OUR HISTORY

Upon the approval of the relevant PRC government authorities, China Construction Engineering Corporation Metallurgical Branch (中國建築工程公司冶金分公司), the predecessor of the Parent, a state-owned enterprise incorporated in the PRC, was established in 1980. Based on the foundation of China Construction Engineering Corporation Metallurgical Branch, China Metallurgical Construction Corporation (中國冶金建設公司) was incorporated in 1982. In July 1994, upon the approval of the relevant PRC government authorities, China Metallurgical Construction Corporation was renamed China Metallurgical Construction Group Corporation (中國冶金建設集團公司). On March 12, 2006, the relevant PRC government authorities approved China Metallurgical Construction Group Corporation to be renamed China Metallurgical Group Corporation (中國冶金科工集團公司). On April 27, 2009, upon the approval of the relevant PRC government authorities, the Parent's Chinese name has been renamed (中國冶金科工集團有限公司). The Parent's English name has not been changed.

We have the longest history of operations in the area of construction for the metallurgical industry in China. Since the late 1940s when we were involved in the resumption of Ansteel's production, we have participated in the planning, design or construction of the primary production facilities for substantially all of the medium- and large-scale iron and steel enterprises in China, including Baosteel, Anbensteel, Wusteel, Btsteel, Pansteel, Masteel, Taisteel and Shasteel. We have been involved in many milestone projects in the development of the iron and steel industry in China, including the 1,700 mm steel rolling project of Wusteel, the largest and most advanced cold thin sheet rolling project in China at that time.

Since its establishment, the Parent and its subsidiaries have been principally engaged in four major areas of businesses, namely engineering and construction, resources development, equipment manufacturing and property development. In addition, the Parent and its subsidiaries have also been engaged in the business of the production and sale of paper and pulp.

Historically, part of the equity interests in certain subsidiaries of the Parent were held by the employees of the relevant subsidiaries by way of direct ownership, as well as being held through the workers union (Employee Share Ownership Committees), trusts, proxies of natural persons, and special purposes companies. For further information on arrangements for the equity interests held by the employees mentioned above, see "— Our Reorganization" below.

OUR REORGANIZATION

Pursuant to the Reorganization Agreement entered into between the Parent and us and for the purpose of our establishment as a result of the Reorganization, the Parent transferred to us its operating assets (including the interests and equity of its relevant subsidiaries) and liabilities principally related to its engineering and construction business, resources development business, equipment manufacturing business and property development business as the Parent's investment in us. In consideration of the net assets and businesses transferred to us, we issued 12,870,000,000 Domestic Shares to the Parent. The number of Shares issued in connection with our Reorganization was determined by reference to the net assets valued at RMB19,251,832,700 as at December 31, 2007 by an independent appraiser registered in China.

Furthermore, Baosteel subscribed for 130,000,000 of our Domestic Shares for a cash consideration of RMB194,463,000 in 2008. Baosteel, as one of our promoters, is one of the most competitive iron and steel conglomerates in the PRC. Baosteel is under the supervision of the SASAC with a registered capital of RMB49,478,571,000. Its principal scope of business covers, amongst others, iron and steel, metallurgical minerals, chemical industry (except for dangerous materials), iron and steel-related transportation and technology development, technology services and the provision of trade and other services.

Subsequently, with SASAC's approval, we were incorporated as a joint stock limited company in accordance with the PRC Company Law on December 1, 2008.

The Reorganization mainly included the following:

- pursuant to the Reorganization Agreement, the Parent transferred its operating assets (including the interests and equity of its relevant subsidiaries) and liabilities principally related to its engineering and construction business, resources development business, equipment manufacturing business and property development business to us with effect from December 1, 2008 (being the "Effective Date of Reorganization"). Specifically, the assets, businesses and equity interests transferred by the Parent to us mainly include:

  (i) all of the core assets and liabilities of the engineering and construction business, including but not limited to its equity interest in 23 wholly owned second-tier subsidiaries and 25 controlled non-wholly owned second-tier subsidiaries;

  (ii) all of the core assets and liabilities of the resources development business, including but not limited to its equity interest in four wholly owned second-tier subsidiaries and four controlled non-wholly owned second-tier subsidiaries;

  (iii) all of the core assets and liabilities of the equipment manufacturing businesses (other than MCC Hengtong Cold Rolling Technology Co., Ltd.), including but not limited to its equity interest in two wholly owned second-tier subsidiaries and one controlled non-wholly owned second-tier subsidiary;

  (iv) all of the core assets and liabilities of the property development business and other businesses (including, without limitation, import and export and consulting services), including but not limited to its equity interest in four controlled non-wholly owned second-tier subsidiaries and one company with participating equity interest;

  (v) all the rights and liabilities under the contracts and agreements related to the business, assets and liabilities mentioned above;

  (vi) all the interests under all of the permits, licenses, approval certificates, certificates, authorization letters and other similar documents directly and indirectly held or owned by and related to the operation of the assets and liabilities mentioned above; and

  (vii) business records, financial and accounting records and the related intellectual property, technical record, technical information and all other technical know-how related to the possession and operation of the above assets and/or interests.

  In respect of the abovementioned Reorganization, subject to certain provisions contained in the Reorganization Agreement, the Parent has agreed to indemnify us against, among other things:

  (i) claims assumed by the Parent pursuant to the Reorganization Agreement, which arose prior to our establishment and are related to the tax liabilities arising from the assets and/or interests transferred by the Parent to us;

  (ii) taxes incurred from the assets, interests and liabilities and the related businesses retained by the Parent;

  (iii) claims incurred in connection with the assets transferred to us that arose on or before December 31, 2007 unless estimates of such expenditure have been disclosed and provision has been made in the financial statements;

(iv) claims arising from the negligence or defaults of the Parent Group in performing the duties under any contracts on behalf of and in the interest of us on and after the Effective Date of Reorganization pursuant to the Reorganization Agreement; and

(v) claims against the Parent for breach of any provision of the Reorganization Agreement.

- In accordance with the principle of "personnel staying with the related assets and businesses," the personnel related to the above businesses and assets will be transferred to us, and will enter into labour contracts with us.
- The Parent restructured 21 second-tier subsidiaries and 31 third or lower-tier subsidiaries that joined us with the qualification of legal persons. Those subsidiaries were changed to become sole proprietor limited liability companies solely owned by us or our subsidiaries.
- Among the subsidiaries of the Parent transferred to us through the Reorganization, some shares of 123 subsidiaries were held by their respective employees. During the Track Record Period, the Parent had the power to govern the financial and operating policies in all the 123 subsidiaries and therefore the financial information of these subsidiaries was consolidated into the Accountant's Report set out in Appendix I of this document in accordance with IAS 27. In respect of the purchase of the equity interest held by employees of our subsidiaries through the Reorganization, the Parent collectively appointed an accountant to audit and appraise all companies involved in this purchase of equity held by the employees. Upon the approval of SASAC, the audited net asset value as at September 30, 2007 was taken into account as the basis of the consideration for the transfer of equity. The principle of "purchase by classes and payment by installments" was adopted; the purchase of employee shares commenced targeting at different shareholding classes. Specifically, the Parent purchased the employee shares of the second-tier subsidiaries transferred to us. Those second-tier subsidiaries, in turn, respectively purchased the employee shares of the third-tier subsidiaries injected to us, and so on. After the completion of the respective internal procedures to transfer the employee shares internally, according to different ways in which those employee shares were held, the Parent or its subsidiaries entered into share transfer agreements with the respective employee share transferors. The agreed amount of the transfer payment would be made according to the agreement, and business registration would be made for change of shareholders. As at the date of this document, all minority interests held by the employees have been transferred, and the change of share capital has been registered with the local industrial and commercial departments. Our PRC legal advisor, Jia Yuan Law Firm, has advised us that the equity transfer between the Parent or its subsidiaries and the relevant employees was in compliance with the applicable PRC laws and regulations.
- According to the final approval of SASAC on November 27, 2008, we were established as a joint stock limited company on December 1, 2008. As the consideration for the assets transferred to us by the Parent and Baosteel, we have issued 12,870,000,000 Domestic Shares and 130,000,000 Domestic Shares to them, respectively. As of the date of this document, the Parent and Baosteel held 99% and 1% of our total issued share capital, respectively.

RETAINED OPERATIONS

Upon the Reorganization, the Parent retained its business of development and sale of raw materials for paper-making, certain non-core and ancillary businesses, as well as assets and related businesses which could not be transferred to us. These businesses do not share any direct connections with our businesses or will be dealt with or spun off or otherwise disposed of in the future. For details of these businesses or assets, see "Relationship with the Parent Group and Connected Transactions — Retained Operations."

As part of the Reorganization, we entered into a Non-competition Agreement and a Non-competition Undertaking Letter with the Parent on [•], 2009 and December 5, 2008, respectively, pursuant to which the Parent has undertaken that the Parent Group shall not compete with us in our core businesses as stipulated in the Non-competition Agreement. See "Relationship with the Parent Group and Connected Transactions — Non-competition Agreement." Furthermore, we have entered into certain connected transaction agreements with the Parent, pursuant to which we and the Parent Group shall continue to provide relevant products and service support to each other. See "Relationship with the Parent Group and Connected Transactions — Continuing Connected Transactions."

APPROVALS FOR REORGANIZATION

The above-mentioned Reorganization has been approved by the relevant PRC governmental authorities, including, but not limited to, the State Council, SASAC, the NDRC, CSRC, MOFCOM, MOHURD, State Administration of Taxation, SAIC, MOF and the Ministry of Land and Resources. All approvals in respect of the Reorganization have been obtained. Our PRC legal advisor, Jia Yuan Law Firm, has advised us that the above-mentioned Reorganization complied with all applicable PRC laws and regulations and was approved by all relevant PRC governmental authorities.