-anticipated rental rates or sales prices, respectively, and we may experience delays in the sale or leasing of developed properties; and
- occupancy rates, rents and sale prices of our properties may fluctuate significantly depending on a number of factors, including market and economic conditions and the failure of our properties to meet consumer demand in the areas of product positioning, design and pricing, and may adversely affect our revenues and cash flow.

Any of these circumstances could adversely affect our business, financial condition and results of operations.

We may not be able to obtain sites that are suitable for property development at commercially suitable prices or at all.

Land prices have increased significantly in China in recent years and may continue to increase in the future. To maintain or grow our business in the future, we will be required to replenish our land bank with suitable sites at reasonable costs for development. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Land supply in China is substantially controlled by the PRC Government and any changes in government policy may lead to a decrease in land supply for our future projects. In addition, the PRC Government regulates the means by which property developers can obtain land for property development. For example, in May 2002 and September 2007, the PRC Government introduced regulations requiring that land use rights for residential or commercial property developments be granted through a tender, auction or listing-for-sale process. From late 2006 to early 2008, the PRC Government promulgated a number of regulations to strengthen the control of land reserves and increase the land use fees charged for construction land. As a result, we may have difficulty in continuing to acquire sites suitable for our future property developments at acceptable prices, or at all. The PRC Government also regulates the manner in which land is developed, for example, with respect to the schedule of development and the total amount of GFA developed. If the development of a site is not completed pursuant to the terms of the relevant land grant contract, the property developer may be subject to various penalties by the relevant government authorities, up to and including the revocation of the relevant land use rights without full compensation. We cannot guarantee that delays in the completion of a property site or circumstances leading to revocation of land use rights will not arise in the future. In addition, we may have to bear high relocation and resettlement costs to obtain such sites in accordance with compensation formulas set forth under the Regulations on the Administration of Urban Housing Resettlement (《城市房屋拆遷管理條例》) and the applicable local regulations, which may be changed to increase our land acquisition costs substantially. We cannot assure you that we will be able to identify and acquire sufficient and appropriate sites at reasonable prices in the future. Any inability to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects and profitability.

Our property development business is subject to extensive PRC Government regulations.

We are subject to extensive government regulations in virtually every aspect of our property development operations and our property development business is highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC Government. Our property development projects must be approved by and are subject to the supervision of PRC governmental authorities for planning, land and resources, housing administration, fire prevention and control and environmental protection, and their schedules and development costs will be significantly affected by regulations, government planning and the construction and other conditions imposed by the governmental authorities. Over the past few years, property developers have invested heavily in the PRC, raising concerns that certain sectors of the property market had started to overheat. In response, the PRC Government has introduced an array of policies and measures intended to curtail the overheating of property development and discourage speculation in the residential property market. Such policies and measures include those designed to control the land, taxes, property development, mortgage and other loans for property purchases or real estate development, down payment ratio requirements for property purchases, and investment in and sales of properties, as well as to regulate the ratio of newly constructed buildings to existing residential buildings. Recently, as a result of the adverse changes in general economic conditions and a slowdown in the property sector in China, the PRC Government has introduced a series of economic and other measures that may stimulate the growth of the property market. However, the PRC Government may reinstate or impose economic and other measures in the future to curtail the overheating of property development in light of conditions of the property sector or for other policy reasons, which could restrain the growth of the property industry and adversely affect our business and operations. Such measures may also lead to unfavorable changes in property market conditions, including price instability and imbalance of supply of and demand for properties, which may materially and adversely affect our business, financial condition and results of operations.

Changes in government tax policy may adversely affect our business and financial results.

Prior to January 1, 2008, except for a number of preferential tax treatment schemes applicable to various enterprises, industries and locations, business enterprises in China were subject to a corporate income tax rate of 33% under the relevant PRC enterprise income tax law. On January 1, 2008, the new PRC Enterprise Income Tax

Law became effective and imposed a tax rate of 25% on business enterprises. Those business enterprises enjoying preferential tax treatment that was extended for a fixed term prior to January 1, 2008 will still be entitled to such treatment until such fixed term expires. Some of our subsidiaries are entitled to preferential tax treatment, allowing us to enjoy a lower effective tax rate that would not otherwise be available to us. Our effective income tax rates for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were 16.9%, 22.7%, 20.9% and 21.0%, respectively. To the extent that there are any changes in, or withdrawals of, our preferential tax treatment, or increases in the effective tax rate, our tax liability would increase correspondingly.

In addition, the PRC Government from time to time adjusts or changes its policies on value-added tax, business tax, resources tax, fuel and oil tax, property development tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business and financial results.

We may encounter unexpected difficulties in expanding our business and operations in various sectors or geographic markets.

To further grow our business and increase our competitiveness and profitability, we plan to increase our presence in various sectors in our engineering and construction business, such as the building construction, civil and public facilities, transportation infrastructure and other sectors. In addition, we intend to continue expanding our mining and other resources development operations both in and outside of China, increasing our equipment manufacturing capabilities and product offerings, and expanding our property development operations. Expansion in these sectors and markets carries with it many associated risks, including, for example, risks relating to insufficient operating experience in certain of such sectors and markets and changes in governmental policies and regulations and other adverse developments affecting such sectors and markets. Expansion may also significantly stretch our capital, personnel and management resources and, as a result, we may fail to manage our growth effectively, which in turn could have a material and adverse effect on our business, results of operations, financial condition and prospects. In addition, there may be many established incumbent players in these sectors and markets who already enjoy significant market share, and it may be difficult for us to win market share from them. Furthermore, some of the overseas markets that we are targeting may have a high barrier of entry for foreign players. There can be no assurance that our expansion plans will be successful.

We derive a certain amount of business from international operations that are subject to foreign economic and political uncertainties and security risks.

We have been operating part of our business, primarily our engineering and construction business and resources development business, outside of China, including in countries and territories that are subject to rapidly changing economic and political conditions beyond our control. We currently have operations in numerous overseas countries and territories including Thailand, Pakistan, India, Malaysia, Singapore, Japan, the U.S., Brazil, Afghanistan, Australia and Papua New Guinea. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue generated from overseas operations accounted for approximately 2.5%, 2.3%, 5.7% and 8.7%, respectively, of our total revenue. We expect that a significant portion of our revenue and profits will continue to be derived from international projects and other overseas operations for the foreseeable future as we intend to focus on exploring business opportunities in selected foreign markets and strategically expanding the global footprints of our overseas operations. As a result, we are exposed to various risks associated with conducting business in foreign countries and territories that include, among other factors:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations related to China or other relevant countries;

- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of the credit markets and other economic conditions in the United States and other countries;
- changes in foreign government regulations or policies;
- dependence on foreign governments or entities controlled by such foreign governments for electricity, water, transportation and other utility or infrastructural needs;
- unfamiliarity with local operating and market conditions, which could result in such unfavorable consequences as inaccurate bidding prices for projects;
- lack of understanding of local construction, taxation, customs and other laws, regulations, standards and other requirements;
- risks and uncertainty associated with using foreign agents in connection with our overseas operations;
- preferential treatments or corrupt business practices;
- foreign currency controls and fluctuations;
- tax increases or adverse tax policies;
- trade restrictions or embargoes;
- sanctions imposed by certain countries against transactions with other countries in which we conduct business which may limit our ability to obtain funding for certain overseas projects;
- discrimination against ethnic Chinese or protectionism against Chinese companies;
- competition from other international and local companies;
- economic sanctions;
- adverse labor conditions or employee strikes;
- stringent environmental protection laws;
- potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities;
- cyclical nature and demand of international engineering and construction and mineral resources markets;
- expropriation and nationalization of our assets in foreign countries; and
- lack of a well-developed or independent legal system in the foreign countries in which we have overseas operations, which may create difficulties in the enforcement of contractual rights.

Some of our services are performed in high-risk locations, such as Afghanistan and Pakistan, where the country or location is subject to political, social or economic risks, or war or civil unrest. In those locations where we have employees or operations, we may incur substantial costs to implement safety and security measures to protect our personnel and assets. Such measures may not always be adequate. Our level of exposure to certain risks varies with respect to each project, and is dependent on the particular stage of each project. We have also experienced and may continue to experience difficulties, such as inadequacy of electricity, water and transportation infrastructure, labor strike or delay in construction, with respect to certain of our overseas resources development projects. Any of the above factors could lead to project disruptions and losses of personnel and assets, among others, which could harm our international business operations, overall financial condition and profitability.

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.

Our customers include agencies or entities owned or otherwise controlled by the PRC Government. To the extent these projects are funded by the PRC Government, they are subject to delays or changes as a result of the changes in the PRC Government's budgets or for other policy considerations. The PRC Government's spending on infrastructure and other construction projects has historically been, and will continue to be, cyclical in nature and vulnerable to fluctuations in China's economy and changes in the PRC Government's policies. Also, we have entered into and will continue to enter into major contracts or other arrangements with foreign governments or their controlled entities in connection with our overseas investments and business operations. We therefore have significant exposure to the risks associated with contracting with public organizations.

In addition, disputes with governmental entities and other public organizations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments from these entities and organizations may be delayed as a result. Such entities and organizations may claim sovereign immunity as a defense to any claims we may have against them. They may also from time to time require us to change our construction methods, equipment or other performance terms or direct us to reconfigure our designs or purchase specific equipment for the relevant project in connection with our engineering and construction projects or undertake additional obligations or change other contractual terms, thereby subjecting us to additional costs. Changes in governmental budgets and policies relating to our projects could also result in delays in project completion, adverse changes to such projects or a withholding of, or delay in, payments to us. Government agencies generally exercise significant discretion in the performance of their contracts with us. If a governmental entity or other public organization terminates or fails to renew a contract with us, our backlog could be reduced, our investment plan may be hampered and our business and financial performance may be materially and adversely affected as a result.

We are dependent upon subcontractors and other third parties for various services and products in our business.

We may from time to time subcontract portions of our engineering and construction projects to independent third-party subcontractors. In addition, if we need extra manpower due to a shortage of labor, or in order to accelerate the progress of project work, we may need to subcontract labor services internally, hire short-term temporary workers, or engage independent third-party subcontractors. We also rely on third-party manufacturers or other service providers for production and supply of certain parts, components and services in connection with our resources development, equipment manufacturing and property development operations. Outsourcing to subcontractors and other third parties supplements our capacity, reduces our need to employ a large workforce, including skilled and semi-skilled labor in different specialized areas, and increases our flexibility and cost effectiveness in carrying out contracts. We have established a system with respect to the selection and control of subcontractors in our engineering and construction business, which involves, among others, maintaining a regularly updated list of qualified subcontractors and entering into agreements with them to set forth each party's rights and obligations. In our other businesses, we also endeavor to source products and services from third-party manufacturers and service providers whom we believe are able to meet our quality, delivery schedule and other requirements. Nevertheless, we may not be able to monitor the performance of these subcontractors and other third parties as directly and efficiently as our own staff. In addition, qualified subcontractors and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified subcontractors and other third parties, our ability to complete projects or other contracts could be impaired. If the amounts we are required to pay to subcontractors and other third parties exceed what we have estimated, especially in the case of customer contracts with a pre-agreed price, we may suffer losses on those contracts. Outsourcing also exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or other third parties. As a result, we may experience a deterioration in quality or late delivery of our construction projects, incur additional costs due to delays or higher prices in sourcing the services, equipment or supplies, or be subject to liability under the relevant contract for the non-performance, delayed performance or sub-standard performance of our sub-contractors or other third parties. Such events could have a material and adverse impact upon our profitability, financial performance and reputation, and may result in litigation or damage claims against us.

Failure to hire and retain management executives, technicians and other qualified personnel could adversely affect our business and prospects.

The growth of our business operations is dependent upon the continued service of our senior management team. The industry experience, expertise and contributions of our executive Directors and other members of our senior management whose names are set out in "Directors, Supervisors and Senior Management" of this document are essential to our continuing success. We will require an increasing number of experienced and competent executives in the future to implement our growth plans. If we were to lose the services of any of our Company's key management members and were unable to recruit and retain personnel with equivalent qualifications at any time, the management and growth of our business could be adversely affected.

Our business, financial performance and prospects also depend on our ability to employ, train and retain highly skilled personnel, including managerial, design, marketing, engineering and other technical professionals. For our engineering and construction business, we need to retain a large number of highly qualified and experienced designers, engineers and project managers as well as other skilled employees in order to complete our engineering and construction projects on time while satisfying the quality and other requirements of our customers. Demand for employees in our engineering and construction business who have industry-related experience and expertise will increase as our customers increase their capital expenditures and the use of our services and as we intend to focus on expanding our business on infrastructure and other non-metallurgical projects. We also need to recruit an increasing number of engineers and other skilled workers for our current and planned mining and other resources development-related operations, and such personnel are generally in short supply. In addition, we need to hire additional qualified managerial, technical, marketing and other personnel to implement our business initiatives to develop new technologies, construction methods and products, grow our resources development, equipment manufacturing and property development operations, and strategically expand our overseas operations.

Competition for qualified personnel in general is intense in the PRC and other markets where we operate our businesses. We cannot assure you that we will be able to maintain an adequate skilled labor force necessary for us to execute our projects or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage in supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labor force on a continuous basis, our business operations could be adversely affected and our future growth and expansions may be inhibited.

Our continued growth depends on our research and development capabilities, which may not always produce positive results.

Our ability to undertake high value-added projects in our engineering and construction business and launch new products in our equipment manufacturing business depends largely on our research and development capabilities. If we are unable to maintain or enhance our research and development capabilities, we may be placed at a disadvantageous position against our competitors both domestically and overseas, thereby adversely affecting our results of operations and future development. We are often engaged to undertake large, complicated projects that require us to develop or adopt new technology and construction methods, which could strain our research and development resources. The use of new technology and construction methods may also result in experimental failures, increased costs and unstable conditions, which may adversely affect the profitability of some of our projects.

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

We rely on a combination of patents, copyrights, trademarks, construction methods and contractual rights to protect our intellectual property. As of June 30, 2009, we had 317 registered trademarks and 1,474 patents in China. During the period from 2006 to 2008, we had also been recognized for the development of 18 National Construction Methods and 88 Provincial Construction Methods. We market our engineering and construction business and equipment manufacturing business under the brand name "MCC" and market our property development business under the brand name "MCC Real Estate," both of which we believe have been critical to our competitiveness and success. In addition, we have developed a number of advanced systems, trade secrets, patented technologies, equipment, processes and construction methods, and other intellectual property, which have enabled us to improve our production efficiency and to secure an increased number of projects. We cannot guarantee that the measures we have taken will be sufficient to prevent any misappropriation of our intellectual property, or that our competitors will not independently develop, or obtain through licensing, alternative technologies that are substantially equivalent or superior to ours.

China's intellectual property laws are still evolving and the level of protection and means of enforcement of intellectual property rights in China differ from those in other jurisdictions. Enforcement of our intellectual property rights could be costly, and we may not be able to immediately detect unauthorized use of our intellectual property and take the necessary steps to enforce our rights in such property. In the event that the measures taken by us or the protection afforded by law do not adequately safeguard our proprietary technology and other intellectual property rights, we could suffer losses in revenues and profits due to competing sales of products and services that exploit our intellectual property. Furthermore, we cannot assure you that any of our intellectual property rights will not be challenged by third parties. Adverse rulings in any litigation or proceeding could result in the loss of our proprietary rights and subject us to substantial liabilities, or even disrupt our business operations.

Our operations expose us to inclement weather and climatic conditions, acts of God, adverse work environments and acts of terrorism or war.

A significant amount of our business activities, particularly those in our engineering and construction, resources development and property development business segments, are conducted outdoors and could be materially and adversely affected by weather and climatic conditions. Unfavorable weather and climatic conditions and natural disasters may prevent us from conducting work at our work sites or delivering our products to our customers in accordance with contract schedules, or generally reduce our productivity. During periods of curtailed activity, we may continue to incur operating expenses, but our revenue from operations may be delayed or reduced.

We may not be able to receive full compensation from parties with which we enter into contracts and may have to bear some portion of the losses. Moreover, natural disasters and other acts of God which are beyond our control may adversely affect the economy, infrastructure and communities in the countries and territories in which we have operations. We also operate in areas that are under the threat of ice storms, floods, earthquakes, landslides, mudslides, sandstorms or drought. During January and February of 2008, severe ice storms occurred in certain areas in southern China. In May 2008, a high magnitude earthquake occurred in Sichuan Province and certain other areas of China. These disasters caused significant casualties and loss of properties and our operations in the affected areas had been adversely impacted as a result. If similar or other inclement weather or climatic conditions or natural disasters occur, our operations may be hampered, which could result in an adverse effect on our results of operations and financial condition.

In addition, we conduct some of our operations under a variety of geographical and other conditions, including on difficult terrain, under harsh site conditions, in busy urban centers where delivery of materials and availability of labor may be affected, and on sites which may previously have been exposed to environmental hazards. Such conditions may result in personal injuries or fatalities or have a negative effect on our work performance and efficiency.

Acts of war and terrorist attacks, including those in foreign countries in which we have operations, may cause damage or disruption to us and our employees, subcontractors, operations, equipment, facilities and markets, any of which could impact our public image, revenues and cost of sales. The risks of war or terrorist attacks may also create uncertainties and cause our business to suffer in ways that we cannot currently predict.

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.

We have in the past acquired and may in the future acquire other businesses or companies whose assets, capabilities and strategies we believe are complementary to and are likely to enhance our business operations in the countries and territories in which we operate. Acquisitions involve numerous risks, including potential difficulties in the retention and assimilation of personnel, risks and difficulties associated with integrating the operations and culture of acquired businesses, diversion of management's attention and other resources, and lack of experience and knowledge in the industry and market of the acquired businesses. In addition, acquisitions may result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the acquired businesses, and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our results of operations and financial condition. In particular, if any of the acquired businesses fails to perform as we expect, we may be required to recognize a significant impairment charge, which may materially and adversely affect our results of operations. As a result, there can be no assurance that we will be able to achieve the strategic purpose of any acquisition, the desired level of operational integration or our investment return target.

It is also possible that we may not be able to identify suitable acquisition or investment candidates, or that if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all, or we may fail to obtain the required governmental and other approvals for such acquisitions or investments. The inability to identify suitable acquisition or investment targets or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

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.

We have undertaken and will continue to undertake construction projects that may yield a lower level of profit for strategic and other business reasons, such as to increase our market share or reputation or to maximize our utilization rates. The undertaking of such low-profit construction projects impairs our overall profitability, particularly on a short-term basis.

With respect to our property development business, we have undertaken and expect to continue to undertake primary land development and social welfare housing projects, which generally generate lower margins than other types of residential and commercial properties.

We intend to continue our efforts to strengthen cost control, enhance overall productivity and efficiency and undertake more projects and businesses with high profit margins. However, we cannot assure you that these efforts will be successful or that we can improve our margins with respect to the foregoing types of projects or operations or our overall profitability.

Intense competition in the markets in which we operate could reduce our market share and profitability.

We experience significant competition in the markets in which we operate. Our competition comes from various sources, including large state-owned enterprises and private companies in China, as well as companies that enjoy special protection by the local governments in the jurisdictions in which we operate. We face challenges in our engineering and construction business segment from large state-owned enterprises and private companies in China. As large domestic steel group companies gradually improve their in-house design and construction capabilities, they may acquire a larger share of the market. In addition, private construction companies that are able to operate at lower costs and with greater flexibility may pose new challenges to us. In addition, certain of our subsidiaries from time to time compete directly in certain areas, including tendering for construction projects, due to the overlap in their business within a specific geographic area.

We also face significant competition in our resources development, equipment manufacturing and property development business segments. We need to enhance our capital, human and technology resources, management ability and industry expertise to compete with large domestic or overseas mining and other mineral resources development companies, in particular for the acquisition of additional mining sites and mineral resources. We also compete with large domestic and international equipment manufacturers with respect to such factors as product quality, technology, price and technical service.

As a result of China's accession to the World Trade Organization, the PRC Government has undertaken to reduce tariffs on various products and open up domestic markets to foreign competition, and foreign-invested companies are now allowed to participate and compete in various markets in which we operate, including the construction sector. Our foreign competitors may have greater financial, technical, management or other resources and may provide more services than we do, and could possibly form mergers or joint ventures with some of our domestic competitors or other foreign competitors to our detriment.

Our market position depends on our ability to anticipate and respond to various competitive factors, including pricing strategies adopted by competitors, changes in customer preferences, availability of capital and financing resources and the introduction of new or improved technologies and products and services in the relevant sectors and markets. There can be no assurance that our current or potential competitors will not offer services or products comparable or superior to those that we offer at the same or lower prices or adapt more quickly than we do to evolving industry trends or changing market conditions. Increased competition may result in price reductions, reduced profit margins and loss of market share.

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.

The quality of our services and products is critical to the success of our businesses. In order to achieve the success of our businesses, we need to maintain an effective quality control system for our construction, production and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system, the related training program as well as our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure or deterioration of our quality control systems could result in defects in our projects or products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore. if any of such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our results of operations and financial condition.

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 are subject to numerous environmental, safety and health laws and regulations promulgated by the PRC Government and the governments of overseas jurisdictions in which we operate. See "Business — Health and Safety" and "— Environment Protection." For example, the mining and other activities in our resources development business often implicate various environmental protection and production safety regulations. Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous or may involve substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with the relevant industry regulations as well as the environmental, health and safety laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses or permits, termination of government contracts or suspension of our operations. Such events could impact our operating results, financial condition and reputation.

In addition, the environmental, safety and health laws and regulations in China and other jurisdictions in which we operate continue to evolve. We cannot predict the impact of regulatory developments relating to such industry regulations or environmental, health and safety laws and regulations, nor can we guarantee that the PRC Government or the governments of foreign jurisdictions in which we operate will not impose additional or stricter laws or regulations, compliance with which may cause us to incur significant costs that we may not be able to pass on to our customers. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, or other obligations or liabilities. Furthermore, some of the new overseas markets that we are seeking to enter may have more onerous environmental, safety and health regulations than China, and compliance with such regulations may be costly and could hinder our endeavors to enter these new overseas markets.

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 are required to obtain and maintain valid permits, licenses and certificates from various governmental authorities to conduct our business, including, among others, those required for our construction, mineral exploration, mining, equipment manufacturing, and property development operations. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses and certificates. See "Regulatory Overview" and "Business — Qualifications." If we fail to comply with any of the regulations or satisfy any of the conditions required for the maintenance of our permits, licenses and certificates, our permits, licenses and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely impact our business, results of operations and financial condition.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses and certificates for our business operations, the PRC governmental authorities at various levels conduct routine or special inspections, examinations, inquires and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses or certificates, fines or other penalties due to any non-compliance uncovered as a result of such inspections, examinations, inquiries and audits. We cannot assure you that we will be able to maintain or renew our existing permits, licenses and certificates or obtain future permits, licenses and certificates required for our continued operation on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses or certificates, our qualification to conduct our various businesses may be adversely impacted.

We have not obtained valid title certificates for certain properties that we occupy.

For some of the properties we occupy in the PRC, we, or our landlords, have not yet obtained sufficient title certificates that allow us to use or freely transfer the properties. For example, with respect to our owned buildings, as of June 30, 2009, we had 211 buildings with a total GFA of approximately 261,050 sq.m. erected on land for which we were in the process of completing the land grant procedures or were waiting for the completion of the land use procedures or for which the lessor of the land had not obtained the land use right certificates or had not completed the land use procedures for leasing allocated land, and we had not obtained the building ownership certificates for 324 buildings with a total GFA of approximately 653,548 sq.m. With respect to our leased properties, as of June 30, 2009, our landlords had not obtained or produced to us the building ownership certificates for 310 buildings with a total GFA of approximately 261,693 sq.m. These properties are used for various purposes, including offices, production facilities to support our core production processes and dormitories for employees. We cannot predict how our rights as owner, lessee or occupier of these properties and our business operations may be adversely affected as a result of the absence of vested legal title in these properties or right to lease these properties. We may be required to relocate our business operations carried out on properties that we do not have unassailable legal rights to use or occupy temporarily or permanently, and such relocation could adversely affect our financial condition and results of operations. See "Business — Properties" in this document for a more detailed description of the properties we occupy.

We occupy 51 parcels of land with a total area of 575,808 sq.m. in Baoshan District of the Shanghai Municipality. The land is allocated land. Due to certain historical reasons, Baosteel is the holder of the land as identified in the relevant allocated land certificate. On October 31, 2008, upon the application of the Parent and Baosteel, SASAC issued the Reply Regarding the Disposal of the Land Assets by the Parent and Baosteel to approve the transfer of the foregoing allocated land to the Parent. Currently, the Parent and Baosteel are in the process of completing the registration procedures to effect the change in the holder of the allocated land certificate. The Parent has leased such allocated land to certain of our subsidiaries. If the Parent cannot obtain the land use rights to such land for any reason, our rights as lessee and occupier of such land may be invalid and the business and operations of certain of our subsidiaries in Shanghai may be adversely affected as a result.

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.

The development of our management and internal control measures has largely coincided with the expansion of our businesses. Some of our internal control and coordinating measures relating to our operations may not be implemented satisfactorily throughout our Company, because we have more than 400 direct and indirect subsidiaries, a broad range of businesses and a large and widely dispersed middle-level management team. As a result, competition often arises among our subsidiaries, particularly in the area of construction work, and we may from time to time encounter difficulties in monitoring compliance with our internal control policies and procedures and the relevant laws and regulations by our subsidiaries and our large number of managerial and other employees. In addition, we conduct our overseas operations in many countries and jurisdictions, and may be governed by different laws, regulations and business practices and conventions. Our unfamiliarity with these foreign laws and regulations or our inability to effectively manage the activities of our overseas subsidiaries, joint ventures or third parties could expose us to legal risks and liabilities, including corrupt business practices. Accordingly, as we integrate the operations of our various subsidiaries and operations, we aim to continue to strengthen our management and internal control mechanisms to address such integration issues, through measures such as the integrated management of our financial data, risk management, consolidation of internal resources, and a uniform information system. However, we cannot assure you that we will be able to implement internal control mechanisms that will promptly and adequately respond to our expanded scope of operations; nor can we guarantee that our employees will not, in their personal capacity, act in such a way that contravenes our internal control procedures.

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.

Immediately before the Reorganization, all our assets and liabilities were owned by, and our operations were conducted by, the Parent. In connection with the Reorganization, the Parent transferred to us substantially all of its assets, liabilities and interests in relation to its engineering and construction, resources development, equipment manufacturing and property development operations. See "History and Reorganization."

As part of the Reorganization, we have endeavored to streamline our organizational structure. Immediately following the Reorganization, we had more than 400 direct and indirect subsidiaries and a number of associates located across the PRC and in certain other jurisdictions. The scale and scope of our operations makes central coordination of activities a challenging task. Furthermore, there is still overlap in the operating activities of certain of our subsidiaries, in terms of geography and/or business scope, which have resulted in such subsidiaries competing directly in certain areas, including tendering for engineering and construction projects.

We have formulated several initiatives to rationalize, integrate and consolidate the duplicate operations conducted by different subsidiaries to further realize the synergies within our Company following the Reorganization. Our proposed business integration initiatives may not be implemented effectively or on a timely basis or may be adversely affected by legacy labor-related issues as a result of our large number of employees, inability to obtain sufficient financial resources, technical difficulties, constraints in terms of human or other resources, or for other reasons. Moreover, the implementation of these business integration initiatives may be more costly than originally estimated. Should cost overruns, changes in circumstances, negative reactions from our employees or other similar situations arise, the operational efficiencies and business synergies that these business integration initiatives were intended to achieve, may not materialize. Further, managing internal competition and other business integration issues will present challenges to our management team, financial and management information systems and internal control measures, which will require continuous improvement and development in order for us to operate more effectively and efficiently as an integrated entity. If we are not able to successfully implement our business integration initiatives, our business, financial performance, results of operations and prospects may be adversely affected.

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.

In connection with the Reorganization, the Parent has entered into certain arrangements with us, including, among others, a non-competition agreement, the Reorganization Agreement and a number of connected transaction agreements. See "History and Reorganization" and "Relationship with the Parent Group and Connected Transactions." The Parent has agreed not to compete, or procure its other subsidiaries not to compete, with us in our principal businesses. We have relied, and will continue to rely, in part on the connected transaction agreements with the Parent for, among others, the leasing of real properties, various ancillary services, and procurement and manufacturing of various materials. If, for any reason, one of the arrangements between us and the Parent were to be terminated or changes detrimental to us were to be made to the terms of these arrangements, such as a significant increase in price, our business and operating results could be materially and adversely affected.

We will be controlled by the Parent, our controlling shareholder, whose interests may differ from those of our other shareholders.

Subject to the Articles of Association, the Parent will continue to have the ability to exercise a controlling influence over the management, policies, business and affairs of our Company by controlling the composition of our Board, determining the timing and amount of dividend distributions, approving material transactions such as major overseas investments, approving our annual budgets and amending the Articles of Association. We cannot guarantee that the Parent will not cause us to enter into transactions, to take or fail to take any other actions or make decisions that conflict with the best interests of our other shareholders. Furthermore, as several of our Directors, Supervisors and members of our senior management may serve concurrently as managers or officers of the Parent, there may be potential conflicts of interest in certain circumstances. See "Relationship with the Parent Group and Connected Transactions."

Our limited operating history as an independent entity could affect our operating efficiency and your ability to evaluate our business and growth prospects.

We were established on December 1, 2008 as a result of the Reorganization, under which the Parent transferred to us substantially all of its assets, liabilities and interests in relation to its engineering and construction, resources development, equipment manufacturing and property development operations in exchange for an equity interest in us in the form of state-owned shares. Accordingly, we have a limited operating history as an independent entity, which may impact your ability to evaluate our business and growth potential. We have included historical and pro forma financial information in this document that may not necessarily be indicative of our future financial condition, results of operations or cash flows. In addition, while our business had experienced significant growth within the Track Record Period. For the years ended December 31, 2006, 2007 and 2008 and the six months ended

June 30, 2009, we generated revenue of approximately RMB91,706 million, RMB125,056 million, RMB157,899 million and RMB74,866 million, respectively, and a profit of approximately RMB3,207 million, RMB5,792 million, RMB3,183 million and RMB2,573 million, respectively. There is no assurance that our business will continue to grow at a similar rate or at all. Moreover, we may have difficulty managing our future growth and our increased scale of operations, as well as developing and maintaining management and administrative systems, resources and supporting infrastructure sufficient to effectively manage the operations of our subsidiaries and to keep pace with our planned growth or to handle the additional responsibilities of becoming a public company.

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.

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

Our historical dividends may not be indicative of our future dividend policy.

In accordance with the Provisional Regulation Relating to Corporate Reorganization of Enterprises and Related Management of State-owned Capital and Financial Treatment issued by the MOF, the Reorganization Agreement entered into between the Parent and our Company and the resolution of our shareholders' meeting dated December 1, 2008, we are to make a distribution to the Parent (the "Pre-establishment Distribution"), in an amount equal to the net profit attributable to shareholders for the period from December 31, 2007, the reference date for audit and appraisal in relation to the incorporation of our Company, 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, the net profit attributable to shareholders for the period from December 2, 2008, the date immediately after the date on which our Company was incorporated, to June 30, 2009 will be distributed to our promoters, the Parent and Baosteel, according to their respective shareholdings of our Company (the "Special Dividend").

The net profit of our Company for the Pre-establishment Distribution and the Special Dividend in aggregate have 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. Pursuant to the regulation, agreement and shareholders' meeting resolution referred to above, 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.

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.

China's economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. China's economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures to emphasize the utilization of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, China may not be able to sustain such a growth rate. In order to maintain the sustainable growth of the economy, the PRC Government from time to time implements various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of or in anticipation of changes in China's economic conditions. Recently, there has been a slowdown in the growth of the Chinese economy primarily as a result of the global financial crisis and the deterioration in the world economy. In an effort to stimulate the growth of the Chinese economy, the PRC Government has implemented and may continue to implement various monetary and other economic measures to expand investments in infrastructural projects, increase liquidity in the credit markets and encourage employment. However, there is no assurance that such monetary and economic measures will succeed. If the Chinese economy continues to experience a slowdown or even a downturn, we may experience a delay or reduction in, or cancellation of, projects available to us and demand for the services and products we provide in our various business segments may grow at a lower-than-expected rate or otherwise decrease. Furthermore, we cannot assure you that we are able to make timely adjustments to our business and operational strategies so as to capture and benefit from the potential business opportunities presented to us as a result of the changes in the economic and other policies of the PRC Government. Also, the PRC Government will continue to make adjustments to its economic policy objectives and measures in the future, which may include or result in a significant reduction in its budget for investments in infrastructure and other projects. This could have an adverse effect on our business and operations. Moreover, unfavorable financing and other economic conditions for the industries that we serve could negatively impact our customers and their ability or willingness to fund capital expenditures in the future or pay for past services.

We are exposed to foreign currency fluctuations.

We conduct most of our operations in the PRC and our functional currency is the Renminbi. A substantial portion of our revenues and cost of sales were denominated in Renminbi during the Track Record Period. However, we conduct part of our engineering and construction business and resources development business overseas, and we have made and expect to continue to make significant equity and other investments in overseas mining and other projects. Furthermore, we incurred foreign currency-denominated borrowings equivalent to RMB4,978 million as of June 30, 2009. Our foreign exchange-denominated assets and liabilities are expected to significantly increase as we further expand our overseas businesses, including, in particular, undertaking additional construction projects and expanding our resources development operations overseas. We are therefore subject to significant risks associated with foreign currency fluctuations.

Changes in the value of foreign currencies could increase our Renminbi costs for, or reduce our Renminbi revenues from, our foreign operations, or affect the prices of our exported products and the prices of our imported equipment and materials. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect our profits and margins. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies, primarily the U.S. and Australian dollars. Generally, an appreciation of the Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of the Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of the Renminbi is subject to changes in China's governmental policies and to international economic and political developments. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in appreciation of the Renminbi against the U.S. dollar from approximately RMB8.11 to US$1.00 on July 21, 2005 to approximately RMB6.83 to US$1.00 on June 30, 2009. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies. Further appreciation of the Renminbi against these currencies may lead to a decline in the revenues of our overseas operations. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends.

The PRC Government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payment.

Currently, the Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

The PRC legal system is continuously evolving and has uncertainties, and the legal protections available to our shareholders may be limited.

As we are a company incorporated under PRC law and most of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty.

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.

The legal framework to which our Company is subject is substantially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. On January 1, 2006, amendments made to the PRC Company Law came into effect to allow shareholders to commence an action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On July 14, 2006, the Supreme People’s Court of the PRC and the Hong Kong government signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. Under such arrangement, where any designated People’s Court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People’s Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement has been promulgated by the Supreme People’s Court of the PRC and came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain.

China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or impossible.

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 holders of our Shares.

Under the current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of our Shares.

Foreign individuals who are not PRC residents are currently exempted from PRC individual income tax on dividends paid to them by us and gains realized by such individuals upon the sale or other disposition of our Shares. If the PRC Government withdraws the exemption in the future, such foreign individuals may be required to pay PRC individual income tax or we may be required to withhold such tax from dividend payments, subject to applicable tax treaties between the PRC and the jurisdictions in which the foreign individuals reside that reduce or provide an exemption for the relevant tax obligations.

For foreign enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, under the new PRC Enterprise Income Tax Law, which became effective from January 1, 2008, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of our Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. Pursuant to the implementation rules to the new PRC Enterprise Income Tax Law, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence.

As the new tax law and the implementation rules thereto are new, there remains significant uncertainty as to their interpretation and application by the PRC tax authorities. The implementation of enterprise income tax on capital gains remains uncertain. The PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the new tax law and the related implementation rules are amended, the value of the investment in our Shares may be materially affected. See "Appendix VI — Taxation and Foreign Exchange" for further details.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

There may be an occurrence of a widespread public health problem.

An outbreak of any widespread public health problem in China, such as Severe Acute Respiratory Syndrome, or SARS, avian influenza or H1N1 influenza, could have a negative effect on our business, operations and financial results. Our operations may be affected by a number of health-related factors, including quarantines or closures of some of our offices and manufacturing facilities, travel restrictions, major sickness or death of our key officers and employees, import and export restrictions and a general slowdown in China's economy.