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OVERVIEW

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

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

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

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

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

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development brand “MCC Real Estate” has established a good reputation and a high level of recognition.

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

Our four principal businesses are as follows:

Engineering and Construction

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

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

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

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

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

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

For the year ended December 31, 2008, segment revenue and segment result of our engineering and construction business were RMB128,041 million and RMB5,511 million, respectively, representing 80.1% of our

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

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

Resources Development

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

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

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

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

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

Equipment Manufacturing

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

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

We hold a leadership position in China in the research, design, manufacture and installation of steel structures and are also the largest manufacturer of steel structures in China. In 2008, we produced approximately 2 million tons of steel structures, accounting for approximately 10% of the total output in China according to the China Steel Construction Society. As a significant portion of our steel structure products are directly provided for our engineering and construction projects, part of our revenue generated from the production of steel structures was accounted for as revenue of our engineering and construction business.

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

Property Development

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

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

Our residential properties include primarily commodity residential properties and social welfare housing. In January 2008, we entered into the Agreement on Cooperation in Low-Rent Housing Business with China Development Bank, under which we are entitled to obtain a line of credit of not less than RMB10 billion per year, subject to certain financing conditions, to engage in the development and construction of urban low-rent housing projects and relevant ancillary facilities. In addition, in January 2009, we entered into the Agreement on

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Credit Cooperation for Social Welfare Housing with each of four large-scale domestic banks, under which Agricultural Bank of China has undertaken to provide us with a line of credit of not less than RMB10 billion per year and Bank of China, China Construction Bank and Bank of Communications have undertaken to provide us with lines of credit of up to RMB25 billion in aggregate, subject in each case to certain financing conditions, to support our development of social welfare housing.

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

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

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

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

COMPETITIVE STRENGTHS

We are one of the largest engineering and construction companies in the world. We are the metallurgical engineering and construction contractor with the largest market share, the longest specialized operating history and the strongest capabilities in design in China. We are a leading company in the area of construction for the iron and steel and non-ferrous metallurgical industries in China. In addition, we are China's largest contractor for overseas metallurgical projects. We are competitive and have significant potential for growth in engineering and construction globally.

We are a large engineering and construction company. In 2007 and 2008, we ranked 18th and 12th, respectively, among the Top 225 Global Contractors in terms of 2006 and 2007 revenues from engineering and construction business according to the ENR; we also ranked 34th and 32nd, respectively, among the Top 500 Chinese Enterprises in terms of 2006 and 2007 revenues according to the China Enterprise Confederation and China Enterprise Directors Association. We are a Fortune Global 500 company in terms of 2008 revenues.

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 important milestone projects in the development of the iron and steel industry in China and are also a leading company in the area of construction for the non-ferrous metallurgical industry in China. By leveraging our broad geographic presence, extensive industry chain, experience and technological capabilities, we have captured the largest market share in metallurgical engineering and construction in China.

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As a leading company in construction for the metallurgical industry in China, we are also committed to expanding our metallurgical engineering and construction business overseas. We have expanded into the metallurgical engineering and construction markets in many countries and territories around the world, including India, Japan, Brazil, South Africa and Australia. We have completed a large number of high-profile metallurgical projects of significant influence and with good economic returns and have established a good reputation in the field of metallurgical engineering and construction worldwide. Leveraging the policy support of the PRC Government under its “Going Global” strategy and our strengths in technology, industry experience and human resources, we are able to provide competitive services and have significant potential to further grow our metallurgical engineering and construction business internationally.

We have an extensive industry chain, a wide range of qualifications in metallurgical engineering and construction, and the ability to coordinate and integrate our internal resources, which allow us to provide customers with one-stop comprehensive services. We also provide coordinated and continuing post-construction maintenance services. We believe the combination of our design capabilities and our construction and equipment manufacturing technologies has differentiated us from general engineering and construction contractors, giving us a competitive advantage over many of our competitors. We primarily enter into EPC contracts for our metallurgical engineering and construction business. Through effective allocation and collaboration of design and construction functions among our subsidiaries, we have developed complementary and optimized mechanisms for the planning, surveying, consulting, design and construction of our projects. These have enabled us to establish more effective project structures, make our construction processes more scientific, develop more advanced technologies and use our resources more effectively.

By leveraging our experience and strong technological capabilities in metallurgical engineering and construction, we have actively expanded our non-metallurgical engineering and construction operations. The broad scope of our engineering and construction business segment has helped enhance our ability to manage risks relating to our engineering and construction operations.

Through years of experience in metallurgical engineering and construction, we have developed competitive construction technologies in various fields. For example, we have developed innovative technologies in complicated foundation treatment, underground construction engineering, large-volume concrete structures, fabrication and installation of large-scale steel structures, installation and testing of electromechanical equipment and intelligent architecture system. These have provided strong support for the development of our non-metallurgical engineering and construction operations.

We have completed a large number of high-profile non-metallurgical engineering and construction projects, including building construction, transportation infrastructure and other projects involving various industries, including the mining, environmental protection, power, chemicals, light and electronics industries. The projects that we have been contracted for or have participated in have won us many Luban Awards, which are the highest award for outstanding quality in the construction industry in China, and China Construction Steel Structures Gold Awards, which are the highest award for steel structures projects in China, among others. In recent years, we have achieved a number of significant breakthroughs in our overseas non-metallurgical engineering and construction operations. For example, in 2006, we were engaged to build the Kuwait Olympic Council of Asia office building, which was the first steel structure building constructed by a Chinese enterprise in the Middle East under an EPC contract and the first construction in the Middle East using steel structures designed, manufactured and installed in accordance with Chinese standards.

During the Track Record Period, revenue generated from our non-metallurgical engineering and construction operations increased. We have obtained a wide range of qualifications and have established strong

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technological capabilities, which allow us to provide engineering and construction services for a variety of non-metallurgical industries. Our increasing focus on non-metallurgical engineering and construction operations has also enabled us to maintain flexibility in our engineering and construction business. We can leverage our experience and strong technological capabilities in metallurgical engineering and construction to win major building construction, transportation infrastructure and other non-metallurgical projects. As a result, we have significantly expanded our sources of revenue from our engineering and construction business, captured significant business opportunities in the building construction, transportation infrastructure and other areas, and improved our ability to address and manage various risks relating to our engineering and construction operations, including adverse business and financial impact resulting from the fluctuations in China’s iron and steel industry or changes in the relevant PRC Government policies. For example, in the first half of 2009, non-metallurgical engineering and construction projects accounted for 55.9% of our new contract value, as compared to 31.5% for the year ended December 31, 2008. This has demonstrated our strong ability to adapt quickly to changing market conditions, to adjust our business mix and to maintain outstanding operational performance.

Our achievement in research and development in environmental protection, energy conservation and emissions reduction, among other areas, can help us maintain our industry leading position, capture emerging business opportunities and enhance our ability to grow sustainably.

As the largest metallurgical engineering and construction contractor in the world, we have developed environmentally friendly technologies for the metallurgical industry. In accordance with the requirements of the Policy on the Development of the Iron and Steel Industry and the Plan on the Overhaul and Invigoration of the Iron and Steel Industry, which were recently promulgated by the State Council, China’s iron and steel industry is currently undergoing, and is expected to continue to undergo, changes in its industry structure, geographical distribution and product structure, to promote the phasing out of obsolete production capacity, the advancement in technological levels, and the protection of the environment by fully utilizing resources, saving energy and reducing emissions. Through years of research and operating experience in metallurgical engineering and construction, we have developed leading core technologies in environmental protection, energy conservation and emissions reduction, among others, for the metallurgical industry. We have achieved leading technological standards in China in such areas as industrial waste water treatment, coke dry quenching, fume/dust control, desulphurization and residue slag treatment. With respect to some of these areas, we have also achieved internationally leading standards. For example, we have developed certain coke dry quenching technologies and equipment unique to China and are able to domestically produce a series of large-scale 75-180 tons per hour coke dry quenching equipment that is among the best in the world.

We have transformed certain of our environmentally friendly metallurgical engineering technologies into household uses, including sewage treatment and household waste incineration. For example, the commencement of production of our Likeng household waste incineration power generation project has provided Guangzhou with an alternative way of waste treatment other than land filling and marked a new step in waste treatment and utilization in Guangzhou. According to the 2008 Report on the Work of the PRC Government and the Major Tasks of the State Council for 2008, the PRC Government aims to enhance its efforts in energy conservation, emissions reduction and environmental protection and promote structural changes of the economy; increase the urban sewage treatment capacity and expedite full collection and treatment of sewage in 36 large cities; and increase the support of and promote the development of advanced technology to save, substitute and recycle resources and control pollution and to implement important technologies in energy conservation and emissions reduction. As a relatively early entrant in the public environmental protection industry, we believe we can leverage our strengths in technology to significantly expand our business in this industry.

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As a leader in metallurgical engineering and construction in China, we have leading technologies and capabilities in environmental protection, energy conservation and emissions reduction, among other areas, in the country. We believe we can seize the business opportunities that arise from the PRC Government’s efforts to promote environment protection, energy conservation and emissions reduction, capture the high-end market and enhance the competitiveness of our business. We believe we can also expand to relevant areas of public environmental protection, achieving extensive development in a wide range of areas in environmental protection, energy conservation and emissions reduction.

By cross-utilizing our interrelated core technologies, we have extended our business steadily from engineering and construction to certain related areas. We have established several interrelated, complementary business segments that have economies of scale and significant operational synergies.

We have leveraged technologies that can be cross-utilized to extend our industry chain and expand our scope of business. We have established four interrelated and complementary principal business segments, namely engineering and construction, resources development, equipment manufacturing and property development, which have economies of scale and can create synergies in operations:

- Building on our strengths in core technologies in metallurgical engineering and construction, especially in the areas of design, construction and management in connection with our non-ferrous metallurgical engineering and construction business, we have successfully expanded into the field of resources development. We have adopted various investment or operating models for our resources development business. These include directly investing in the exploration and mining rights, acquiring overseas mining companies, and entering into leasing arrangements, either on our own or with our business partners. We have become one of the main Chinese companies engaging in resources development operations overseas.
- The rapid growth of our resources development business in overseas markets has also created new markets for our engineering and construction business. In addition, the advanced technology and operational experience that we obtained in our resources development business has also helped optimize the technical processes involved in our provision of engineering and construction services for mining projects, which have in turn further enhanced our strengths in such engineering and construction business.
- Through years of experience in procuring and integrating equipment in connection with our EPC contracts, we have been able to grow our equipment manufacturing business rapidly. Our capabilities in design, equipment integration and commercialization of core technologies have helped us expand into the business of equipment manufacturing, enabling us to develop and produce proprietary core metallurgical equipment. Conversely, our equipment manufacturing business has provided support for our engineering and construction business by helping to optimize our construction processes, lower costs and protect our proprietary core technologies from being misappropriated by third parties by keeping them within our group company, thereby further enhancing our strength in technology in our engineering and construction business. In addition, our leadership position in the design, manufacture and other areas of steel structures have also provided strong support for our engineering and construction business. Steel structure projects have become an important part of our engineering and construction business.
- Leveraging our extensive industry chain, we have enhanced the overall performance of our property development business and have experienced steady growth in our property development business in various medium- and large-sized cities in China. Such growth has also driven the further development

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of our non-metallurgical engineering and construction operations. In addition, we have recently developed an “urban development” business model for our property development business. Under such model, we utilize our property development business platform (such as MCC Real Estate Co., Ltd.) to establish strategic cooperation with various local governments in the PRC, thereby enhancing our opportunities to engage in the comprehensive urban development business, including planning, demolition and relocation, land preparation, infrastructure construction and public utilities works. In addition to primary land development, we also participate in a series of property development and construction projects, including development of social welfare housing, commodity residential properties and commercial properties as part of our urban development business. Through the implementation of our “urban development” business model, we believe that we can differentiate our property development business from other property developers and achieve the following benefits:

- we can significantly improve our ability to withstand the impact of cyclicity and other business risks associated with ordinary property development projects as urban development projects generally have longer term, larger scale and more significant industry influences;
- we can be better positioned to obtain the business opportunities to participate in the further development of the relevant land because of our involvement in the early stages of urban planning of the relevant local government, our gaining in-depth knowledge about the land, market conditions and potential competitors through our involvement in primary land development, and the solidification of our relationships with the relevant local government; and
- we can further increase the synergies among our businesses by providing one-stop services in building construction, infrastructure and other areas of our engineering and construction business.

We have established four interrelated, complementary principal business segments that have economies of scale and can create synergies in operations. These help us diversify operational, market and regulatory risks, among others, that are specific to a particular industry and may also help us enhance our overall financial performance.

We own various mining interests in a range of resources development projects in and outside of China designed to develop metallic mineral resources and have an extensive industry chain in developing and processing mineral resources. Leveraging our strength in technology, the PRC Government’s “Going Global” strategy and our market development capabilities, we have established a competitive advantage in obtaining and developing large-scale, high-quality mineral resources in and outside of China.

We have advanced technology and capabilities in China in mining design and development of non-ferrous metals resources. We have an extensive industry chain covering the development and construction of mines and the mining, processing and smelting of mineral resources. These can help lower our operating costs effectively and may bring in additional profits due to potential increases in the prices of resources. In addition, engaging in the smelting business helps maintain our profitability as it represents a relatively stable source of revenue and also effectively enhances our resources development capabilities and our ability to manage cyclical risks.

We currently hold various mining interests in a range of resources development projects designed to develop ferrous and non-ferrous metallic mineral resources, including iron ore, copper, nickel, zinc, lead, cobalt and gold. Among these, the Ramu nickel laterite mine in Papua New Guinea has total mineral resources of 143.2 million tons and total measured and indicated mineral resources of 72.2 million tons, with average nickel and cobalt grades of 1.01% and 0.11%, respectively, according to the Minarco-MineConsult Report included as Appendix V to this document. In 2007, the consortium led by us succeeded in competing against strong competitors from the United

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States, Canada and Kazakhstan, among other countries, and won the bid for mining rights to the Aynak copper mine in Afghanistan, which has copper ore reserves of 349.5 million tons with an average copper grade of 1.2%.

In addition, our subsidiary Luoyang Zhonggui High-Technology Co. has commenced the construction of its second polysilicon production line with an annual production capacity of 2,000 tons after its existing production line reached an annual production capacity of 3,000 tons in 2008. The construction of the second production line represents a breakthrough in our non-metallic mineral resources development business.

In the future, we plan to fully utilize our strengths in engineering, construction, technology and other areas and take advantage of favorable market conditions and opportunities overseas to grow our metals resources development business focusing primarily on iron ore, nickel, copper and zinc.

We possess strong capabilities to rapidly commercialize our core technologies and have significant growth potential for our equipment manufacturing business. In addition, we hold a leadership position in China in the research, design, manufacture and installation of steel structures.

In accordance with the requirements of the Policy on the Development of the Iron and Steel Industry, iron and steel enterprises are encouraged to utilize Chinese-made equipment and Chinese-developed technologies in order to reduce imports and localize the manufacture of widely used metallurgical equipment and parts. This policy has presented significant opportunities for our business of manufacturing proprietary core metallurgical equipment.

We have long been committed to the metallurgical engineering and construction business and have developed various domestically and internationally leading metallurgical processes and core technologies in sintering, pelletizing, coking, iron making, and steel making and continuous casting, among other areas. These have helped us seize the market opportunities and promote the domestic production of metallurgical equipment. For example, in 2008, we have independently developed a proprietary $\Phi 600$ mm large bloom four-machine four-strand continuous casting machine, which was the first bloom caster developed, designed, produced and integrated in China. This filled the gap in the domestic metallurgical equipment product offerings and ended China’s reliance on imports for such equipment. The product has also reached an internationally advanced level.

By ways of investments, acquisitions and business restructurings, we have formed an extensive industry chain in the manufacture of metallurgical equipment covering such areas as research, design, testing and manufacturing. We have thereby enhanced our capabilities to rapidly commercialize our core technologies, forming a strong basis for the rapid development of our equipment manufacturing business. We have conducted various capital investment related transactions, which included primarily the reorganization of the Xi’an Electric Furnace Institute, the investment in the project of MCC-SFRE Heavy Industry Equipment Co., Ltd. to construct the 20,000-ton forged steel rolls manufacturing and heat treatment processing facilities, the investment in the establishment of the pilot test base of MCC Capital Engineering & Research Incorporation Limited, and the joint investments to establish Tianjin Sairui Machine Equipment Co., Ltd. and MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd., among others.

In addition, we hold a leadership position in China in the research, design, manufacture and installation of steel structures. We own the National Steel Structures Engineering Technology Research Center, which is endorsed by the Ministry of Science and Technology. We have compiled or participated in the compilation of a total of 45 national standards, industry standards and industry association standards relating to steel structures in China.

We are also the largest manufacturer of steel structures in China. In 2008, we produced approximately 2 million tons of steel structures, accounting for approximately 10% of the total output in China according to the China Steel Construction Society. Our steel structure products have been widely used in various types of building

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construction, including large conference and exhibition centers, sports stadiums, airport terminals and plant facilities.

We are a leader in technology research and development in China, particularly for specialized technology.

We have a well established system to manage technological innovation. We have steadily developed a layered, multi-subject scientific research and development system that consists of our national-level technology centers, provincial-level technology centers and group-level technology centers as the principal organizations and our technology-focused subsidiaries as the foundation of our system. With such organizational structure, we have set up an operational mechanism under which our technology centers conduct key research and development projects and our subsidiaries conduct other research and development projects designed for specialized needs. We have also adopted a technology conversion mechanism that promotes results sharing and bringing technology to market.

We put a strong emphasis on the development of our capabilities in science and technology and have made an increasing amount of investments in research and development during the Track Record Period. Our research and development related spending consisted primarily of the salaries of our science and technology staff, expenditures on fixed assets used for research and development, expenditures on purchases of equipment for research on new technologies, and other expenditures on science and technology. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, such research and development costs amounted to RMB247 million, RMB450 million, RMB1,021 million and RMB300 million, respectively. During the period from 2006 to 2008, we had undertaken eight technological support projects under the National Eleventh Five-Year Plan, four projects under the National 863 Program, nine projects under the Research and Development Funds of the Ministry of Science and Technology, 25 projects under the Special Funds of the MOF and 24 projects under the support of local governments.

As of June 30, 2009, we had 1,474 patents, including 176 patents on inventions. These patents primarily pertain to the area of iron and steel and non-ferrous metallurgical engineering, including the specialized fields of mining, ore beneficiation, coking, sintering, iron making, steel making and rolling, as well as electromechanical engineering construction, steel structures engineering, electronic machinery installation, energy conservation and environmental protection, among others. Some of these technologies have achieved internationally leading standards. As of the Latest Practicable Date, we had received 34 National Science and Technology Advancement Awards. During the period from 2006 to 2008, we had won 196 Provincial Science and Technology Advancement Awards, had been recognized for the development of 18 National Construction Methods and 88 Provincial Construction Methods, and had compiled or participated in the compilation of 327 national technology standards.

We have significant business experience in China and overseas. We have maintained long-term business relationships with our major customers as well as good communications with both the PRC Government and foreign governments.

We have significant experience operating businesses in China and overseas. Through our subsidiaries and branch offices located in China and overseas, we are able to understand the business environment of various countries and territories in which we operate our businesses. We have extensive project experience in various regions in China as well as in many countries and territories around the world. Such experience and broad market presence have significantly contributed to our rapid development in China and overseas.

We have a long history of operations through which we have maintained long-term business relationships with our major customers in China. In addition, we endeavor to complete all of our projects in a timely fashion and

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with high quality standards, which has won us the trust and support of both government and project owners in China, which is critical for our business development.

We also have experience in working with foreign governments and enterprises. We have engaged in in-depth and extensive communications and cooperation with foreign government agencies and enterprises in various countries and territories around the world. We believe the reputation and business relationships that we have established in these countries and territories will help promote our future business development and contribute to the further expansion of our international businesses.

We have a corporate culture of pursuing excellence and have established the “MCC” brand as a widely recognized brand in the engineering and construction industry worldwide. In addition, we have experienced corporate management and have a distinguished team of industry experts and technical staff.

Corporate culture of pursuing excellence and our widely recognized “MCC” brand

We have a corporate culture of pursuing excellence. Through our long history of development, we have also formed a corporate culture that encompasses our overall strategies, goals, business philosophy and corporate spirit. We have established a good reputation and created the widely recognized “MCC” brand. Our long-established corporate culture has contributed to our ability to attract and motivate employees, to execute projects efficiently and to utilize innovative technologies and processes to complete complex and important projects. Our corporate culture forms one of our competitive strengths and is a cornerstone of our future development.

Experienced and strong management team

Our management team has strong business skills, operational experience and industry expertise. Our management team is particularly experienced and knowledgeable in large-scale, complex engineering and construction projects and resources development projects, among various other areas. It has played an important role in establishing our capabilities in technical design, ancillary technologies and construction and developing our multiple specialized fields across several industries. The strong management skills and operational experience of the team have contributed and will continue to contribute to the success of our business.

Distinguished team of experts, professional technicians and other skilled talents

In order to promote the continuous development of our engineering technology and scientific research as well as to strengthen our capabilities in innovation and advancement of technology, we have continuously focused on the overall quality of our human resources. Our technical staff have extensive industry expertise. As of June 30, 2009, we had a total of approximately 60,554 technicians specialized in various areas. These included some of the most distinguished scientists and engineers in China, including one from the Chinese Academy of Engineering, 12 state-level surveying and design masters, six state-level young experts with outstanding contributions, 115 experts entitled to special subsidies from the PRC Government, three state-level participants of the New Century Talents Program, and 22 persons that were in charge of projects that were granted national science and technology awards. In addition, we had 21 National Technicians, which were among the most in the industry. The high quality of our technical staff and our industry knowledge and expertise have been critical to our success.

We believe our corporate culture of pursuing excellence, our widely recognized brand, our experienced management team and our distinguished team of experts and professional technicians and other skilled talents have laid a strong foundation for the sustainable development of our future business.

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BUSINESS STRATEGIES

Seize the opportunities in China’s metallurgical industry and strengthen and enhance our leadership position in metallurgical engineering and construction.

Under the prevailing macroeconomic control policy, the structural changes of the iron and steel industry, the application of new technologies for energy conservation and emissions reduction, and the elimination of obsolete production capacity are expected to bring about significant opportunities for development in the metallurgical engineering and construction industry. This also poses new challenges for the industry in anticipation of the changes in product structure, as enterprises weak in research and development and with obsolete technology may be shut down, while enterprises with core technologies and strong industrialization capabilities will benefit from the policy and become the driving force for the transformation of the iron and steel industry in China.

In light of this macroeconomic environment and industry background, we plan to use our leadership position in metallurgical engineering-related construction and our scale advantage to seize the opportunities presented by the evolving iron and steel industry in China. We plan to establish and strengthen our research and development capabilities for producing high-quality steel production lines in order to better satisfy the demands of the metallurgical engineering and construction market in China. We also plan to continue our efforts in developing and applying energy conservation and emissions reduction technology, in order to help our iron and steel enterprise clients reach the goal of energy conservation and emissions reduction. In addition, we plan to assist our steel enterprise clients to implement and continuously improve their environmental protection equipment and measures, including the reduction and control of discharge of waste, waste water, dust and noise. We also plan to enhance our efficiency and increase our scale by eliminating or upgrading obsolete production capacity.

Increase the proportional contribution of our non-metallurgical engineering and construction operations in order to take further advantage of the rapid growth of the infrastructure construction market in China.

We plan to leverage our leadership position and our resources in the metallurgical engineering and construction market in China to actively expand our non-metallurgical engineering and construction businesses and seize opportunities in the infrastructure construction market. We believe this will help to optimize our business structure, expand our scale of operations and target customer base, and reduce our exposure to the business risks of, and our reliance on, our metallurgical industry customers in order to maintain sustainable and steady growth.

We plan to expand our non-metallurgical engineering and construction operations, such as in the design, manufacture and installation of steel structures for bridges, stadiums and other public facilities, by leveraging our experience and strengths in metallurgical construction and engineering. Our business focus will include primarily roads, bridges and railways transportation infrastructure projects and environmental protection projects. We also plan to increase our investment in technology development for the non-metallurgical engineering and construction market, including cross-utilizing our technologies from metallurgical engineering and construction and applying them in the various areas of non-metallurgical engineering and construction. In addition, we plan to increase our investment in management, personnel, equipment and sales and marketing, to enhance our reputation in the non-metallurgical engineering and construction areas.

Develop various types of contracting models of engineering and construction services while controlling risks in a disciplined manner, and strengthen our capability to provide one-stop services.

We are a leader in construction for the metallurgical industry of China. We have the broadest market coverage and the most extensive industry chain in the area of construction for the metallurgical industry in China. By leveraging our strong capabilities and significant experience in scientific research, surveying, design, consulting, construction, coordinated examination and repairs and maintenance, we have captured the largest

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market share for metallurgical engineering and construction services in China. We have primarily adopted the EPC contract model for our engineering and construction business, which requires and allows us to better coordinate and integrate our internal resources. We plan to expand our offerings of comprehensive, one-stop services for our customers. In addition, by applying our strengths in design and construction technology to our EPC contracts, we are able to raise the technological levels of our EPC contracts, giving us an advantage over and differentiating us from other contractors engaged in construction services, through effective division of labor and cooperation between design and construction.

In addition, we plan to continue to develop complementary mechanisms to optimize the planning, surveying, design and construction of our projects and effectively use various other contracting models, including engineering-procurement, engineering-construction, procurement-construction and project management contracts. Furthermore, we have leveraged, and will continue to leverage, our capital management capabilities established in our engineering and construction business to undertake projects in the form of BT, BOT and other operating models in order to enhance our operational efficiency and business performance.

Continue to promote our capabilities in technological innovation and leverage our overall strength in rapid commercialization of technology in order to further enhance our core competitiveness.

Our sustainable development depends upon our capabilities in technological innovation. Through the establishment of key research institutes and engineering laboratories and a project-oriented technology development system, we plan to further our efforts in research and development, employee training and development of new technologies, develop more sophisticated proprietary technologies and better integrate the research and development resources of our subsidiaries. In addition, we plan to continue to introduce and adapt advanced technologies from overseas for application in the domestic market. We have also established a pilot test base in Yingkou, Liaoning Province, to research and develop new technologies and equipment for the metallurgical industry in order to expand the offerings of Chinese-made metallurgical equipment.

We will leverage the core technological advantages of our existing businesses, including those related to our engineering and construction business, to adapt advanced overseas technologies customized for the China market and enhance our product innovation capabilities, particularly for such equipment products featuring our proprietary core technologies, in order to meet the demand of the domestic metallurgical market and facilitate our sustainable growth.

Through leveraging our existing technological research and development centers and establishing new research and development and testing bases, we plan to enhance the protection of the proprietary technologies used in our main businesses.

Continue to grow and capitalize on our strategically complementary businesses and enhance our risk management capabilities.

We plan to continue to improve the management of our business segments. Each business segment’s industry management team manages, coordinates and supervises the research and development, production or construction and sales of the relevant subsidiaries. We intend to strengthen the coordination of our industry management teams to improve the management of business segments, create more synergies among the business segments and enhance our risk management capabilities.

By leveraging our core technological advantages and design and construction capabilities related to metallurgical engineering that we have established over many years, we plan to actively expand our non-metallurgical engineering and construction operations. During the Track Record Period, revenue generated from our non-metallurgical engineering and construction operations increased. By leveraging our wide range of

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qualifications and strong technological capabilities, we will continue to provide engineering and construction services for a variety of non-metallurgical industries. In addition, we will continue to capitalize on our capabilities and the reputation of our engineering and construction business to seek opportunities in our property development business and other businesses. For example, as part of our initiative to implement the “urban development” business model for our property development business, we have recently entered into a framework agreement with each of the local governments of Shijiazhuang City, Wuhan City, and the Xiaguan District of Nanjing City relating to comprehensive urban development, including primary land development and social welfare housing development, as well as transportation and other infrastructure construction. We also plan to continue to strengthen our risk management capabilities by diversifying into businesses that are strategically complementary to our engineering and construction business.

Focus on metallic mineral products, resources that are scarce in China and resources development overseas in order to strengthen our resources development capabilities both overseas and in China and expand the scale of our resources development business.

Leveraging our existing strengths, our resources development business focuses on metallic mineral products, resources that are scarce in China and resources development overseas. We plan to continue to use different models of resources development and business partnerships to develop a wide range of mineral resources, including ferrous and non-ferrous metal resources, and non-metallic resources. Our main measures include the following:

- optimize our overall operations among the existing enterprises to form a specialized resources development system; based upon existing resources development projects, expand into the surrounding areas to form regional resources development bases;
- merge, acquire and reorganize resource enterprises in research and development, surveying, consulting, design, mining, production and smelting, to rapidly grow our resources development capabilities and business scale, and provide a wide range of products and services throughout the resources development production chain;
- continue to cooperate with leading enterprises in China to jointly develop resources, leveraging each party’s respective strengths to improve our ability to manage risks;
- establish and maintain good relationships with the relevant governments and mine owners and cooperate with them based on mutually beneficial principles, to form stable resources development bases and supply channels; and
- strengthen our sales network and broadly study the domestic and overseas demand.

Further refine and implement the “urban development” business model for our property development business.

We intend to further refine and implement the “urban development” business model for our property development business by:

- focusing on large comprehensive urban development projects to realize our advantages as an innovator of and early mover in implementing the “urban development” business model;
- capitalizing on our status as a central state-owned enterprise to cultivate relationships with and gain trust of the relevant local governments in the PRC;
- leveraging the capital resources of our Company as a Fortune Global 500 company; and

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- seeking to lower development costs by relying on our comprehensive industry chain to provide integrated services to the relevant local governments, including planning, design, construction and surveying services.

Accelerate our overseas expansion and continue to selectively explore new overseas opportunities in order to sustain the further development of our overseas markets.

We intend to strengthen our competitiveness in our overseas engineering and construction, surveying and design operations. We will take advantage of the opportunities created by the PRC Government’s “Going Global” strategy which encourages large Chinese construction companies to expand their overseas operations and compete in the global market. We plan to consolidate our internal resources and use our headquarters as a platform to contract and coordinate overseas businesses, while leveraging our and our affiliates’ strengths and overseas presence to accumulate experience and cultivate talent. We aim to become a high-quality, technologically advanced international company and plan to strengthen our business relationships with relevant domestic and overseas government agencies with a view to increasing our participation in foreign aid projects, among others, in various developing countries, such as those in Asia, Africa and Latin America. We will continue to develop new businesses with good potential for development while ensuring the high-quality execution and completion of our current overseas projects, including the Ramu nickel laterite mine project in Papua New Guinea, by our local project management teams. Furthermore, we intend to achieve sustainable growth of our overseas operations by exploring new markets in certain developed countries in Europe and North America through close cooperation with other leading international and domestic construction companies, thereby increasing the proportional contribution of our overseas operations to our revenue and profit. In addition, we aim to expand selectively into new markets overseas while taking into account the complexity of overseas operations, the differences in local regulations and industry rules, the differences in geological features of projects, and the different competitive dynamics.

Enhance our management and operating efficiency, lower costs, and improve our capital management capability and our profitability.

We maintain a sizable work force and have a large number of operating subsidiaries and diversified business operations across China as well as in certain overseas markets. To optimize our management decision-making process and improve our efficiency and productivity, we have defined clear roles for management at different levels, and promote a flat management structure. After the Reorganization, our headquarters has focused on investment decision-making, capital investment, market development and integration of resources, while our subsidiaries have mainly been responsible for organizing and undertaking construction and production activities. We have also established decision-making and risk evaluation mechanisms to strengthen our internal controls. In addition, we plan to enhance the standards of our project cost management, with a particular focus on implementing uniform management standards among our construction subsidiaries, in order to enhance our profitability.

We deem cost control and efficiency improvement critical to maximizing our profitability and maintaining our competitiveness. We plan to continue to improve and consolidate our internal management and further integrate our internal resource allocation system to strengthen our management control and increase our resource utilization rates. In addition, we will continue to enhance the centralized procurement of raw materials and plan on entering into long-term contracts with main suppliers of key raw materials, such as steel, to reduce our exposure to the volatility of raw materials prices. We believe that centralized raw materials procurement will help lower our procurement costs, ensure the consistent quality of our raw materials and increase our rate of return.

We plan to continue enhancing the efficiency of our supply chain, our customer relationship management system, our on-site management system and our financial information management system in order to promote the scientific management of internal business operations. We plan to develop a uniform, computerized accounting and

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financial information management system to improve our financial risk management and oversee our overall capital investments, operations and profits, as well as a uniform database that allows our various subsidiaries to share integrated research and development, sales and marketing and client information. We expect to implement a centralized capital management system which we believe will enable us to enhance the efficiency of our capital utilization, increase our channels of funding and reduce our financing costs to enable the integration of our capital investment operations and increase our investment flexibility, allowing us to seek higher rates of return.

Continue to develop our corporate culture, attract talent, and fully implement our international brand strategy to further increase the brand recognition of “MCC.”

We value the “MCC” brand as our most valuable intangible asset and as the representation of our corporate culture. We plan to strengthen our integrated brand management and increase our brand awareness. We plan to promote our brand name in the industry through participating in high-profile projects such as the main stadium for the 2008 Beijing Olympics, or the Bird’s Nest, and the main exhibition hall of World Expo 2010, in order to fully explore business opportunities, attract investment, expand markets and recruit talent. We also plan to promote the brand name “MCC” in overseas markets to strengthen the association of our brand image with high-quality, landmark engineering and construction projects and products.

During our business integration and development, we also plan to strengthen our corporate culture by using and promoting our “MCC” brand. We believe that creating unified corporate culture for our employees will contribute to our ability to maximize profit for our shareholders.

OUR BUSINESSES

Our businesses consist principally of four business segments as follows:

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

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

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

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

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

ENGINEERING AND CONSTRUCTION

Overview

We are the largest metallurgical engineering and construction contractor in the world in terms of 2007 revenues according to the ENR. We have the strongest capabilities in design and construction among metallurgical engineering and construction contractors in China. We are an industry leader in the areas of iron and steel and non-ferrous metallurgical engineering. In addition to metallurgical projects, we also engage in the provision of engineering and construction services for building construction, transportation infrastructure and other projects involving various industries, including the mining, environmental protection, power, chemical, light and electronics industries. We provide a wide range of engineering and construction services, including research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services.

In addition, we have been actively expanding our engineering and construction operations overseas. We are one of China’s largest contractors for overseas engineering and construction projects, according to the MOFCOM.

The following table shows a breakdown by project category of total revenue of our engineering and construction business before inter-segment elimination for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	Revenue (RMB million)	% of Segment Total (%)	Revenue (RMB million)	% of Segment Total (%)	Revenue (RMB million)	% of Segment Total (%)	Revenue (RMB million) (unaudited)	% of Segment Total (%)	Revenue (RMB million)	% of Segment Total (%)
Metallurgical engineering and construction	52,972	70.5	66,322	67.8	88,931	69.5	41,866	69.9	42,861	65.5
Building construction	15,063	20.0	19,067	19.5	22,568	17.6	10,302	17.2	13,375	20.4
Transportation infrastructure	2,725	3.6	4,766	4.9	3,403	2.7	1,617	2.7	2,431	3.7
Others	4,426	5.9	7,701	7.9	13,139	10.3	6,109	10.2	6,808	10.4
Total	75,186	100.0	97,856	100.0	128,041	100.0	59,894	100.0	65,475	100.0

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Representative Domestic Projects

Metallurgical Engineering and Construction

Metallurgical engineering and construction is our strongest business area. It also represents the largest proportion in the total revenue of our overall business. Since the founding of the PRC in 1949, we have completed a large number of milestone metallurgical projects. We have established our leadership position in construction for the metallurgical industry in China.

The following tables show some of the representative domestic metallurgical engineering and construction projects we have been involved in:

Completed Projects

<u>Iron and Steel Enterprise</u>	<u>Description</u>	<u>Representative Project</u>	<u>Completion Date</u>	<u>Project/Award Details</u>
Baosteel	Baosteel was the first large-scale iron and steel enterprise in China established after the opening up of the PRC that had imported advanced technologies from overseas. Since the 1980s, we have been involved in the design and construction of all phases of Baosteel’s projects. Phase I was mainly designed by foreign enterprises. Phase II was designed jointly by Chinese and foreign enterprises. Phase III was designed and constructed by us. In 2007, Baosteel established a steel production capacity of 30 million tons per year, which made it one of the largest iron and steel companies in China and the first enterprise in China in the iron and steel industry to become a Fortune Global 500 company. Baosteel has become the research and development base for new technologies, processes and materials in China’s iron and steel industry.	Phase I	Sept. 1985	<ul style="list-style-type: none"> • Special Award for the National Science and Technology Advancement Award for 1988; National High Quality Gold Award for 1985-87
		Phase II 2,050 mm hot rolling project	Dec. 1987	<ul style="list-style-type: none"> • Luban Award for 1990
		Phase III 1,420 mm cold strip rolling project	Dec. 1997	<ul style="list-style-type: none"> • Luban Award for 2000
		Phase III 4,350 m ³ #3 blast furnace	Sept. 1994	<ul style="list-style-type: none"> • Luban Award for 1997
		Baosteel 1,800 mm cold strip rolling project	Feb. 2005	<ul style="list-style-type: none"> • Luban Award for 2007 • China Construction Steel Structures Gold Award for 2006

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<u>Iron and Steel Enterprise</u>	<u>Description</u>	<u>Representative Project</u>	<u>Completion Date</u>	<u>Project/Award Details</u>
Ansteel	Ansteel was the earliest large-scale iron and steel enterprise to resume production after the foundation of the PRC. We have been engaged in the construction of Ansteel’s facilities since it resumed operations in 1949 and have provided services for the development and expansion of Ansteel at various stages. To date, Ansteel has developed an overall production capacity consisting of 16 million tons of iron, 16 million tons of steel and 15 million tons of steel materials. Ansteel is one of the iron and steel enterprises in China with the capability to produce steel plate for automobile exterior and the world’s largest container steel plate supplier.	New cold steel rolling #2 1,780 mm production line	May 2003	<ul style="list-style-type: none"> • First-class Award for National Science and Technology Advancement Award for 2006 • National High Quality Silver Award for 2005
		300,000 m ³ dry-type blast furnace gas holder	Dec. 2005	<ul style="list-style-type: none"> • China’s first proprietary large-scale gas holder
		New #1 and #2 3,800 m ³ blast furnaces in Bayuquan, Yingkou	Apr. 2009	<ul style="list-style-type: none"> • Adopted highly productive and environment friendly blast furnace smelting technology and processes and various internationally advanced technologies
		Yingkou Bayuquan Port iron and steel 2.55 million ton coking project	Apr. 2009	<ul style="list-style-type: none"> • Adopted independently developed proprietary technologies, of which the coke dry quenching and coal gas purification single unit treatment capabilities are currently regarded as the most advanced in China
Wusteel	Wusteel was the first large-scale iron and steel enterprise to be established after the foundation of the PRC. In recent years, through alliances and reorganization, Wusteel has become a large-scale iron and steel enterprise with production capacity of nearly 30 million tons per year. Since 1955, we have been engaged in Wusteel’s construction at every stage. As various milestone projects have been completed and have commenced operation, Wusteel has become an important production base of cold rolling silicon steel pieces, structural steel used for automobiles and high performance projects as well as an internationally recognized large-scale iron and steel enterprise.	1,700 mm steel rolling project	Dec. 1978	<ul style="list-style-type: none"> • The largest and advanced cold thin plate rolling project in China in the 1970s
		New #3 3,200 m ³ large blast furnace	Oct. 1991	<ul style="list-style-type: none"> • Luban Award for 1993
		700,000 ton high speed wire mill relocation project	Oct. 1996	<ul style="list-style-type: none"> • Luban Award for 1999
		New #1 coke oven sizing 7.63 m with 70 holes	Mar. 2008	<ul style="list-style-type: none"> • One of the key projects under the eleventh five-year plan of Wusteel • One of the then largest coking furnaces in Asia with internationally leading technology

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<u>Iron and Steel Enterprise</u>	<u>Description</u>	<u>Representative Project</u>	<u>Completion Date</u>	<u>Project/Award Details</u>
Pansteel	Pansteel is a modern large-scale iron, steel, vanadium and titanium enterprise in China that has been designed, equipped and constructed domestically. We have participated in the engineering and construction of Pansteel since 1966 and have contributed to the continual enhancement of Pansteel’s production. Pansteel has developed as a seamless steel pipe production base with an annual output of 7.2 million tons of iron and 7.8 million tons of steel using internationally leading technology and has become the largest iron and steel production base in West China.	Phase II iron making, coking and sintering system project: #4 blast furnace	Sept. 1989	• Luban Award for 1992
		Rail beam plant technical upgrade and universal rolling mill project	Dec. 2004	• Made Pansteel the first enterprise in China that could produce high-speed train rail in bulk quantities and the largest steel rail production base in China
		Φ340 seamless tube mill	Oct. 2005	• A large seamless pipe rolling mill that had the largest caliber and most advanced technology in China
Handan Iron and Steel Group (“Hansteel”)	Since being established in 1958, Hansteel has gradually developed into a large-scale iron and steel enterprise in China. We have undertaken the construction of many milestone projects for Hansteel. As of the end of 2008, Hansteel had a steel production capacity of 10 million tons per year, becoming one of the few production bases with capacity reaching 10 million tons that focus on the production of high quality steel plates in China. On June 30, 2008, with the approval of the relevant authorities, Hansteel merged with Tangsteel to form the Hebei Iron and Steel Group.	#5 1,260 m ³ blast furnace expansion and upgrade to 2,000 m ³	July 2005	• Created new records in metallurgical construction in terms of largest weight, fastest speed and lowest errors involved in shifting furnaces
		2.5 million ton thin slab continuous casting and rolling line	June 2000	• National High Quality Project Silver Award for 2001
		Production base with an annual output of 4.6 million ton flat products in a new district in Handan	Nov. 2008	• Adopted internationally advanced environmental protection technology and is the model environmental iron and steel company in China
Taiyuan Iron & Steel (Group) Co., Ltd. (“Taisteel”)	Taisteel is a large-scale iron and steel enterprise focusing on the manufacture of plank material and is the largest stainless steel producer in China. We undertook part of the design and construction of Taisteel to help it achieve its steel production capacity of 10 million tons per year. Its stainless steel, stainless composite plate, cold-rolled silicon steel and high-strength automobile beam steel, among other products, have the largest market shares in China.	Iron making plant new #4 blast furnace	Dec. 1993	• Luban Award for 1993
		#6 silicon steel rolling line revamping project	Jan. 2007	• Metallurgical Industry Outstanding EPC Award for 2008

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<u>Iron and Steel Enterprise</u>	<u>Description</u>	<u>Representative Project</u>	<u>Completion Date</u>	<u>Project/Award Details</u>
Others	We have also been engaged by other major large-scale iron and steel enterprises, including Masteel, Tianjin Iron & Steel Co., Ltd. (“Tiansteel”), Xinyu Iron and Steel Co., Ltd. (“Xinsteel”), Lianyuan Iron and Steel Group (“Liansteel”) and Beitai Iron & Steel Group Co., Ltd. (“Beisteel”), primarily for their design and construction work and have completed a large number of their milestone metallurgical engineering and construction projects.	Tiansteel’s first and second pipe rolling projects	1995	• Luban Awards for 1996 and 2004
		Masteel #2 2,500 m ³ hot blast stove project	Nov. 2004	• National EPC Bronze Key Award
		Xinsteel basic oxygen furnace converter steel making project	June 2003	• The first EPC project for a large converter furnace steel making plant contracted by domestic engineering design institutes
		Liansteel 2,200 m ³ blast furnace	Dec. 2003	• National EPC Golden Key Award
		Beisteel steel making relocation project	Feb. 2005	• National Engineering Project Management Outstanding Results Award • National EPC Golden Key Award

Projects Under Construction

The following tables show some of the metallurgical engineering and construction projects we have been involved in that are representative in terms of scale, technologies involved or influence:

<u>Project</u>	<u>Description</u>	<u>Representative Project</u>	<u>Commencement Date</u>	<u>Expected Completion Date</u>	<u>Project Details</u>	<u>As of June 30, 2009</u>		
						<u>Contract Value</u>	<u>Recognized Revenue</u>	<u>Estimated Backlog</u>
						(RMB million)		
Shousteel relocation project.	Since 2005, we have been engaged in the major design and construction work for Shousteel’s output reduction, relocation, industrial restructuring and environmental control plans and its plan to build a large-scale iron and steel enterprise, Shougang Jingtang Iron and Steel Alliance Co., Ltd., with a total investment of RMB67.7 billion in Caofeidian, Hebei Province, deploying mature and advanced technologies. Upon the completion of all projects in 2010, Shougang Jingtang Iron and Steel Alliance Co., Ltd. is expected to become a resources-saving enterprise with leading energy consumption capabilities in China.	Shougang Jingtang Iron and Steel Alliance Co., Ltd.’s 2230 mm wide cold rolling project	Mar. 2006	Apr. 2010	• Adopted internationally advanced continuous pickling cold rolling set with an annual production capacity of 2.15 million tons	84.8	16.6	68.2
		Steel making and continuous steel rolling system project	May 2007	Dec. 2010	• Included the 300-ton converter furnace system	753.0	708.3	44.7
		Four 7.63 meters large-scale coking furnaces	Feb. 2007	Oct. 2009	• One of the largest coke ovens in China with adoption of coke dry quenching technology throughout the coking process	79.8	63.7	16.1

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Project	Description	Representative Project	Commencement Date	Expected Completion Date	Project Details	As of June 30, 2009		
						Contract Value	Recognized Revenue	Estimated Backlog
						(RMB million)		
Shasteel's five key restructuring projects	Shasteel is the largest privately owned iron and steel enterprise in China. Since the 1980s, we have been engaged in the design and construction of most of its projects. With the completion in 2005 of the three 2,500 m ³ large blast furnaces that we designed, Shasteel has become the largest electric arc furnace steel making and special-quality steel production base in China. Since 2007, we have participated in the major design and construction of its five energy conservation, emissions reduction and industrial restructuring projects. These milestone projects of Shasteel will significantly improve its technological and equipment standards and are expected to be completed by 2010.	Coke oven revamping for the five key projects	Feb. 2008	Aug. 2010	• Utilized advanced modern 7.63 meter large-scale coke oven with a 140 ton per hour coke dry quenching device	39.8	3.2	36.6
		5,800 m ³ blast furnace for the five key projects	Feb. 2008	Sept. 2009	• One of the largest domestically designed blast furnaces in terms of volume, utilizing advanced technology for large-scale blast furnaces	950.0	720.0	230.0
		#1 and #2 5,000 mm wide and heavy plate mills project for the five key projects	Sept. 2007	Oct. 2009	• The second 5 m wide production line in China after Baosteel's	998.0	557.1	440.9
		Technical revamping of sintering plant for the five key projects	Mar. 2008	Dec. 2010	• Currently one of the largest sintering projects in China, with two 550 m ² sintering machines to be constructed	20.0	3.3	16.7
Chongqing Iron and Steel (Group) Co., Ltd. (“Chongsteel”) relocation for environmental protection project.	Chongsteel is a large-scale iron and steel enterprise in China and also the second largest in Southwest China. In 2006, the Chongqing municipal government decided to relocate the main production lines of this enterprise and related companies, which made it the second large-scale iron and steel company to undertake a large-scale relocation after Shousteel. Total investments in relocation reached RMB24 billion. We have been engaged for a substantial part of the design and construction work.	Coke oven relocation EPC project	Apr. 2008	June 2010	• An EPC project with a capacity of 2.4 million tons per year	1,243.4	372.1	871.3
		Iron making relocation EPC project	July 2008	Sept. 2010	• Two 2,500 m ³ blast furnaces, to be completed by us in the form of an EPC contract, with a capacity of 4.0 million tons per year	1,373.3	559.1	814.1
		Steel making and converter furnace relocation EPC project	Feb. 2008	Sept. 2010	• Three 180-ton converter furnaces constructed by our Company under EPC with a designed capacity of 6.46 million tons per year	300.9	118.0	182.9

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Project	Description	Representative Project	Commencement Date	Expected Completion Date	Project Details	As of June 30, 2009		
						Contract Value	Recognized Revenue	Estimated Backlog
						(RMB million)		
Certain large coastal iron and steel bases	We are currently engaging in the planning and construction of certain 10 million-ton large-scale iron and steel enterprises in the costal areas in Fangcheng, Guangxi and Zhanjiang, Guangdong, among others. By leveraging our strong technology and construction capabilities, we believe we can seize these business opportunities presented to us as a result of the structural changes in China’s iron and steel industry to further reinforce our leading position in the metallurgical engineering and construction business.	Baosteel Zhanjiang Longteng 5 million-ton-per-year pelletizing project	Dec. 2007	Sept. 2009	• International standard hematite pelletizing facility constructed under EPC contracting; composed entirely of domestic engineering and construction and representing the achievement of internationally leading levels of technology	871.6	694.0	177.6
		10 million-ton large-scale iron and steel enterprise project of Fangcheng, Guangxi	N/A	N/A	Co-invested in by Wusteel and Liuzhou Iron and Steel Co., Ltd., with total investments of over RMB60 billion and a production scale of 10 million tons per year; the preliminary work of the project has been approved by the NDRC and we are currently engaged in the initial preparation work	N/A	N/A	N/A

Non-metallurgical Engineering and Construction

By leveraging our experience, technology and construction capabilities in our metallurgical engineering and construction business, we have been engaged in many non-metallurgical engineering and construction projects. These include building construction projects, transportation infrastructure projects and other projects involving various industries, including the mining, environmental protection, power, chemicals, light and electronics industries.

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The following tables show some of the representative projects in which we have been involved in various non-metallurgical areas:

Completed Projects

(1) Building construction projects

<u>Project</u>	<u>Completion Date</u>	<u>Description</u>
Shanghai Tai Ping Yang Hotel	Nov. 1988	• Luban Award for 1992
National Stadium (Bird’s Nest) steel structure (installation).	June 2008	• China Construction Steel Structures Gold Award for 2006
Beijing Wukesong Culture and Sports Center	Aug. 2007	• China Construction Steel Structures Gold Award for 2007
The Westin Beijing Financial Street	Feb. 2007	• Luban Award for 2008
Chongqing International Convention and Exhibition Center	Sept. 2004	• China Construction Steel Structures Gold Award for 2004
Chongqing Metropolis Plaza . .	Dec. 1997	• Luban Award for 1999 and the second biennial China Civil Engineering Zhan Tianyou Award

(2) Transportation infrastructure projects

<u>Project</u>	<u>Completion Date</u>	<u>Description</u>
Jinghang Canal Qiantang River Connection Project . .	Dec. 1988	• Luban Award for 1992
Shanghai-Ningbo Highway . . .	Feb. 1996	• Luban Award for 1998
Zhapu Jiaxing Suzhou Highway	Oct. 2002	• Luban Award for 2004

(3) Other projects

<u>Project</u>	<u>Completion Date</u>	<u>Description</u>
Guangzhou Likeng household waste incineration power plant	Oct. 2005	<ul style="list-style-type: none"> • The first household waste incineration power plant in Guangzhou, with a treatment capacity of 1,040 tons a day • A capacity to generate 21,000 kilowatt by waste incineration
Wugang Beihu waste water and drainage recycling project	Dec. 2007	• The largest waste water recovery project for China’s steel industry, with a waster water treatment capacity of 8,000 m ³ /h

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Projects Under Construction

The following tables show some of the non-metallurgical engineering and construction projects we have been involved in that are representative in terms of scale, technologies involved or influence:

(1) Building construction projects

<u>Project</u>	<u>Commencement Date</u>	<u>Expected Completion Date</u>	<u>Description</u>	<u>As of June 30, 2009</u>		
				<u>Contract Value</u>	<u>Recognized Income</u>	<u>Estimated Backlog</u>
Shenzhen Universiade Main Sports Center Gymnasium project . . .	July 2008	Aug. 2010	• The main sports center for the 2011 Summer Universiade, a gymnasium	546.5	148.9	397.5
Baotou International Conference and Exhibition Center and Meeting Hall Conference Center of Museum of Science and Technology project	Aug. 2007	Dec. 2009	• Includes the grand theatre and the meeting centers at two wings and is expected to be the landmark of Baotou upon completion	110.0	53.2	56.8
Shanghai Expo Axis steel structure construction project . . .	Dec. 2008	Oct. 2009	• The permanent building within the exhibition area of the 2010 Shanghai Expo, one of the most important and largest buildings for exhibition venues, with over 15,000 tons of steel structure used	245.7	243.9	1.9
Beijing-Shanghai High Speed Railway Shanghai Hongqiao Passenger Station project (overground section).	Mar. 2009	Sept. 2009	• Traffic hub of Hongqiao, which is also one of the key construction projects for 2010 Shanghai Expo	185.8	19.8	166.0
Tianjin Huan Bo Hai International Finance Tower.	June 2008	May 2010	• A building with 35 floors and 148 m high, with an aggregate GFA of 110,000 sq.m.	220.0	14.2	205.8

(2) Transportation infrastructure projects

<u>Project</u>	<u>Commencement Date</u>	<u>Expected Completion Date</u>	<u>Description</u>	<u>As of June 30, 2009</u>		
				<u>Contract Value</u>	<u>Recognized Income</u>	<u>Estimated Backlog</u>
Guangxi Mawu Highway L2/L3/L6 projects . . .	Apr. 2007	Oct. 2009	• Part of the state planned key road from Shantou to Kunming • We engaged in construction of three sections of the highway	1,097.8	1,001.1	96.7
Civil engineering project for contract section A9 of the Chongqing Wushan to Fengjie Highway of the key state highway from Hangzhou to Lanzhou	Oct. 2006	Mar. 2010	• A high-grade highway with a total length of 2.6 km, which has six bridges with an aggregate length of 1,378 m	216.4	38.5	177.9
Jiangbei station and tunnel project for rail transportation line #6 in Chongqing	July 2008	Oct. 2009	• Line 6 is a key traffic line connecting Nan'an District and Beibei District	110.0	48.6	61.4

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(3) Other projects

<u>Project</u>	<u>Commencement Date</u>	<u>Expected Completion Date</u>	<u>Description</u>	<u>As of June 30, 2009</u>		
				<u>Contract Value</u>	<u>Recognized Income</u>	<u>Estimated Backlog</u>
Anhui Caolou iron mine shaft construction and underground equipment installment project	July 2004	Dec. 2009	<ul style="list-style-type: none"> • Shaft construction and installation of underground equipment • Iron ore production capacity of 2 million tons per year 	238.0	228.2	9.8
Dexin Electronic Factory production facility, power facility, offices and other constructions project	Sept. 2007	Oct. 2009	<ul style="list-style-type: none"> • Production facility with a GFA of 58,263 sq.m. • Power facility with a GFA of 17,551 sq.m. 	220.3	168.5	51.8

Representative Overseas Projects

We are one of the main Chinese enterprises engaging in metallurgical and other engineering and construction projects overseas. According to the MOFCOM, we are one of China’s largest contractors for overseas engineering and construction projects, ranking 14th and 21st in 2008 in terms of new contract value and revenue from completed projects, respectively, from overseas engineering and construction operations.

We have established the “MCC” brand image and have enhanced the recognition of our Company overseas. Because of the complicated nature of overseas business, as well as the constraints of local law, differences in geological attributes and the strong competitive positions of local enterprises, we generally adopt a prudent and disciplined approach to selectively expanding into and developing new overseas markets.

Our metallurgical engineering technology is competitive in developing countries. We focus our overseas operations on South Asia, Southeast Asia, Africa, South America, Central Europe and other developing countries and territories that have good environment for economic development.

We have a total of 19 overseas engineering and construction qualifications of various types. We conduct overseas operations and provide relevant customer support services primarily through our directly controlled subsidiaries. To date, we have provided engineering and construction services in many countries and territories, including India, Thailand, Japan, Brazil, South Africa, Singapore and Australia.

The following tables show some of the representative projects in which we have been involved in engineering and construction overseas:

Completed Projects

<u>Project</u>	<u>Completion Date</u>	<u>Description</u>
Vietnam Haiphong water supply and environment 1A project	Feb. 2002	<ul style="list-style-type: none"> • The water supply project mainly comprised construction and renovation of a water plant and a pumping station; construction of a 27 km water tunnel; installation of water meters and drinking water supplying facilities to more than 40,000 households • Sponsored by the World Bank
Brazil GA #2 blast furnace project	Oct. 2007	<ul style="list-style-type: none"> • The first time that a Chinese enterprise bid for and supplied similar equipment to the South American region, and the largest export contract of complete equipment sets of ferrous metallurgy technology by a Chinese enterprise; the project was completed by us by way of an EP contract

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<u>Project</u>	<u>Completion Date</u>	<u>Description</u>
Kuwait Olympic Council of Asia office building project . .	Jan. 2008	<ul style="list-style-type: none"> • Consisted of two tower buildings and a podium building constructed entirely using steel structures • The first steel structure building constructed by a Chinese enterprise in the Middle East under an EPC contract • First construction in the Middle East using steel structures designed, manufactured and installed in accordance with the Chinese standards, representing a breakthrough of large-scale export of Chinese steel structure products to the Middle East market
Bangladesh Mohakhali overpass project	Nov. 2004	<ul style="list-style-type: none"> • The first overpass in Dhaka featuring the world’s then most recent design of overpasses, with high technical standards and level of difficulty of construction; we completed the project in a timely manner with scientific construction management and of first-class work quality

Projects Under Construction

<u>Project</u>	<u>Commencement Date</u>	<u>Expected Completion Date</u>	<u>Description</u>	<u>As of June 30, 2009</u>		
				<u>Contract Value⁽¹⁾</u>	<u>Recognized Income⁽¹⁾</u>	<u>Estimated Backlog⁽¹⁾</u>
				(US\$ million)		
Western Australian Sino iron ore mine project.	Jan. 2007	Jan. 2010	<ul style="list-style-type: none"> • Expected to produce final products including 24 million tons of iron ore concentrates per year, 6 million tons of pellets per year and ancillary equipment • Contracted in the form of an EPC contract 	1,840.7	617.7	1,223.0
Papua New Guinea Ramu nickel laterite project.	Apr. 2007	Dec. 2009	<ul style="list-style-type: none"> • Construction of surface mining facilities, ore pulp transportation pipes and high-pressure acidic wet smelting facilities and ancillary equipment • Expected annual production of 58,000 tons of intermediate products of nickel and cobalt sulphides • Contracted in the form of an EPC contract 	1,022.3	569.2	453.1
Coke oven project in Wakayama, Sumitomo, Japan.	June 2006	Oct. 2009	<ul style="list-style-type: none"> • Uses the 2 × 65 holes, 6 m coke oven designed by us, the first time coking technology was exported from China to Japan • Contracted in the form of an EP contract 	48.7	47.7	1.0
40,000-seat stadium in Oran, Algeria. .	Dec. 2008	June 2011	<ul style="list-style-type: none"> • A 9-track comprehensive stadium with a capacity of 40,000 persons with an outdoor parking lot with 290 parking spaces and an outdoor activity area 	143.1 ⁽¹⁾	2.5 ⁽¹⁾	140.6 ⁽¹⁾

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Project	Commencement Date	Expected Completion Date	Description	As of June 30, 2009		
				Contract Value ⁽¹⁾	Recognized Income ⁽¹⁾	Estimated Backlog ⁽¹⁾
Universal Studios Singapore at Resorts World at Sentosa	Oct. 2008	Dec. 2009	<ul style="list-style-type: none"> • A key component of the newly built amusement facility of Resorts World at Sentosa in Singapore • Contracted in the form of a PC contract 	487.1	176.3	310.8 ⁽¹⁾
5,000-unit residential housing construction project in Zawiyah, Libya	Nov. 2008	Apr. 2011	<ul style="list-style-type: none"> • A large-scale housing project in the western region of Libya developed by the Libyan government and approved by the General People’s Committee of Libya 	777.4	88.5	688.9 ⁽¹⁾

Note: (1) Amounts denominated in currencies other than U.S. dollars are translated into U.S. dollars at exchange rates prevailing on June 30, 2009.

Other Major Contracts

In addition to the representative projects discussed above, some of our other major business contracts effective as of June 30, 2009 are summarized as follows:

Domestic contracts

Project Owner	Project	Project/Contract Details
Yili Iron and Steel Co., Ltd.	<ul style="list-style-type: none"> • Steel smelting and steel rolling system (Phase I) technology upgrading project 	<ul style="list-style-type: none"> • EPC contract value: RMB1,008.9 million • Signing date: Aug. 2008
Minmetals Yingkou Medium Plate Co., Ltd.	<ul style="list-style-type: none"> • Construction and installation for the wide and heavy plate upgrading and renovation project • Supply of domestic equipment for the wide and thick plate upgrading and renovation project 	<ul style="list-style-type: none"> • Contract value: RMB1,749 million • Signing date: Mar. 2007 • Contract value: RMB1,360.9 million • Signing date: Mar. 2007
Lianyuan Iron and Steel Group Co., Ltd.	<ul style="list-style-type: none"> • Refinery and high-efficiency continuous casting technology upgrading project • Blast furnace upgrading project for product structure adjustment 	<ul style="list-style-type: none"> • EPC contract value: RMB1,530.0 million • Signing date: Nov. 2007 • EPC contract value: RMB1,282.9 million • Signing date: May 2007
Xinyu Iron and Steel Co., Ltd.	<ul style="list-style-type: none"> • Construction of two new 2,500 m³ blast furnaces 	<ul style="list-style-type: none"> • EPC contract value: RMB1,507.0 million • Signing date: June 2007
Shougang Qiangang Co., Ltd.	<ul style="list-style-type: none"> • Cold rolling continuous annealing lines (SCAL1 - SCAL4) project 	<ul style="list-style-type: none"> • EPC contract value: RMB1,332.4 million • Signing date: June 2008
Tangshan Bainite Steel (Group) Co., Ltd. . .	<ul style="list-style-type: none"> • 1,450 mm cold rolling project 	<ul style="list-style-type: none"> • EPC contract value: RMB1,150.0 million • Signing date: Mar. 2007

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<u>Project Owner</u>	<u>Project</u>	<u>Project/Contract Details</u>
Chengde Xinxin Vanadium and Titanium Co., Ltd.	<ul style="list-style-type: none"> Supply of equipment for the #3 and #4 blast furnaces project 	<ul style="list-style-type: none"> Contract value: RMB1,110.0 million Signing date: Mar. 2007
Tangshan Ganglu Iron and Steel Co., Ltd.	<ul style="list-style-type: none"> BT project for the 1,250 mm hot-rolled thin strip production line with an annual output of two million tons 	<ul style="list-style-type: none"> Contract value: RMB1,720.0 million Signing date: Apr. 2007
Hebei Jinxi Steel Stock Co., Ltd.	<ul style="list-style-type: none"> 2.2 million ton coking BT project 	<ul style="list-style-type: none"> EPC contract value: RMB1,340.0 million Signing date: May 2008
Wuhan Real Estate Group	<ul style="list-style-type: none"> Renovation of surface road, transportation, underpass and bridge project for Hankou section of the second ring road of Wuhan 	<ul style="list-style-type: none"> Contract value: RMB3,506.0 million Signing date: Apr. 2009
Hulunbuir Chihong Mining Limited	<ul style="list-style-type: none"> Whole series of work until fulfillment of expected capacity and standard, including design of lead and zinc smelting project, supply of equipment and materials, construction, installation, adjustment, personnel training and trial operation 	<ul style="list-style-type: none"> Contract value: RMB 1,583.3 million Signing date: Apr. 2009
Jiangsu Valin Xigang Special Steel Co., Ltd.	<ul style="list-style-type: none"> Hot continuous rolling production line for 258 mm seamless steel tubes, design and construction of factory buildings and design, manufacture, supply and construction of the production line and other ancillary facilities 	<ul style="list-style-type: none"> Contract value: RMB1,198.0 million Signing date: Feb. 2009
Changde Urban Construction Investment Group Co., Ltd.	<ul style="list-style-type: none"> Road and bridge construction, drainage works, street lights, poles and lines projects and landscaping works 	<ul style="list-style-type: none"> Contract value: RMB 1,088.0 million Signing date: May 2009
<i>Overseas contracts</i>		
<u>Project Owner</u>	<u>Project</u>	<u>Project/Contract Details</u>
AVA Cement Co., Ltd.	<ul style="list-style-type: none"> 2,500T/D cement clinker, 2*10MW self-provided gas turbine power plant in Edo State, Nigeria 	<ul style="list-style-type: none"> EPC contract value: RMB1,712.7 million Signing date: Nov. 2006
International Estates Investment — Georgia, LLC	<ul style="list-style-type: none"> Park Hyatt hotel apartment and office design and construction project in Georgia 	<ul style="list-style-type: none"> Contract value: US\$155.5 million Signing date: Dec. 2007
Thai Nguyen Iron and Steel Corp.	<ul style="list-style-type: none"> Thai Nguyen Iron and Steel Corp.’s No. 1 metallurgical production line, which was expanded in phase II in LUUXA area, Vietnam 	<ul style="list-style-type: none"> EPC contract value: US\$160.9 million Signing date: July 2007
Arfa Iron and Steel Company	<ul style="list-style-type: none"> Construction of Arfa Iron and Steel Company in Iran 	<ul style="list-style-type: none"> Contract value: US\$184.8 million⁽¹⁾ Signing date: July 2007

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Project Owner	Project	Project/Contract Details
Apex Gem Sdn Bhd	<ul style="list-style-type: none"> • Malaysia’s Lion Group 2,580m³ blast furnace 	<ul style="list-style-type: none"> • EPC contract value: US\$165.0 million • Signing date: Feb. 2008

Note: (1) Amounts denominated in currencies other than U.S. dollars are translated into U.S. dollars at exchange rates prevailing on June 30, 2009.

On July 22, 2009, we entered into a framework agreement with China First Pty Ltd. (“China First”) in connection with a coal mine construction project in Australia. Pursuant to that framework agreement and subject to further negotiations and the execution of final agreements, we have agreed to act as the main EPC contractor for the project and purchase 30 million tons of coal products per annum over a 20-year period or the production period of the project, whichever is longer. The total capital cost of the project is estimated at US\$6 billion, and we have agreed to assist China First in obtaining project financing from PRC banks or other sources on normal financing conditions for up to 70% of the total capital cost (including working capital).

Contracting Models

In recent years, we have adopted a number of contracting models for our engineering and construction business. These include: EPC or turnkey contracts, engineering-procurement (“EP”) contracts, engineering-construction (“EC”) contracts, procurement-construction (“PC”) contracts and project management contracts:

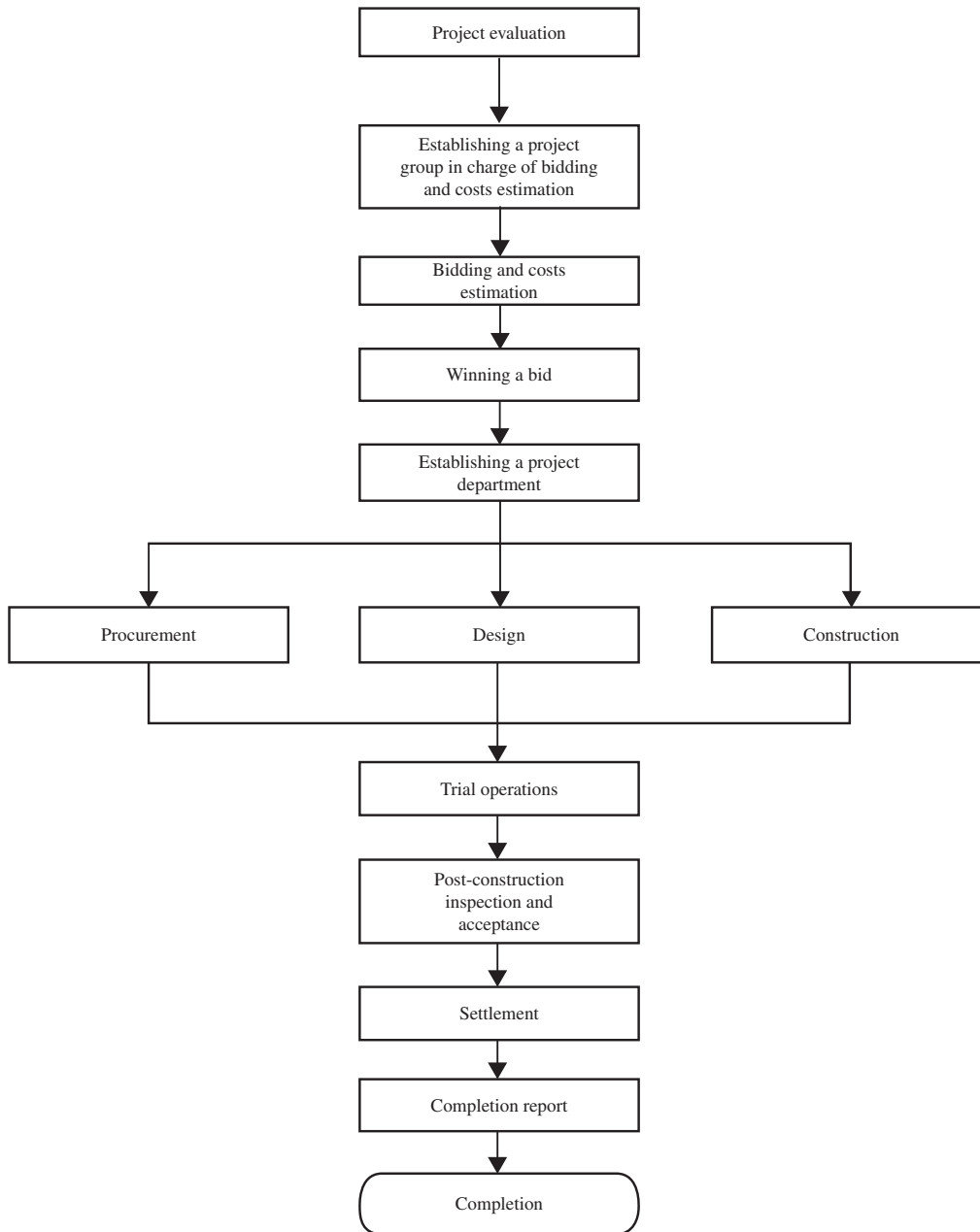
- *EPC or turnkey contracts.* The contractor undertakes the entire process of design, procurement of materials and equipment, construction and installation of a project and is also responsible for its trial operations. An EPC contractor is responsible to the project owner for the quality, safety, timely delivery and cost of the project.
- *EP, EC and PC contracts.* These contract models are less comprehensive than EPC contracts, since the contractor is only responsible for the engineering, design and procurement, engineering design and construction, and procurement and construction, respectively, and the project owner or other contractors are responsible for the other work.
- *Project management contracts.* These mainly apply to large-scale projects. The project owner usually engages project management contractors because of the more complicated project organization, higher requirements of technology, higher difficulties in management and more overall coordination work needed. The project management contractor takes full responsibility for the management of the project on behalf of project owners, including overall planning in different stages of the project, defining the project scope, running tenders, selecting engineering, procurement and construction contractors, and overall management of the engineering design, procurement and construction process. In general, the project management contractor does not directly participate in the engineering design, procurement, and construction and trial operations.

In addition, in our metallurgical engineering and construction projects and transportation infrastructure projects, among other project areas, we cooperate extensively with the relevant governments or owners and actively adopt various investment and operating models, including BOT and BT contracts.

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Business Process

The general business process involved in our EPC contracts is shown in the following diagram:



Project Evaluation

After obtaining information for a potential bid, the management of the relevant subsidiary and its professional personnel with expertise in the relevant technology and experience in bidding, contracting and budgeting will research the content and requirements of the bidding document and analyze and assess the bidding environment. Factors such as technical requirements, specifications, duration, contract terms, special requirements of the project, status of competitors and customers, risks of the project, our technology capability, competitive advantages and disadvantages, and the condition of the company’s resources, are evaluated in order to estimate the

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construction costs and profits, evaluate bidding risks and develop bidding strategies. The assessment of projects is required to be conducted according to our internal rules on external investment management. The Planning and Development Department will organize relevant departments to review the projects. Major investment matters based on strategic significance to our company or total amounts are generally required to be assessed by outside experts selected through third party consultancy companies. Once it is determined that such projects satisfy relevant conditions, they will be submitted for approval of the working meeting of the President, the Board of Directors or the shareholders’ meeting.

Bidding and Costs Estimation

Prior to bidding for a project, we generally need to go through a pre-qualification process. The prospective clients often require us to meet certain minimum requirements in financial conditions, qualifications of construction and scale of operations before accepting our bid. Therefore, in most cases, we need to submit pre-qualification information showing our financial condition, history of operations and available resources (such as human resources).

If we decide to pursue a particular project after our assessment and evaluation and we meet the pre-qualification criteria set by our potential customers, we are generally required to prepare and deliver bidding documents to our potential customers. Estimating the costs involved in a project is important for covering all our costs and ensuring profitability. We carefully estimate the costs of each project before the submission of our bid. We rely on our experience in estimating project costs and take into account factors such as the differences in site and environmental conditions as compared to those assumed in previous bids, the geographical location of the project, the availability and pricing of raw materials, machinery and local labor and the tax expenses involved.

We are often required to provide a bidding guarantee (in the form of a bank acceptance note, letter of credit, certified check or bank draft) when bidding for a project. The amount of guarantee is generally a fixed amount or a fixed percentage of the bidding price.

Winning a Bid

After we are selected as a contractor on a project, we will often be served with a written notice from our customers to engage in further negotiations to finalize and formalize the key contractual terms.

Design

Design is a key part of engineering and construction contracts, particularly EPC contracts, and involves a variety of designs throughout the project period, for example, in relation to equipment manufacturing, equipment and materials procurement, construction, software development and testing, and plant operations. Design annotation follows the completion of designs and blueprints, which means that, after the designs are determined to be in compliance with the requirements of, and are approved by, the project owner, and upon delivery of the construction project designs, the designer or design department must give a detailed explanation of relevant design documents, as required by law. The content of the design annotation must include a general introduction to the designs and an explanation of the designs, special construction requirements, architecture, structure, construction methods and equipment, possible difficulties and common issues in the process of construction.

Procurement

Procurement mainly includes the process of placing orders, making purchases, following up on orders, inspection, transportation, materials management and the management of subcontractor procurement. We adopt a principle of “appropriate time, appropriate place, appropriate quality, appropriate quantity and appropriate price,” to ensure the necessary equipment, materials and related services can be procured at acceptable quantities and quality in a timely manner. With respect to project budget and cost controls, we are required to follow our internal

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budget management measures. We have established a comprehensive budget management system comprising the shareholders’ meeting, the Board of Directors, management and various budget management departments. Annual and other major budgetary decisions should be made at our shareholders’ meeting. We have implemented a monthly budget analysis reporting system to analyze and report the execution of our budgetary decisions. Budget adjustments should be approved by the working meeting of the President, the Board of Directors and the shareholders’ meeting.

Construction

Construction management is critical to successful project management. In general, construction activities are carried out by the relevant construction department of our Company and each project is managed by one of our project departments. Our construction department typically prepares and implements a detailed plan and operation manual for a project in accordance with our construction guidelines, subject to the approval of the relevant subsidiaries and the project owner. The detailed plan and operation manual generally prescribes the work schedule, procedures, payment schedule, staffing plan and requirements, and details of work planned for each phase of the project.

Post-construction Inspection and Acceptance

Inspection involves the inspection of individual parts or items in a project as well as inspection of the entire project. The inspection of individual part of a project requires the contractor to issue the Notification of Acceptance and Completion of the Project upon the confirmation of the supervisor after the contractor has submitted a completion report and inspection receipt. The Notification of Acceptance and Completion of the Project should explain the completion of the project, the inspection and acceptance of the project, test running of the equipment without loading, and tasks to be performed after delivery of the project. The inspection of the entire project occurs after the completion of the construction project pursuant to the design requirements and the whole project has been accepted according to the inspection standard. The inspection of the entire project should be conducted by the design, construction and supervision departments appointed by the project owner. In general, inspection of the entire project is warranted only after conducting inspection of all individual parts or items of the project.

Contract Terms

Most of our construction contracts are awarded and carried out with a pre-agreed price and have a specific project timetable for completion of work. These construction contracts generally require us to quote a total price cap or a unit price cap for a project. Nonetheless, some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as a lack of water or electricity.

For construction contracts that do not include price adjustment clauses, we usually build a contingency amount into our bid price to cover any potential increases in costs.

Our construction contracts generally contain certain provisions as follows:

Performance Bond

In general, after winning a bid, we are usually required by the owner to provide a performance bond in an amount equal to 5% to 10% of the total contract value within the notice period. Our customers may present the performance bond for payment to the issuing financial institution in accordance with the relevant contract if we default on our performance obligations. The performance bond will be returned to us typically within one month of the issuance of the completion certificate for the project.

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Progress Payments

We typically receive payment in installments based on the amount of work that we have completed. Our construction contracts usually require the owners to pay between 10% and 30% of the total contract value to us in advance. Such amounts are usually payable within a specified period after the execution of the contract. Subsequent progress payments are made in installments upon our reaching certain milestones set forth in the relevant contract. Upon reaching such milestones, we will notify the owners, who then send a third-party compliance engineer to certify our construction progress. We usually receive our progress payments within a specified period after certification.

In general, the lag time between the signing of our domestic engineering and construction contracts and the commencement of construction of the projects contemplated thereunder is typically approximately one to several weeks. When the outcome of a contract can be estimated reliably, revenue from construction and service contracts is recognized under the percentage of completion method and is measured mainly by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable and such contract costs is recognized as an expense in the period in which they are incurred. For further details of the recognition of revenue from our engineering and construction contracts, see “Financial Information — Critical Accounting Policies and Estimates — Revenue recognition — Revenue from construction and service contracts (including EPC contracts).”

Liquidated Damages

Pursuant to our contracts, if a project is delayed through no fault of ours, such as delay caused by inclement weather, technical issues or unexpectedly complex geographic conditions, we are usually granted an extension equal to such delay. However, if the delay is our fault, we are usually required to pay liquidated damages, typically at an agreed rate per day. In the case of a delay due to our faulty or defective work, the owner may also have the right to appoint a third party to complete the work, and to deduct the additional costs or charges incurred for completion of the work from the contract sum. We have implemented a series of project management regulations applicable to each stage of a construction project according to the nature and characteristics of the project and the needs of the project’s construction, including project implementation, labor management, raw materials procurement and monitoring, and quality control to ensure that the project will be completed according to the contract terms, particularly with respect to time and scope of work. We have also adopted a strict award and penalty scheme that is applied to our employees as well as to subcontractors to ensure that they strictly comply with our project management regulations. We have also implemented routine and non-routine goal management, responsibility management and on-site inspections to ensure that our employees and sub-contractors comply with our project management regulations. In circumstances where the owner modifies the agreed scope of work of a project during the construction phase due to a change in design or a correction of design errors, we negotiate adjustments in payment or construction timetables with the owner in accordance with the change in scope of work.

Maintenance

Generally, our construction contracts provide for a contractual maintenance period of 12 or 24 months. During this maintenance period, we are liable in accordance with the terms of the contract for any defects in our work.

Retention Funds

Upon completion of the entire work scope of a project, we notify the owner, who then sends a third-party compliance engineer to carry out a final examination and acceptance of our work. If our completed work satisfies

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relevant completion and examination standards, the third-party compliance engineer will issue a formal completion and examination report to the owner. Based on this report, the owner makes the final payment to us pursuant to the contract and will generally withhold an amount equal to 5% to 10% of the contract price as retention funds for any defects in the quality of our work for the length of the maintenance period. Some owners may accept a bank guarantee instead of withholding part or all of the retention funds. Such retention funds and/or bank guarantees are held for the duration of the contractual maintenance period.

Design Changes

During the ordinary course of most projects, the owner, and sometimes the contractor, may initiate modifications or changes to the original contract to reflect, among other things, changes in specifications or design, method or manner of performance, facilities, equipment, materials, site conditions or the period for completion of the work. The scope and price of such modifications or changes are typically documented in a “design change” to the original contract and are reviewed, approved and paid for in accordance with the normal change order provisions of the contract. We are often required to perform extra work or change orders as directed by the owner even if the owner has not agreed in advance to the scope or price of the work to be performed. Performing additional work or change of order may result in disputes over the scope of work originally agreed upon by the parties or the price the owner is willing to pay for such additional work. In addition, any delay caused by additional work or change orders may impact the progress of our project.

Subcontractors and Joint Ventures

Depending on the requirements and terms of an awarded contract, we may act as the EPC contractor, a member of a consortium or a partner to a joint venture contracted by the project owner, or a subcontractor. In the domestic market, we generally submit tenders for projects on our own to act as the EPC contractor rather than as part of a joint venture or consortium, because, as an integrated construction company, we are able to execute such projects with our own resources. On the international front, we submit tenders for overseas projects, both on an individual basis and as a member of a joint venture or a consortium. Where we act as a member of a consortium or joint venture, we share the scope of work and responsibilities with the other consortium members or joint venture partners as defined in the consortium or joint venture agreement, respectively. We normally bear joint and several liability to the customer with other members of the consortium or joint venture, as provided for in the consortium or joint venture agreement. In most of our joint construction projects, we enter into a consortium with other parties and decide each party’s share of interest through negotiations based on the underlying agreement. Parties will share the revenue according to the share of interests and be jointly liable for the quality of the construction projects.

We act as the EPC contractor in most of our projects. We may from time to time subcontract ancillary parts of our projects to independent third-party subcontractors. In addition, if we need extra manpower due to a shortage of labor, or in order to speed up the progress of project work, we may need to subcontract labor services internally, hire short-term temporary workers, or engage independent third-party subcontractors. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, we incurred subcontracting charges of RMB27,959 million, RMB43,198 million, RMB59,180 million and RMB34,387 million, respectively. For more information on our subcontracting work and subcontracting charges, see “Financial Information — Consolidated Results of Operations — Description of Selected Components of Results of Operations — Cost of Sales.” We generally engage subcontractors through tenders, from which we select a subcontractor primarily based on its qualifications, track record, personnel credentials, financial strength and proposed subcontract fees. The number of years a subcontractor has worked with us varies, as in general we do not have fixed subcontractors. The subcontracting agreements primarily set forth the principal terms relating to fees, scope of work, technological standards or service quality, delivery time, payment, project management, bonds, insurance, liabilities and

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compensation, which generally reflect the terms and conditions of our main contract. Subcontracting arrangements are made on a project by project basis, and the duration of each subcontracting agreement generally depends on the progress, scope and other needs of each project.

We have a number of measures to manage and monitor the performance of our subcontractors in terms of both quality and delivery time and to ensure compliance with the applicable safety and environmental protection requirements. For example, we generally have on-site supervisors and technological consultants to monitor subcontractors’ work and ensure compliance with the relevant government rules and regulations. To maintain our desired technological standards, we are generally responsible for the design of any construction technology plan and closely manage its execution by the subcontractors. Pursuant to the subcontracting agreements, we are also generally entitled to compensation if the subcontractors fail to meet the prescribed requirements of quality, delivery time, technologies, and safety and environmental protection standards.

We and our subcontractors are jointly liable for work safety issues arising from subcontracted work. Nonetheless, the subcontractors, as independent legal persons under PRC laws, are liable for their activities in violation of laws and regulations. Pursuant to the subcontracting agreements, the subcontractors typically are also held liable for those of our damages caused by them. We therefore may be liable for only limited legal or financial consequences in case of accidents or regulatory non-compliance of the subcontractors. However, such accidents or non-compliance may still have a negative impact on our reputation and may result in legal proceedings involving us. For the Track Record Period and up to the Latest Practicable Date, we were not liable for any material compensation or penalty due to accidents or regulatory non-compliance of our subcontractors.

Procurement and Supplies

The raw materials we use for our engineering and construction business segment include steel, wood, cement, initiating explosive devices, waterproofing materials, geotechnical materials and additives. Depending on different projects, we require raw material supplies from various industries, including the steel, cement, construction ceramics, glass, aluminum and chemicals industries.

We adopt three different methods of procurement for our construction operations, namely, procurement by owner, procurement controlled by owner and procurement by contractor, in accordance with different provisions under our construction contracts. Key features of different procurement methods are briefly summarized as follows:

- Procurement by owner method means that the contractor compiles a list of the main raw materials required for construction and then submits the list to the owner. After the owner confirms the list, the owner will be responsible for the purchase of raw materials in accordance with the list.
- Procurement controlled by the owner means that the owner will supervise the contractor in the organization of the bidding and determination of the raw materials suppliers, and the contractor will negotiate business terms and enter into a purchase agreement with the suppliers designated by the owner.
- Procurement by contractor means that the contractor is responsible for procuring raw materials. The procurement costs count toward the construction cost and are taken into account when determining the total contract price and the owner will not make separate payment for raw materials procurement. Most of our projects adopt this method of procurement.

Customers, Sales and Marketing

Construction projects are generally contracted by public tender, in which only qualified contractors may participate. When information relating to a public tender is collected and a favorable conclusion is drawn after a preliminary evaluation, we will participate in the public tender for such projects in suitable areas. We have special

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personnel collecting timely and reliable information to help us find potential projects. In addition to maintaining close relationships with our customers, we also work closely with professional institutions in the construction industry, consulting companies and planning and construction authorities to obtain information on significant projects and potential business opportunities.

We have developed a broad and diversified client base for our engineering and construction business, including domestic and overseas steel companies and other metallurgical companies, local municipal companies and governments, and property developers. Our major customers in China include many large-scale iron and steel enterprises, such as Baosteel, Anbensteel and Wusteel, to which we provide engineering and construction services throughout different stages of their business lifecycle. Our overseas customers include primarily foreign governments and enterprises in the relevant markets. For iron and steel metallurgical engineering and construction and other projects overseas, we primarily target developing countries and territories that have a good environment for economic development and in which we believe our technological capabilities will provide us with an advantage, including those in South Asia, Southeast Asia, Africa, South America and Middle Europe.

Competition

We compete with both Chinese and foreign contractors for engineering and construction services. Competition largely focuses on price, delivery schedule, variety of services provided, service quality, financial strength, and environmental standards.

Competition in the metallurgical engineering and construction industry in China has been intensifying since the 1990s, especially with the growth of China’s economy and the development of laws and regulations relating to the industry since 2000. With respect to the metallurgical engineering and construction industry in China, we have maintained, and expect to continue to maintain, the overall leading position, particularly in respect of large and complex metallurgical engineering and construction projects. We face competition primarily in certain areas of the business, including in design and construction, where we compete with domestic competitors such as the design and construction enterprises owned by certain large-scale iron and steel enterprises, including Anbensteel’s and Shousteels’ design institutes, as well as certain metallurgical construction units established under the former Ministry of Metallurgical Industry of the PRC. We believe these enterprises currently do not have the same level of scale or technological capabilities as we do. In addition, in respect of our iron and steel engineering and construction business, we also compete with certain large, leading international engineering companies such as Siemens VAI Metals Technologies and SMS Siemag.

With regard to our overseas engineering and construction markets, contractors with leading technology from developed countries such as the U.S., Japan and various European countries have relatively large competitive advantages in global branch networks, capital, technology, information collection, management capabilities, adaptability and brand name recognition, among other areas. In addition, we also face competition from other large Chinese contractors for large-scale project contracts in overseas markets as well as from local contractors in the relevant foreign countries and territories. Based on our technological capabilities and our experience in overseas contracting, we plan to target South Asia, Southeast Asia, Africa, South America, Central Europe and other developing countries and territories that have a relatively good environment for economic development. We endeavor to compete effectively with our competitors in these overseas markets.

RESOURCES DEVELOPMENT

Overview

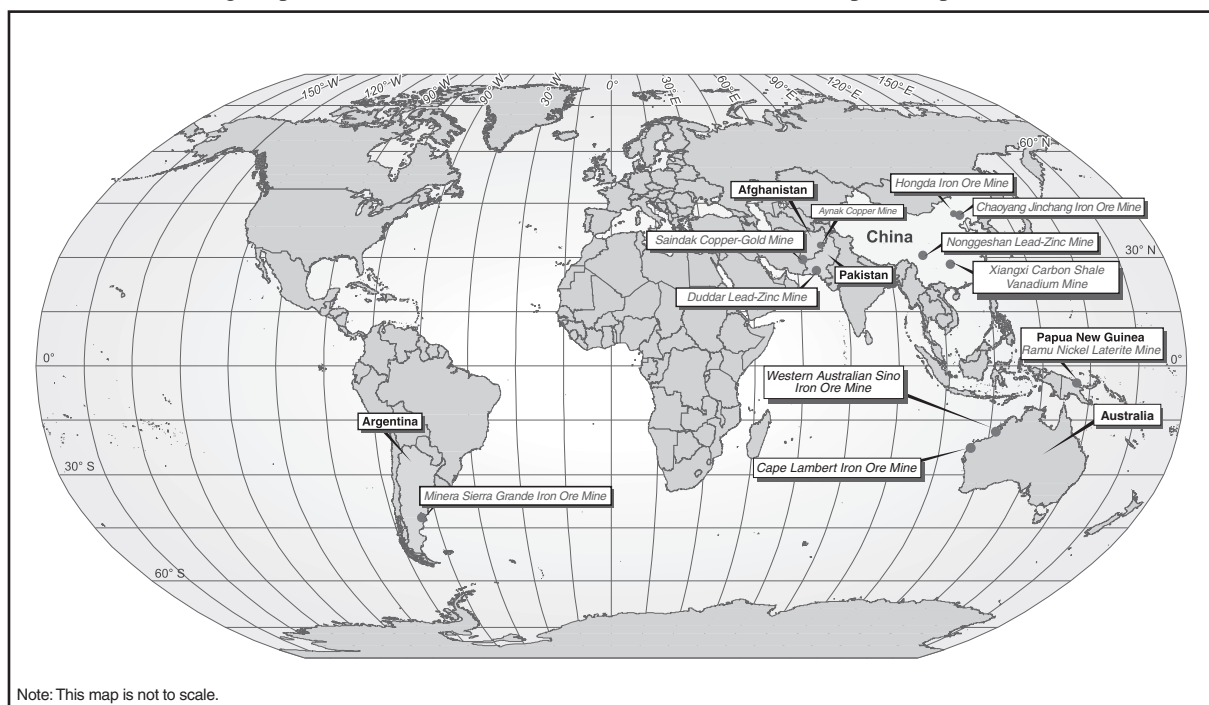
Our resources development business comprises the development, mining and processing of mineral resources and the production of polysilicon. We have a business focus on metallic mineral products, resources

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that are scarce in China and resources development overseas. We are one of the main Chinese enterprises engaging in resources development overseas. In addition to China, we have operations in Afghanistan, Pakistan, Papua New Guinea, Australia and Argentina. We have adopted various investment and operating models for the business, including directly investing in the exploration and mining rights, acquiring overseas mining companies, and entering into leasing arrangements, either on our own or with our business partners.

The principal business activities in our resources development business include: investment, mining, processing, smelting and import and export services. These involve a variety of mineral resources, including primarily iron ore, copper, nickel, zinc, lead, cobalt and gold.

The following map shows the countries in which our resources development operations are located:



Resources Development Projects

The following table summarizes our resources development projects as of the Latest Practicable Date:

Resource	Mine	Type of Mining Interests	Our Interest (Ownership/Leasehold)	Mineral Resources/In Situ Quantities ⁽¹⁾ (Mt)	Ore Reserves/ Mineable Quantities (Mt)	Mining Method	Present Status
Overseas resources development projects							
Iron ore ⁽²⁾	Minera Sierra Grande iron ore mine, Argentina	Mining right	70.0%	199.4	31.3	Underground mining	In operation
	Cape Lambert iron ore mine, Australia	Exploration right	100.0%	1,915.0	1,313.0	Open cut mining	Under development
Copper	Aynak copper mine, Afghanistan	Mining right	75.0%	483.4	349.5	Open cut mining and underground mining	Under development
Copper/gold	Saindak copper-gold mine, Pakistan	Leasehold	10-year leasehold	50.9	49.7	Open cut mining	In operation

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Resource	Mine	Type of Mining Interests	Our Interest (Ownership/Leasehold)	Mineral Resources/In Situ Quantities ⁽¹⁾ (Mt)	Ore Reserves/ Mineable Quantities (Mt)	Mining Method	Present Status
Nickel/cobalt	Ramu nickel laterite mine, Papua New Guinea	Mining right	52.0%	143.2	75.7	Open cut mining	Under development
Zinc/lead	Duddar lead-zinc mine, Pakistan	Mining right	41.0%	14.5	9.1	Underground mining	Under development
Domestic resources development projects							
Iron ore	Chaoyang Jinchang iron ore mine, Liaoning Province	Mining right	85.1%	0.7	—	Open cut mining and underground mining	In operation
	Hongda iron ore mine, Inner Mongolia Autonomous Region	Mining right	48.6%	73.5	—	Open cut mining	In operation
Vanadium	Xiangxi carbon shale vanadium mine, Hunan Province	Mining right	80.0%	Carbon-aceous shale: 71.1; vanadium: 17.1	13.0 ⁽³⁾	Open cut mining and underground mining	In exploration stage
Lead/zinc	Nonggeshan lead-zinc mine, Sichuan Province	Mining right	49.9%	20.4	5.7	Underground mining	Under development

Source: Minarco-MineConsult Report

Notes: (1) Mineral Resources and In Situ Quantities shown above include reserves.

(2) We also expect to own a 20% interest in the Western Australian Sino iron mine, a large-scale iron ore development project that is currently under construction. See “— Overseas Resources Development Projects — Western Australian Sino Iron Mine, Australia.”

(3) Vanadium Mineable Quantity.

Overseas Resources Development Projects

Minera Sierra Grande Iron Ore Mine, Argentina

The Minera Sierra Grande iron ore mine is located in Rio Negro, Argentina. The mining area is approximately 1,251.1 acres.

The project company, MCC Minera Sierra Grande S.A., owns the mining right to this mine for an indefinite term. MCC Minera Sierra Grande S.A. used to be a wholly owned subsidiary of A Grade Trading (USA) Ltd. (“A Grade”), a company incorporated in California, United States. In November 2006, we acquired a 70% equity interest in the project company from A Grade for a consideration of US\$100 million, based primarily on the quality of the mine, the amount of investments made in the construction of the mine and the conditions of the plant and equipment at the site.

The mining concession for this mine covers three deposits, namely, the South, East and North Deposits, among which the North Deposit has an exploration target of 20.0 million tons. The In Situ Quantities and Mineable Quantities of the South Deposit of the Minera Sierra Grande iron ore mine are as follows:

	Total (Mt)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Average Grade		
					Iron (%)	Ferrous-ferric oxide (%)	Phosphorus (%)
In Situ Quantities (non-JORC) . . .	199.4	88.4	38.8	72.2	57.5	68.5	1.3

Source: Minarco-MineConsult Report

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Note: In Situ Quantities shown above includes reserves. Measured, indicated and inferred resources shown above are based on a comparison of non-JORC resources to the JORC Code. These are shown for reference only and should not be considered as JORC compliant or be considered to have the same meaning as stated under the JORC Code. We use the USGS standard in reporting the In Situ Quantities for the Minera Sierra Grande iron ore mine. While the USGS standard has different exploration requirements from the JORC Code, the amounts of resources determined under the USGS standard and the JORC Code do not have any material differences.

	<u>Total</u>	<u>Proven</u>	<u>Probable</u>
	<u>(Mt)</u>	<u>(Mt)</u>	<u>(Mt)</u>
Mineable Quantities (non-JORC)	31.3	11.3	20.0

Source: Minarco-MineConsult Report.

Note: Proven and probable reserves shown above are based on a comparison of non-JORC reserves to the JORC Code. These are shown for reference only and should not be considered as JORC compliant or be considered to have the same meaning as stated under the JORC Code. We use the USGS standard in reporting the Mineable Quantities for the Minera Sierra Grande iron ore mine. While the USGS standard has different exploration requirements from the JORC Code, the amounts of reserves determined under the USGS standard and the JORC Code do not have any material differences.

Apart from the three deposits discussed above, the main assets of the Minera Sierra Grande iron ore mine include an ore crushing and processing plant with an annual capacity of 3.5 million tons of concentrate slurry, a 32.0 km ore slurry pipeline, and a port ship loading facility.

Prior to A Grade’s investment, the mine had ceased production due to the difficulty in reducing the phosphorus content of the concentrate produced and the failure to achieve a high pelletizing capacity. The operation was restarted in 2005. We have conducted various tasks based on conditions of the mine and the market to resume and ramp up production. These include the examination and repair of equipment and facilities for the production lines, capacity testing for the mining plant, trial production of the ore processing production line at full capacity, commencement of run-of-mine ore production at the ore crushing plant, and iron concentrate production at the ore processing plant. The planned run-of-mine ore processing capacity is 3.6 million tons per year. We began preliminary production in the first half of 2009 and produced only approximately 80,000 tons of iron concentrate. We have yet to reach full-scale production. The production output was lower than the amount we had anticipated primarily because of the shortage of water and power supply and the occasional labour strikes for higher wages and benefits. We have been actively seeking solutions via various channels to resolve the water and power shortage problem. We expect that full-scale production will be reached in 2011 to produce 1.8 million tons of run-of-mine ore and 1.3 million tons of iron concentrate per year.

We plan to focus on selling the products to those markets close to the mine as well as selling them to the global market. We will also target large-scale iron and steel enterprises in China which have a large demand for iron concentrates. We have been in active communications with a number of potential customers on product sample analysis, product pricing and potential long-term cooperation.

The major difficulties our operations face 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.

Our total investments in this project (excluding the consideration we paid for the acquisition of the equity interest in the project company) are estimated at approximately US\$93.0 million. As of June 30, 2009, we had invested approximately US\$59.0 million in this project.

Saindak Copper-Gold Mine, Pakistan

The Saindak copper-gold mine is located in Balochistan, Pakistan. The Saindak copper-gold deposit is composed of three major ore bodies in the east, south and north.

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The mine is owned by Saindak Metals Limited. In November 2001, we obtained the right to operate the mine under a leasing arrangement for a period of 10 years beginning from our takeover of the project in October 2002. During the leasing period, we have the right to exploit this mine and sell and export the products. The lease amount payable to Saindak Metals Limited is US\$500,000 each year, which was agreed upon through commercial negotiations between the parties.

The Mineral Resources and Mineable Quantities of the Saindak copper-gold mine are as follows:

	<u>Total</u> (Mt)	<u>Measured</u> (Mt)	<u>Indicated</u> (Mt)	<u>Inferred</u> (Mt)	<u>Average Grade</u>	
					<u>Copper</u> (%)	<u>Gold</u> (g/t)
Mineral Resources (JORC)	50.9	21.6	14.8	14.6	0.47	0.46

Source: Minarco-MineConsult Report

Note: Mineral Resources shown above include reserves.

	<u>Total</u> (Mt)	<u>Cut-off Grade</u> Copper (%)	<u>Average Grade</u>	
			<u>Copper</u> (%)	<u>Gold</u> (g/t)
Mineable Quantities (non-JORC)	49.7	0.25	0.45	0.47

Source: Minarco-MineConsult Report

Note: We use the geological reserves standard published by the PRC Government in reporting the Mineable Quantities for the Saindak copper-gold mine. Whilst no JORC compliant reserves have been estimated, the likely result would be of a similar order of magnitude to the current estimates of Mineable Quantities.

The assets of the Saindak copper-gold mine include a mining plant with a planned mining capacity of 5.3 million tons per year, an ore processing plant with a planned production capacity of 81,500 tons of copper concentrate per year, a smelting plant, as well as ancillary facilities including power generation facilities, water supply facilities and laboratories.

Copper ores extracted from the mine are first processed into copper concentrate, which is then smelted into blister copper for sale. Our production commenced in August 2003. The output and sales volume of blister copper during 2007, 2008 and the six months ended June 30, 2009 were as follows:

<u>Period</u>	<u>Output of Blister Copper</u> (Tons)	<u>Sales Volume of Blister Copper</u> (Tons)
2007	18,277.0	18,410.0
2008	17,861.4	17,824.6
January-June 2009	8,240.0	5,600.0

We generally enter into one-year sales agreements with our customers. We plan to sell our products globally, with priority to China market under same price and other terms.

Our operations at the Saindak copper-gold mine currently benefit from a number of preferential policies implemented by the government of Pakistan, such as those relating to the special export zone, duty-free imports and reduced-tariff exports. There is no limitation on the export of mineral products. However, we have to deal with the disadvantages of a long-distance ground transportation in Pakistan, but we have not been materially affected by any serious issues relating to such transportation or other logistics-related difficulties.

As of June 30, 2009, we had invested approximately US\$28.2 million in this project.

Ramu Nickel Laterite Mine, Papua New Guinea

The Ramu nickel laterite mine project is located in Papua New Guinea and covers an area of approximately 249 sq.km.

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We and Jilin Jien Nickel Industry Co., Ltd. together invested US\$670 million to acquire 85% of the interest in this mine, of which we and Jilin Jien Nickel Industry Co., Ltd. shared an 80% interest and a 20% interest, respectively. The amount of consideration was primarily based on the result of our feasibility report conducted for the purpose of making such investment. The remaining 15% interest in the mine is held by Ramu Nickel Limited, Mineral Resources Ramu Limited (“MRRL”) and Mineral Resources Madang Limited (“MRML”), among which MRRL and MRML are wholly owned subsidiaries of the Mineral Resources Development Company of Papua New Guinea. In July 2007, Jinchuan Group Ltd. and Jiuquan Iron & Steel (Group) Co., Ltd. joined Jilin Jien Nickel Industry Co., Ltd. and us. These four entities established the MCC-JJJ Mining Development Company Limited for this project, in which our interest dropped to 61% from 80%. The mine is currently operated by MCC Ramu NiCo Limited, a wholly owned subsidiary of MCC-JJJ Mining Development Company Limited, through another wholly owned subsidiary of our Company, Ramu NiCo Management (MCC) Ltd., which has been appointed as the project management company in charge of the construction, development and operations of the project. The operating period is expected to be 40 years beginning from 2000.

The Mineral Resources and Ore Reserves of the Ramu nickel laterite mine are as follows:

	<u>Total</u> (Mt)	<u>Measured</u> (Mt)	<u>Indicated</u> (Mt)	<u>Inferred</u> (Mt)	<u>Average Grade</u>	
					<u>Nickel</u> (%)	<u>Cobalt</u> (%)
<u>Mineral Resources (JORC)</u>	143.2	42.4	29.8	71.0	1.0	0.1

Source: Minarco-MineConsult Report
 Note: Mineral Resources shown above include Ore Reserves.

	<u>Total</u> (Mt)	<u>Proved</u> (Mt)	<u>Probable</u> (Mt)	<u>Average Grade</u>	
				<u>Nickel</u> (%)	<u>Cobalt</u> (%)
<u>Ore Reserves (JORC)</u>	75.7	39.7	36.0	0.9	0.1

Source: Minarco-MineConsult Report

The assets of the Ramu nickel laterite mine include a mining plant with a planned annual capacity to process 3.4 million tons of ores, an ore processing plant, an ore refinery plant, a slurry ore warehouse, and a nickel-cobalt mixed hydroxide smelting plant.

The construction commenced in November 2006 and is scheduled to be completed in late 2009 followed by a trial production. Full production and sales are scheduled to commence in 2010. The main products will be nickel-cobalt mixed hydroxides. We plan to target China as our key market and our potential customers may include Jinchuan Group Ltd., one of our co-investors. We have begun discussion with Jinchuan Group Ltd. regarding potential sales and distribution arrangements.

Papua New Guinea generally imposes strict requirements on environmental protection. However, there is generally no significant limitation on export or transportation. We generally give priority to local residents and companies when selecting our labor and service providers.

Total investments in the construction of this mine are expected to be approximately US\$1,374.0 million, which will be funded by the Chinese shareholders including us. As of June 30, 2009, we had invested approximately RMB5,877.8 million in this project.

Duddar Lead-Zinc Mine, Pakistan

The Duddar lead-zinc mine project is located in the Kanraj Valley in Balochistan, Pakistan, which is approximately 135 km north of Karachi, the largest city in Pakistan. The mining area is approximately 1,500 acres.

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In 2003, we obtained a 10-year mining right to this project from the Pakistan Mineral Development Corporation, a company controlled by the Pakistan Ministry of Petroleum and Natural Resources. We subsequently obtained a 20-year mining permit beginning from 2004 from the government of Pakistan. The mine is operated by MCC Duddar Minerals Development Co., (Pvt) Ltd. in which we indirectly hold a 41% equity interest through our wholly owned subsidiary MCC Tongsin Resources Ltd. Other shareholders include Hunan Zhuzhou Non-ferrous Metals Smelter Co., Ltd. and Hunan Huangshaping Lead and Zinc Mine Co., Ltd., both of which are subsidiaries of Hunan Non-ferrous Metals Holding Group Co., Ltd. MCC Duddar Minerals Development Co., (Pvt) Ltd. is entitled to receive, after recovering its total investments, an amount equal to 75 to 80% of the profits of the mine each year.

The Mineral Resources and Mineable Quantities of the Duddar lead-zinc mine are as follows:

	<u>Total</u> (Mt)	<u>Measured</u> (Mt)	<u>Indicated</u> (Mt)	<u>Inferred</u> (Mt)	<u>Average Grade</u>	
					<u>Zinc</u> (%)	<u>Lead</u> (%)
<u>Mineral Resources (JORC)</u>	14.5	—	9.3	5.2	9.9	3.4

Source: Minarco-MineConsult Report

Note: Mineral Resources shown above include reserves.

	<u>Total</u> (Mt)	<u>Average Grade</u>		<u>Metal Content</u>	
		<u>Zinc</u> (%)	<u>Lead</u> (%)	<u>Zinc</u> (kt)	<u>Lead</u> (kt)
<u>Mineable Quantities (non-JORC)</u>	9.1	9.3	3.0	849.0	273.0

Source: Minarco-MineConsult Report.

Note: Whilst no JORC compliant reserves have been estimated, the likely result would be of a similar order of magnitude to the current estimates of Mineable Quantities.

The main assets of the Duddar lead-zinc mine include an underground mine with a planned annual capacity of 660,000 tons per year, an ore processing plant with a planned annual production capacity of 97,200 tons of zinc concentrate with an average zinc grade of 55% and 22,000 tons of lead concentrate with an average lead grade of 67%, tailings facilities, and related ancillary facilities.

The main products of this mine are lead concentrate and zinc concentrate. Currently, the mine is ready to commence full production. The production commencement date is subject to the market conditions. We have not entered into any sales contracts. We plan to target our future sales at the Chinese market, particularly to our business partners, and also to expand our international market.

Our operations at the Duddar lead-zinc mine currently benefit from a number of preferential policies implemented by the government of Pakistan, such as those relating to the special export zone, duty-free imports and reduced-tariff exports. There is no limitation on the export of mineral products.

Total investments in the Duddar lead-zinc mine project are estimated at approximately US\$113.0 million. As of June 30, 2009, we had invested approximately US\$94.2 million in this project.

Aynak Copper Mine, Afghanistan

The Aynak copper mine is located at the north side of Logar Province in the central eastern part of Afghanistan. The mine area is approximately 5 sq.km. The copper mine consists of two mining areas, namely the Middle District and the Western District, which are approximately 1.5 to 2 km apart.

The Aynak copper mine project is wholly owned by MCC Jiangxi Copper Aynak Mining Co., Ltd., which won the tender in 2008 for the exploration and mining rights for this project for a consideration of US\$808 million. We hold a 75% equity interest in that company through our wholly owned subsidiary, MCC Tongsin Resources Ltd., and Jiangxi Copper Co., Ltd. holds the remaining 25% equity interest. Jiangxi Copper Co., Ltd. is the largest copper

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producing base in the PRC. The bidding price was based on the feasibility report issued by China Enfi Engineering Corporation, a subsidiary in which we hold a 90% equity interest. We paid US\$80.8 million, or 10% of the consideration, upon execution of the contract in 2008 and will pay another 20% of the consideration within two years after the execution of the contract and pay the remaining balance within five years.

The development period of the Aynak copper mine is expected to be five years. According to the agreement on mineral development entered into between a consortium formed by us and Jiangxi Copper Co., Ltd. and the government of Afghanistan in April 2008, the contract period is 30 years and is renewable upon its expiration, until the mineral deposits are exhausted.

The In Situ Quantities and Mineable Quantities of the Aynak copper mine are as follows:

	<u>Total</u> (Mt)	<u>Measured</u> (Mt)	<u>Indicated</u> (Mt)	<u>Inferred</u> (Mt)	<u>Average Grade</u> <u>Copper</u> (%)
In Situ Quantities (non-JORC)	483.4	—	243.6	239.8	1.85

Source: Minarco-MineConsult Report

Note: In Situ Quantities shown above includes reserves. Measured, indicated and inferred resources shown above are based on a comparison of non-JORC resources to the JORC Code. These are shown for reference only and should not be considered as JORC compliant or be considered to have the same meaning as stated under the JORC Code. We use the Russian Resource Code for reporting the In Situ Quantities for the Aynak copper mine.

	<u>Middle District</u>	<u>Western District</u>	<u>Total</u>
Mineable Quantities (non-JORC) (Mt)	155.4	194.1	349.5
Copper grade (%)	1.1	1.3	1.2
Copper metal (Kt)	1,751.4	2,525.8	4,277.2

Source: Minarco-MineConsult Report

Note: Whilst no JORC compliant reserves have been estimated, the likely result would be of a similar order of magnitude to the current estimates of Mineable Quantities.

We have started the survey and design of this mine. Construction is expected to commence in the second half of 2009. The open pit mining preparation, ore processing work and ancillary work are expected to be completed in 2011. Upon the completion of construction, the mine is expected to produce 220,000 tons of electrolytic copper per year, 100,000 tons of copper concentrate per year, and 300,000 tons of sulfuric acid (100%) per year. According to the joint development agreement of Aynak mine between us and Jiangxi Copper Co., Ltd., unless we need the products for our own operation purposes, Jiangxi Copper Co., Ltd. would have the right of first refusal to purchase up to all of the products of the mine. However, if we need the products, Jiangxi Copper Co., Ltd. would have the right of first refusal to purchase at least 50% of the products.

All goods and materials needed for the construction and future products are generally transported by highway transportation. Since Afghanistan is in an inland country, transportation time is long and the logistics might be interrupted if there are local safety issues. Other factors that may affect our business and operation include terrorist attack, unstable labor force and robbery of goods in transit.

MCC Jiangxi Copper Aynak Mining Co., Ltd. is responsible for the costs of infrastructure construction, including power and water supply. It has agreed to undertake certain social responsibilities, including the provision of housing and medical benefits for the local employees in Afghanistan and their direct family members and the construction of schools for the employees’ children and residents in the mining area. MCC Jiangxi Copper Aynak Mining Co., Ltd. has also agreed to pay compensation in accordance with the laws of Afghanistan and internationally recognized principles of fairness and reasonableness to those local residents adversely affected by the mining activities in Aynak and the surrounding areas, including, for example, the relocated residents.

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Total investments of approximately US\$4.4 billion are estimated to be required to complete the project, which will be used for the construction of the mining area, the ore processing plant area and the smelting plant area and for other purposes mentioned above.

Cape Lambert Iron Ore Mine, Australia

The Cape Lambert iron ore mine project is located in the Pilbara region of Western Australia. The main deposit consists of three zones, namely the Northern, Central and Southern Regions.

We acquired 100% interest in the project from Cape Lambert Iron Ore Ltd. and its subsidiary via a wholly owned subsidiary of our Company, MCC Mining (Western Australia) Pty Ltd. The consideration for the acquisition was 400 million Australian dollars, of which we had paid 320 million Australian dollars in 2008. We consider the acquisition price acceptable based on our analysis of iron ore market prices and the report of an independent evaluation company engaged by us.

The Cape Lambert mine is composed mainly of four parts. The respective exploration permits are E47/1462, E47/1271, E47/1233 and E47/1248. These four exploration rights can be converted into mining rights. The western part of the mining area has magnetite mineral resources of 1,915 million tons, with an average iron grade of 30.7%. These include indicated resources of 1,434 million tons and inferred resources of 481 million tons. Apart from the identified resources in the western part, the project may also include an unknown amount of resources in the surrounding area of 151 sq.km.

The Mineral Resources and Mineable Quantities of the Cape Lambert iron ore mine are as follows:

	<u>Total</u> (Mt)	<u>Measured</u> (Mt)	<u>Indicated</u> (Mt)	<u>Inferred</u> (Mt)	<u>Average Grade</u> <u>Iron</u> %
Mineral Resources (JORC)	1,915	—	1,434	481	30.7%

Source: Minarco-MineConsult Report

Note: Mineral Resources shown above include reserves.

	<u>Southern</u> (Mt)	<u>Central</u> (Mt)	<u>Northern</u> (Mt)	<u>Total</u> (Mt)	<u>Average Grade</u> <u>Iron</u> (%)
Mineable Quantities (non-JORC)	606	486	221	1,313	29.5

Source: Minarco-MineConsult Report

Note: Mineable Quantities is composed of inferred and indicated JORC resources. These are not JORC reserves. Inferred resources cannot be used to estimate Ore Reserves under the JORC Code.

Currently, preliminary work for the construction of the mine is being conducted. Other ongoing work includes the feasibility study and environment protection assessment. Approximately two years of pre-strip is planned to take place at Cape Lambert. The period of servicing of the mine is limited to 30 years. The mine has a planned annual production capacity of 15 million tons of iron concentrates, producing 48 million tons of iron ore each year. So far we have not entered into any long-term sales contracts. We plan to target at the Chinese market for our future sales.

We experience various difficulties in relation to our operations in Australia, 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.

Total investments in the project, including the acquisition cost, are expected at approximately 3,773 million Australian dollars. As of June 30, 2009, we had invested approximately 370 million Australian dollars (including the consideration for the mining rights) in this project. We intend to use our own capital funds and available bank

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loans to fund the remaining capital expenditure of the project, which will be invested over the period from 2011 to 2013.

Western Australian Sino Iron Ore Mine, Australia

The Western Australian Sino iron ore mine project is a large-scale iron ore project located in the Pilbara region of Western Australia near the mouth of the Fortescue River.

This project is wholly owned indirectly by Sino Iron Holdings Pty Ltd., which is 100% held by CITIC Pacific Limited through two wholly owned subsidiaries. Pursuant to a transfer agreement entered into in August 2007 between the Parent and one of the two wholly owned subsidiaries of CITIC Pacific Limited, the Catak Enterprises Corp. (the “Transferring Subsidiary”), the Parent agreed to acquire an equity interest of up to 20% in Sino Iron Holdings Pty Ltd. The Parent has subsequently agreed to transfer all its interest and obligations so acquired to our Company pursuant to a confirmation letter signed by the Parent, our Company and the Transferring Subsidiary in May 2009, subject to obtaining all necessary regulatory approvals. Such transfer has been approved by the NDRC, the MOFCOM and the Australian Foreign Investment Regulation Board but the transfer has not been closed. We currently do not anticipate any legal impediment to such transfer.

Currently, part of the fundamental design work has been launched, and other tasks relating to testing, major mining equipment, water supply, power, port, camp and the transportation system of certain materials, among others, have been implemented. Construction work has been gradually carried out as well. The first production line is expected to be launched in September 2010. In addition, our Company also provides engineering and construction services for this project. See “Business — Engineering and Construction — Representative Overseas Projects — Projects Under Construction.”

According to the evaluation by CITIC Pacific Limited, which is to further adjustments, total investments in the Western Australian Sino iron ore mine project are currently estimated at approximately US\$4.4 billion. Our total investment in this project will amount to 20% of its total investments. We intend to use our own capital funds and available bank loans to fund our investment in this resources development project.

Domestic Resources Development Projects

Chaoyang Jinchang Iron Ore Mine, Liaoning Province

The Chaoyang Jinchang iron ore mine is located in Yingkou City, Liaoning Province. The project consists of three mining areas, namely the Guanfen iron ore mine, Wutaigou iron ore mine and Songzhangzi iron ore mine.

This project is operated by Chaoyang Jinchang Mining Group Co., Ltd., which is 100% owned by our subsidiary MCC Northern Engineering & Technology Corporation, in which we hold a 85.1% equity interest. We acquired the 100% equity interest in the mine for a consideration of RMB98 million which was fully paid as of June 30, 2009. The mining right permit for Chaoyang Jinchang iron ore mine will expire on January 5, 2010. We will apply for the extension of such permit according to applicable laws and regulations after its expiration. We currently do not anticipate any legal impediment to such extension.

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The In Situ Quantities of the Chaoyang Jinchang iron ore mine is as follows:

<u>In Situ Quantities (non-JORC)</u>	<u>Total</u>	<u>Measured</u>	<u>Indicated</u>	<u>Inferred</u>	<u>Average Grade</u>
	<u>(Kt)</u>	<u>(Kt)</u>	<u>(Kt)</u>	<u>(Kt)</u>	<u>Iron</u> <u>(%)</u>
Wutaigou Iron Mine	193.3	55.9	22.3	115.1	29.7
Songzhangzi Iron Mine	475.7	39.7	276.5	159.5	32.5

Source: Minarco-MineConsult Report

Note: In Situ Quantities shown above includes reserves. Measured, indicated and inferred resources shown above are based on a comparison of non-JORC resources to the JORC Code. These are shown for reference only and should not be considered as JORC compliant or be considered to have the same meaning as stated under the JORC Code.

The Chaoyang Jinchang iron ore mine is currently in operation and produces primarily iron and magnetite concentrates. The planned production capacity is 200,000 tons of iron concentrate per year. In 2007, the output of iron concentrate was 90,002 tons and the sales volume was 74,432 tons, representing 82.7% of the total output. In 2008, the output of iron concentrate was 57,974 tons and the sales volume was 46,539 tons, representing 80.3% of the total output. We sell our products domestically at prevailing local market prices.

As of June 30, 2009, the total investments in this mine are RMB98 million which has been fully paid. We do not have additional investments in this project other than the consideration we paid for acquiring the mine. The mine is currently operated on its own cash flow.

Hongda Iron Ore Mine, Inner Mongolia Autonomous Region

The Hongda iron ore mine is located in Ningcheng County, Inner Mongolia Autonomous Region and covers an area of approximately 1.3 sq.km.

The Hongda iron ore mine is operated by Ningcheng County Hongda Mining Co., Ltd., which is 54% owned by our subsidiary MCC Jingtang Construction Corp., Ltd., in which we hold a 90% equity interest. Hebei Steel Group Mining Co., Ltd. holds the remaining 46% equity interest of Ningcheng County Hongda Mining Co., Ltd. Hebei Steel Group Mining Co., Ltd. is a wholly owned subsidiary of Hebei Steel Group and is located in Tangshan, Hebei Province. Hebei Steel Group Mining Co., Ltd. is a large state-owned corporation focused on the selection and processing of iron ore. We paid a consideration of approximately RMB64.9 million to obtain the 54% equity interest which was based on the feasibility report for this mine.

Our mining right will expire in June 2010. We plan to apply for the extension of such right before June 2010. Such extension will not cost us extra fees. We currently do not anticipate any legal impediment to such extension.

The In Situ Quantities of the Hongda iron ore mine is as follows:

<u>In Situ Quantities (non-JORC)</u>	<u>Total</u>	<u>Measured</u>	<u>Indicated</u>	<u>Inferred</u>	<u>Average Grade</u>	
	<u>(Mt)</u>	<u>(Mt)</u>	<u>(Mt)</u>	<u>(Mt)</u>	<u>Hematite</u> <u>(%)</u>	<u>Magnetite</u> <u>(%)</u>
.	73.5	23.7	38.8	10.9	12.6	5.1

Note: In Situ Quantities shown above includes reserves. Measured, indicated and inferred resources shown above are based on a comparison of non-JORC resources to the JORC Code. These are shown for reference only and should not be considered as JORC compliant or be considered to have the same meaning as stated under the JORC Code.

The main assets of the Hongda iron ore mine include an open cut mine with annual production capacity of 12 Mt of iron ore and magnetite ore, two crushing plants and two processing plants.

We produce primarily iron ore and magnetite ore from this mine that are further processed into magnetite concentrate. Production of the Hongda iron ore mine started in 2006 but had been temporarily suspended due to the decrease in iron ore prices and the difficulty in generating a positive return at such prices. However, in view of the recent recovery in market conditions, we resumed production in July 2009. In 2007, the output of magnetite

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concentrate was 217,000 tons and the sales volume was 200,000 tons, representing 92.2% of the total output. In 2008, the output of magnetite concentrate was 410,048 tons and the sales volume was 313,215 tons, representing 76.4% of the total output.

The products have been sold domestically so far. We sell the products primarily to Hebei Steel Group Mining Co., Ltd. based on market prices.

Total investments in the Hongda iron ore mine were estimated at approximately RMB360 million, all of which have been fully paid. For the six months ended June 30, 2009, we had also made an additional investment of approximately RMB15.4 million in the Hongda iron ore mine for funding operational expenditures.

Nonggeshan Lead-Zinc Mine, Sichuan Province

The Nonggeshan lead-zinc mine project is located in Ganzi District, Sichuan Province and covers an area of 0.4 sq.km.

This project is operated by Sichuan Nonggeshan Multi-Metal Mining Co., Ltd., which is 51% owned by our subsidiary, MCC Huaye Resources Development Co., Ltd., in which we hold a 97.9% equity interest. The remaining 49% interest of the mine is held by Sichuan Ganzi District Yadide Mines Construction Co., Ltd.

The operating period will last until 2028. Through a bidding process, we obtained the exploration rights with respect to the Nonggeshan led-zinc mine for a consideration of approximately RMB10.7 million. Subsequently, we obtained a mining license and engaged in the exploration of the Nonggeshan led-zinc mine with our own capital.

The In Situ Quantities and Mineable Quantities of the Nonggeshan lead-zinc mine are as follows:

	<u>Total</u> (Mt)	<u>Measured</u> (Mt)	<u>Indicated</u> (Mt)	<u>Inferred</u> (Mt)	<u>Average Grade</u>		
					<u>Lead</u> (%)	<u>Zinc</u> (%)	<u>Silver</u> (g/ton)
In Situ Quantities (non-JORC)	20.4	3.9	3.2	13.3	1.8	1.4	16.6

Source: Minarco-MineConsult Report

Note: In Situ Quantities shown above includes reserves. Measured, indicated and inferred resources shown above are based on a comparison of non-JORC resources to the JORC Code. These are shown for reference only and should not be considered as JORC compliant or be considered to have the same meaning as stated under the JORC Code.

	<u>Total</u> (Mt)	<u>Average Grade</u>		
		<u>Lead</u> (%)	<u>Zinc</u> (%)	<u>Silver</u> (g/ton)
Mineable Quantities (non-JORC)	5.7	2.47	1.48	17.4

Source: Minarco-MineConsult Report

Note: There is an additional 12.3 Mt which is not considered of high enough confidence to include as Mineable Quantities.

The project is currently at the development stage and is expected to commence production in 2013. As the mine is located in high altitude areas which makes construction work difficult, particularly during the winter, the exact production commencement date is still uncertain at this stage. The main products of this mine will be high-density lead ore and silver-bearing zinc ore with a trace amount of silver. We plan to target domestic smelting enterprises as our principal customers.

Total investments in this project are estimated at approximately RMB328.5 million. As of June 30, 2009, we had invested a total of RMB51.3 million in the project.

Xiangxi Carbon Shale Vanadium Mine, Hunan Province

The Xiangxi carbon shale vanadium mine is located in Luxi County, Xiangxi District, Hunan Province and covers an area of 2.9 sq.km.

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This mine is operated by our subsidiary MCC Xiangxi Mine Co., Ltd., in which we hold an 80% equity interest. The remaining 20% interest is held by Shanghai Guoye (Group) Co., Ltd., a private enterprise with a long-term cooperative relationship with us. The mining rights were initially obtained by Shanghai Guoye (Group) Co., Ltd. Shanghai Guoye (Group) Co., Ltd. subsequently injected the mining rights into MCC Xiangxi Mine Co., Ltd., which has a registered capital of RMB60 million, in exchange for its 20% interest. The exploration and mining rights will expire in April 2015.

The In Situ Quantities and Mineable Quantities of the Xiangxi carbon shale vanadium mine are as follows:

	<u>Total</u>	<u>Average Grade</u>
	(Mt)	Vanadium Oxide (%)
Vanadium In Situ Quantities (non-JORC)	17.1	0.8

Source: Minarco-MineConsult Report

Note: In Situ Quantities shown above includes reserves.

	<u>Total</u>	<u>Average Grade</u>	<u>Vanadium Concentrate</u>
	(Mt)	Vanadium Oxide (%)	(Kt)
Vanadium Mineable Quantities (non-JORC)	13.0	0.8	104

Source: Minarco-MineConsult Report

The main products of this project are vanadium pentoxide. The Chinese government used to impose restrictions on the development of vanadium resources, which has caused a delay to the execution of our development plan for this mine. Such restrictions were removed in March 2009 subject to the review and approval of the development plan of individual mines by relevant local government authorities. As of June 30, 2009, the exploration and the regulatory filing procedures had been completed, but the construction had not commenced. We expect that it will take approximately six months to complete the design and another year to complete the construction upon the approval of the current development plan and the obtaining of required funding.

Our target customers will be large-scale iron and steel enterprises such as Baosteel and chemical industry enterprises in China. We also plan to export our products to the international market.

Total investments in Phase I of the project are estimated at approximately RMB240 million. As of June 30, 2009, we had invested approximately RMB7 million in this project.

Exploration Rights and Mining Rights

As of June 30, 2009, we had obtained the following principal mining rights:

<u>Mining Area</u>	<u>Certificate No.</u>	<u>Duration</u>
<i>Domestic</i>		
Hongda iron ore mine	1500000510461	June 2005 – June 2010
Nonggeshan lead-zinc mine	5100000810159	Mar. 2008 – Mar. 2028
Xiangxi carbon shale vanadium mine	4331220510288	Apr. 2005 – Apr. 2015
Chaoyang Jinchang iron ore mine	2100000910006	Jan. 2009 – Jan. 2010

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<u>Mining Area</u>	<u>Certificate No.</u>	<u>Duration</u>
<i>Overseas</i>		
Duddar lead-zinc mine	ML-100(132) (lease agreement)	Dec. 2004 – Dec. 2024
Ramu nickel laterite mine	No. 8 Special Mining Lease Agreement	July 2000 – July 2040
Sierra Grande iron ore mine	129696M1948; 129695M1948; 138102M1949; 44521M1959; 157259M1963; 152127M1975	Indefinite term
Aynak copper mine	No.03/87	30 years
Saindak copper-gold mine	Lease agreement	10 years

As of June 30, 2009, we had obtained the following principal rights to explore mineral ores overseas:

<u>Exploration Area</u>	<u>Certificate No.</u>	<u>Permit Grant Date</u>	<u>Term</u>
Cape Lambert iron ore mine	47-1462	March 24, 2006	5 years
	47-1271	September 6, 2006	5 years
	47-1233	November 17, 2005	5 years
	47-1248	January 23, 2006	5 years

Smelting and Processing

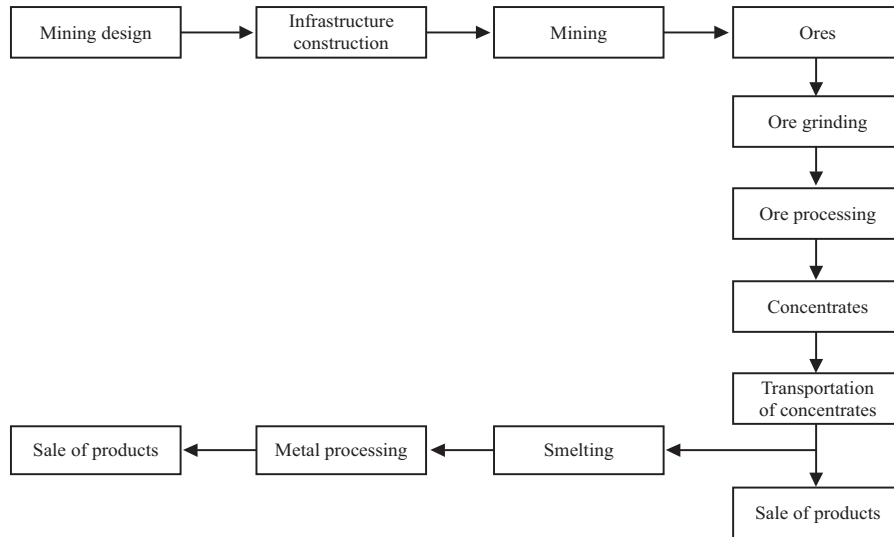
Our subsidiary, Huludao Nonferrous Metals Group Co., Ltd., has the capabilities to smelt zinc, lead and copper. With an output of 349,600 tons of zinc products in 2008, it is one of the largest zinc smelting enterprises in Asia. We also have smelting capabilities at some of our mining locations.

In addition, our subsidiary, Luoyang Zhonggui High-Technology Co., engages in the production of polysilicon. Its annual production capacity of polysilicon reached 3,000 tons in 2008, which was among the largest in China. In 2009, it commenced the construction of a new polysilicon production line with an annual production capacity of 2,000 tons. Production is expected to commence in 2010, raising the total capacity of polysilicon production to 5,000 tons per year.

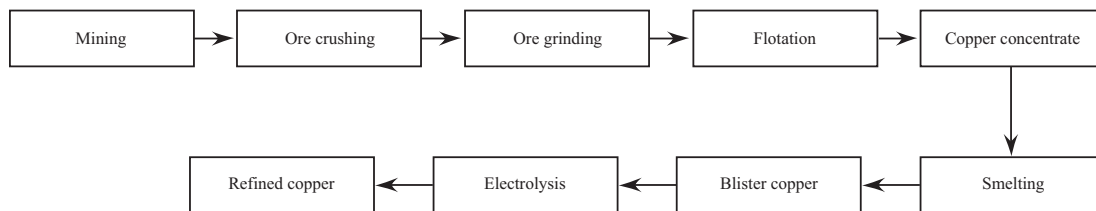
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Business Process

Our resources development operations generally involve the mining and smelting of mineral resources. All our products require processing before final sale. The following diagram shows the general business process involved in our resources development business:



We use different smelting processes to smelt different metals. These primarily include the thermal reduction process and the electrolysis process. The following diagram shows our copper ore smelting process to illustrate our smelting operations:



Procurement and Supplies

We have different suppliers of materials, equipment and energy for our different resources development projects. The main raw materials and other consumables we use in our resources development business include: electricity, fuels, explosives, water and chemicals. We order and purchase production equipment in accordance with the requirements of the design of our resources development projects. This includes primarily exploration equipment, mining equipment, ore processing equipment and transportation equipment. We import various types of major high-tech mining equipment, including large-scale ore grinding machines, filtering machines and electric control equipment. We primarily use electric power as the source of energy for production. We usually procure electric power locally and enter into long-term supply agreements with our electricity suppliers.

Customers, Sales and Marketing

The majority of our resources development projects are under construction. Currently, production has commenced at the Saindak copper-gold mine in Pakistan, Chaoyang Jinchang iron ore mine in Liaoning Province, and Hongda iron ore mine in the Inner Mongolia Autonomous Region. We sell our products from the Saindak copper-gold mine primarily to customers overseas. The Chaoyang Jinchang iron ore mine and Hongda iron ore

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mine sell principally to the domestic market in China. In addition, we have begun preliminary production of the Minera Sierra Grande Iron Ore Mine in Argentina in the first half of 2009. With respect to the mines at the construction stage, their market positioning and sales strategies will be further determined based on the market conditions and their own characteristics upon the commencement of production. We determine the prices of our mineral products primarily based on the prevailing prices in the international and domestic markets.

Competition

Enterprises intending to engage in resources development are generally required to make significant investments. Under the current market conditions, particularly as competition is intense, resources development enterprises compete in terms of capital resources, mineral resources, production scale, technological equipment, and experience in production management. We engage primarily in the mining and smelting of key metallic resources such as iron ore, copper, nickel and zinc. Companies carrying out similar businesses domestically include mainly large-scale non-ferrous metallic resources development companies such as Jiangxi Copper Co., Ltd., Yunnan Copper Co., Ltd. and Jinchuan Group Ltd., as well as certain subsidiaries of large-scale iron and steel enterprises that engage in the development of iron ore. We hold mining interests in iron ore resources of over 2 billion tons, copper resources of approximately 400 million tons and nickel resources of 70 million tons, each of which is among the largest amounts held by domestic competitors. See “— Resources Development Projects” for detailed information on the amount of resources in which we hold mining interest with respect to iron ore, copper and nickel.

Due to the increased demand for metallic mineral resources resulting from global economic growth, as well as the non-renewability and regional distribution of metallic mineral resources, many countries and large international mining companies are competing strategically to obtain mineral resources from around the world. Many large international mining companies have advantages over us in terms of capital resources, talent, technology, management capability and experience. Meanwhile, local mining companies may be in a better position to access certain mineral resources because of their better understanding of the local market, stronger relationships with the local government or certain favorable local government policies. As a key domestic enterprise engaging in overseas resource development, we possess certain advantages in capital resources, technology and experience, among other areas, as compared to domestic resources development enterprises and are in a relatively strong position to acquire overseas resources.

EQUIPMENT MANUFACTURING

Overview

Our equipment manufacturing business primarily consists of the development and production of metallurgical equipment, steel structures and other metal products. These products are mainly used in metallurgical engineering and construction projects and building construction projects. The scope of our business includes research and development, design, manufacture, sale, installation, testing and maintenance of such products, as well as certain relevant services.

Principal Products

Metallurgical Equipment

We are a large-scale manufacturer of metallurgical equipment in China. Our metallurgical equipment products include:

- Various rolling mills, including cold and hot plate rolling and strip rolling mills, bar rolling and wire rolling mills and special rolling mills of certain specifications;

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- Equipment for steel strip processing lines, including equipment for various types of steel strip processing lines, degreasing, acid cleansing and brushing equipment, pay-off reel machines, coiling machines and leveling machines; and
- Ancillary equipment, including cutting equipment, hard gear transmission boxes, high-pressure hydro dephosphorization equipment, slab caster equipment, coil and plate transportation equipment, forging press and certain spare parts for metallurgical and mining equipment.

Steel Structures

We are the largest manufacturer of steel structures in China in terms of output in 2008, according to the China Steel Construction Society. Our principal steel structure products include:

- Construction steel structures, including high-rise steel structures, residential steel structures, towers and mast steel structures, grid structures and light-weight portal frames; and
- Special steel structures, including pressure vessels, spherical tanks and blast furnace bodies.

Our construction steel structure products are primarily used to construct large exhibition centers, sports stadiums, airport terminals and plant facilities. Our special steel structure products are primarily used to construct production lines for the metallurgical and chemical industries.

As a significant portion of our steel structure products are directly provided for our engineering and construction projects, part of our revenue generated from the production of steel structures was accounted for as revenue of our engineering and construction business.

Manufacturing Facilities

The following table shows the area and major products of our main manufacturing facilities as of June 30, 2009:

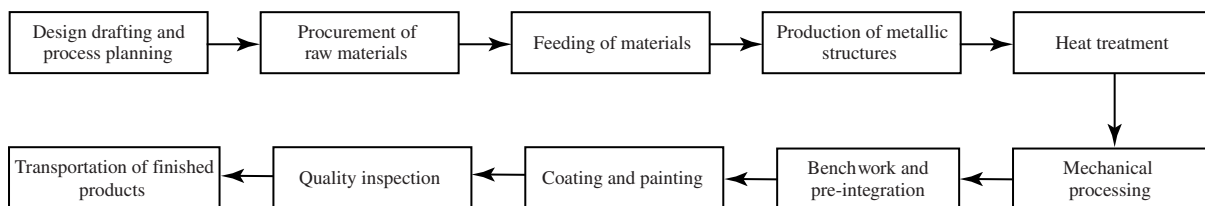
Name	Area (sq.m.)	Major products and services
MCC Jingtang Construction Corporation Limited	88,500	Steel structures and welded steel mesh; processing of equipment manufacturing machinery and welding of high pressure vessels
MCC-SFRE Heavy Industry Equipment Co., Ltd.	64,278	Large-scale integrated precision plate and strip rolling equipment and integrated plate and strip processing equipment
MCC Baosteel Technology Services Co., Ltd.	30,470	Repair of engineering equipment, automobiles and transportation vehicles; manufacturing and repair of metallurgical equipment; specialty equipment, engineering equipment, electromechanical equipment, metal products and steel structure components
CISDI Heavy Machinery Co., Ltd.	20,038	Large-scale integrated metallurgical equipment, hydraulic lubrication equipment, industrial ovens, automatic control electronic equipment and general machinery equipment
Beijing MCC Equipment Research & Design Corporation Ltd.	23,357	Metal smelting equipment, metal rolling equipment, steel structures and spherical joints
MCC Liaoning Dragon Pipe Industries Co., Ltd.	46,717	Long-diameter spiral welded pipes and straight seam electric resistance welded pipes; processing of oil casing pipes and inside and outside anti-corrosion and thermal insulation of pipes

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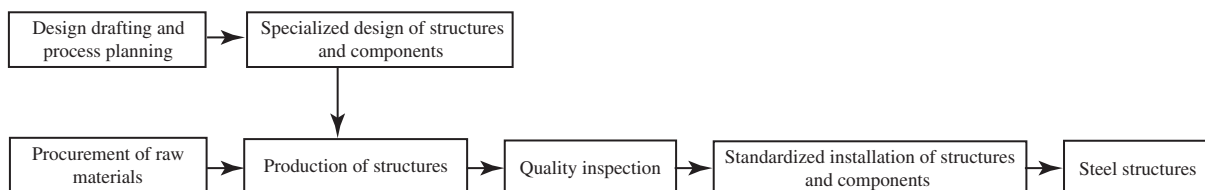
Manufacturing Process

The following diagrams show the general manufacturing process of our metallurgical equipment and steel structures:

Metallurgical Equipment



Steel Structures



Procurement and Supplies

The major raw materials used in our equipment manufacturing business include steel, scrap iron, alloy materials such as ferromolybdenum, pig iron and trace chromium, and molding materials such as resin, chromium ores, welding wires and other welding materials. Iron and steel account for a large proportion of our costs. The principal production facilities of our equipment manufacturing business include computer numerical controlled (CNC) lathes, CNC boring and milling machines, planers, bridge cranes, electric furnaces, plate curving machines, and CNC cutting machines. The suppliers that we have selected are primarily qualified production enterprises or authorized primary agents with large-scale operations, strong financial background, competent after-sale services and the ability to perform the contracts. Some of our raw materials suppliers are designated by our end customers.

We adopt a make-to-order production system for most of our sales in the equipment manufacturing business. We generally determine our production output based on our sales. We produce metallurgical equipment and steel structures mainly for the metallurgical industry and other construction industries. Since different customers often have different requirements of appearance, shape and performance indicators for the metallurgical equipment and steel structures, most of our products must be customized to our customers' needs. By carrying out production based on the purchase orders of our customers, we are able to plan our raw materials purchases in accordance with our production plan. We believe this can help us effectively control our purchases and cost of raw materials, reduce our capital requirements and enhance our operational efficiency.

Customers, Sales and Marketing

We sell our equipment products in China as well as to international markets. The major domestic customers of our metallurgical equipment are medium- and large-scale iron and steel enterprises in China, including Baosteel, Anbensteel, Wusteel, Shousteel, Pansteel, Tangsteel, Masteel, Taisteel and Btsteel. We have also established long-term strategic cooperation relationships with certain of these enterprises. Our export products are exported to various countries including Japan, Germany, the U.S., Belgium, Thailand, the Philippines, Malaysia, Korea and Vietnam.

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Each of our major subsidiaries engaging in the equipment manufacturing business has set up a sales department for its own product sales. We sell our equipment products in China primarily by way of direct sales. Nonetheless, we rely on both direct sales and agents for sales to the international markets. In addition, we emphasize the importance of after-sale services in order to maintain and enhance our brand image and cultivate customer loyalty.

Competition

Equipment manufacturing enterprises in China compete primarily in price, capital resources, technology, among other areas. We are one of the large-scale metallurgical equipment manufacturers in China. Building on our core technologies and commercialization capabilities, we intend to differentiate ourselves from competitors in the metallurgical equipment manufacturing industry. The major leading equipment manufacturing enterprises in China include China First Heavy Industries (Group) Co., Ltd., China National Erzhong Group Co., Taiyuan Heavy Machinery Group Co., Ltd., Baosteel Group Changzhou Metallurgical Machinery Plant and Shanghai Heavy Machinery Plant Co., Ltd. Each of China First Heavy Industries (Group) Co., Ltd., China National Erzhong Group Co. and Taiyuan Heavy Machinery Group Co., Ltd. is a large-scale domestic equipment manufacturer with a wide range of products and has significant advantage in the manufacture of large-scale metallurgical equipment. Meanwhile, our principal metallurgical equipment products are large steel-rolling equipment and we compete in certain areas with mid-scale metallurgical equipment manufacturers such as Baosteel Group Changzhou Metallurgical Machinery Plant and Shanghai Heavy Machinery Plant Co., Ltd. We have significant technological advantage with respect to the manufacture of precision plate and strip rolling integrated equipment and plate and strip treatment integrated equipment with certain specifications in the domestic market. Our foreign competitors include primarily multinational metallurgical equipment companies such as Siemens VAI, SMS Group and Danieli. Those competitors have certain advantages over us in terms of technology, capital resources and management experience. Although we have established presence in certain developing countries by leveraging our EPC business, good client relationships and competitive prices, as compared with these multinational companies, our metallurgical equipment products currently do not have any significant competitive advantage in the international markets.

With respect to steel structures, our major competitors in China include those enterprises that engage principally in the manufacture and installation of steel structures, such as Southeast Space Frame Co., Ltd. and Hangxiao Steel Structure Co., Ltd. In 2008, our production of steel structures accounted for approximately 10% of the total output in China, making us the largest manufacturer of steel structures in China. We have significant advantages over our competitors in terms of business scale, product output, technical strength and market share. As one of the leading Chinese steel structure manufacturers, our steel structure products have gained steadily increasing recognition internationally.

PROPERTY DEVELOPMENT

Overview

In 2005, according to the Notice Regarding the Announcement of Principal Businesses of Central State-Owned Enterprises (Third Batch) (SASAC [2005] No. 251) (《關於公佈中央企業主業(第三批)的通知》(國資發規劃[2005] 251號)) issued by the SASAC, we obtained the approval to engage in property development as one of our principal businesses. We thereby became one of the central state-owned enterprises under the supervision of the SASAC that are encouraged and supported by the PRC Government to engage in property development. Our business primarily includes the development and sale of various types of residential and commercial properties, and we are also engaged by various government authorities to conduct primary land

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development. Our residential properties include primarily commodity residential properties and social welfare housing. Our commercial properties include primarily urban complexes, offices and hotels.

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

In January 2008, we entered into the Agreement on Cooperation in Low-Rent Housing Business with China Development Bank, under which we are entitled to obtain a line of credit of not less than RMB10 billion per year, subject to certain financing conditions, to engage in the development and construction of urban low-rent housing projects and relevant ancillary facilities. This has contributed to the development of our social welfare housing operations. After the State Council promulgated a series of policies to stimulate domestic demand, we have further accelerated the growth of our social welfare housing operations. In January 2009, we entered into the Agreement on Credit Cooperation for Social Welfare Housing with each of four large-scale domestic banks, under which Agricultural Bank of China has undertaken to provide us with a line of credit of not less than RMB10 billion per year and Bank of China, China Construction Bank and Bank of Communications have undertaken to provide us with lines of credit of up to RMB25 billion in aggregate, subject in each case to certain financing conditions, to support our development of social welfare housing. These provided a strong capital support for the further development of our social welfare housing operations.

Our Projects

We classify our property developments into three categories:

- Completed projects;
- Projects under development; and
- Projects for future development.

The table below sets out GFA breakdown of our portfolio of projects that were held for sale, under development or were held for future development by planned use as of June 30, 2009:

<u>Type</u>	<u>Held for Sale</u> (sq.m.)	<u>Under Development</u> (sq.m.)	<u>For Future Development⁽¹⁾</u> (sq.m.)	<u>Total GFA⁽¹⁾</u> (sq.m.)
Residential	52,907	2,401,215	1,443,570	3,897,692
Office/hotel	96,956	244,099	147,167	488,222
Retail	42,707	90,097	112,587	245,392
Car parking spaces/basement.	37,933	361,370	200,359	599,663
Ancillary facilities/others	32,940	233,412	101,951	368,303
Subtotal GFA	263,443	3,330,195	2,005,634	5,599,272
% of total GFA.	4.7%	59.5%	35.8%	100.0%

(1) Excluding 11 projects still in the planning stage for which the construction planning permits have not been issued.

We have obtained the land use right certificates for all our properties under development, except for the Zhongye Yanjing project in Dujiangyan City, Sichuan Province. Main building construction work for Phase I of the

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Zhongye Yanjing project has been completed, and construction for part of Phase II has also commenced. We have fully paid the land grant fee for the project and currently expect to obtain the land use right certificate by the end of 2009.

As of June 30, 2009, we had not yet obtained the land use right certificates for three projects held for future development. As of the Latest Practicable Date, our relevant subsidiaries had performed all of their obligations under the respective land grant contracts, including the payment of land premium, land development costs (if any) and relevant taxes, for these projects. Jia Yuan Law Firm, our PRC legal advisor, has advised us that there is no material legal impediment to obtaining the land use right certificates for these projects given that our obligations under the land grant contracts have all been performed.

Of all the projects as of June 30, 2009, the planned GFA of eleven projects was not available mainly because these projects were still in the planning stage and the construction work planning permits had not been issued for these projects. These projects have a total site area of approximately 773,936 sq.m. and are as follows:

- New Century Square Phase I
- Weimingdao Residential Area
- Haixi International City
- Anlu Huafu
- Aishang Eastern City
- Zhongye Shengqiao Weisi/Jinxiu Spring City/Chengyang project
- Pingjiang Dong Lu
- Anlelin Road Complex Building
- Cihu Bei’an (Huangshi Cihu project)
- Lv Xi Tao Yuan
- Xintang Group District A and B

We include in this document the project names which we have used, or intend to use, to market our properties. Some of the names for property developments may be different from the names registered with the relevant authorities, are subject to approval by the relevant authorities and may be subject to change.

Completed Projects

Certain details of our major property development projects completed in China as of June 30, 2009 are as follows:

Project	Interest Attributable to Us (%)	Location	Site Area (sq.m.)	Aggregate GFA (sq.m.)	Unsold GFA (sq.m.)					Completion Date	Main Construction Enterprise	Involvement of Our Non Property Development Subsidiaries	
					Residential	Office/Hotel	Retail	Car Parking Spaces/ Basement	Ancillary Facilities/ Others				Total
Jinhe International Tower	99.01	Haidian District, Beijing	5,654	58,944						July 2008	Beijing Chongjian Engineering Co., Ltd.	Yes	
Hangyu Mansion	90.00	Xicheng District, Beijing	8,228	93,383		74,169			19,214	93,383	Jan. 2008	Beijing Construction Engineering Group	No
Jingtaixili housing renovation project	99.01	Chongwen District, Beijing	45,184	287,115	1,533		10,673			12,206	Aug. 2006	The 22nd China Metallurgical Construction Corporation	Yes

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Project	Interest Attributable to Us (%)	Location	Site Area (sq.m.)	Aggregate GFA (sq.m.)	Unsold GFA (sq.m.)					Completion Date	Main Construction Enterprise	Involvement of Our Non Property Development Subsidiaries	
					Residential	Office/Hotel	Retail	Car Parking Spaces/ Basement	Ancillary Facilities/ Others				Total
Qingshan 51 st Street economically affordable housing	74.02	Qingshan District, Wuhan	8,081	20,000						Nov. 2008	The 1 st China Metallurgical Construction Corporation	Yes	
First Metallurgical Jilin Street commercial and residential building	74.02	Qingshan District, Wuhan	3,918	11,754						Oct. 2007	The 1 st China Metallurgical Construction Corporation	Yes	
First Metallurgical 122 nd Street	74.02	Qingshan District, Wuhan	5,109	23,736						May 2006	The 1 st China Metallurgical Construction Corporation	Yes	
Liuxi Garden Blocks B and C	98.00	Taiyuan, Shanxi	9,263	29,675						Dec. 2008	Jiangsu Xinggang Construction Group Company	No	
Liuxi Garden Block A	98.00	Taiyuan, Shanxi	3,428	27,806			308		308	Dec. 2004	Management Department of Residential Project Construction, the 13 th China Metallurgical Construction Corporation	Yes	
Xin'ao Lancheng Phases I and II	77.87	Lvyuan District, Changchun	114,317		11,105		10,673	5,664	13,726	41,167	Dec. 2008	China Construction Second Engineering Bureau Installation Project Co., Ltd.	No
Dongcheng Garden	66.70	Huashan District, Ma'anshan	40,935	38,769						May 2007	Hanshan County 2 nd Construction Installation Engineering Co., Ltd.	No	
Binhai Garden Phase I	90.00	Nanpu Economic Development Zone, Tangshan	70,210	105,035	39,514		1,775	6,296		47,585	Apr. 2007	MCC Jingtang Construction Corp., Ltd.	Yes
76 Park Road, Fengrun District	90.00	Fengrun District, Tangshan	29,362	56,561						Sept. 2007	The 3 rd Construction Engineering Company of the 22 nd China Metallurgical Construction Corporation	Yes	
Wangjing New City B11-1 project (ULO Park)	99.01	Chaoyang District, Beijing	35,212			22,787	18,468	25,586		66,842	June 2009	Beijing Tianrun Construction Engineering Co., Ltd.	Yes
Swan Bay International Waterfront, Phase I	48.09	Suzhou, Anhui	7,361		755					755	May 2009	MCC Chenggong Construction Co., Ltd.	Yes

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Projects Under Development

As of June 30, 2009, we had a total of 23 projects under development. These projects had a total site area of approximately 1.5 million sq.m. and planned GFA of approximately 3.3 million sq.m. Certain details of our projects under development are as follows. See also “Appendix IV — Property Valuation” for a description of the status of our obtaining the “five certificates” for each project.

Project	Interest Attributable to Us (%)	Location	Site Area (sqm.)	Planned GFA (sq.m.)				Total	Planned Construction Cost (RMB mil)	Incurred Construction Cost (RMB mil)	Commencement Date	Planned Completion Date	Involvement of Our Non-Property Development Subsidiaries	Construction Enterprise	
				Residential	Office/Hotel	Retail	Car Parking Spaces/Basement								Auxiliary Facilities/ Others
Xintong International Garden	90.00	Tongzhou District, Beijing	79,504	179,851		9,074	31,931	4,464	225,320	646.5	392.3	Aug. 2007	Jan. 2010	Yes	Beijing Chongjian Construction Co., Ltd., Beijing Tianrun Construction Co., Ltd.
GuShang Jiangnan	28.53	Jinman District, Tianjin	32,384 (Phase I) 152,355 (Phase II and III)	73,445		1,800		2,200	77,445 (Phase I) Under planning	235.0	19.4	Sept. 2008	Dec. 2010 (Phase I)	No	Tianjin Baodi Construction Engineering Co., Ltd.
Jade Belt Bay Phase I	55.94	Haigang District, Qinghuangdao, Hebei	46,106	89,766		19,501	830		110,098	249.4	36.4	Dec. 2008	June 2011	No	China Xinxing Baoxin Construction Company, Sixth Construction Company of China First Construction Bureau
Binhai Garden Phase II	90.00	Nanpu Development Zone, Tangshan	39,365	56,814		2,953	998		60,765	85.9	46.7	Apr. 2007	Dec. 2009	Yes	MCC Jingtang Construction Corp., Ltd.
Wutong Dadao	94.41	Lubei District, Tangshan	175,851	202,190		16,549	52,413	29,903	301,055	1,152.7	261.8	Jan. 2008	April 2011	Yes	MCC Jingtang Construction Corp., Ltd.
Blocks D, E, F and G Changchunyuan of Liuxi Garden	98.00	Xinghualing District, Taiyuan	16,376	77,610		17,192	8,808		103,610	197.9	111.1	Mar. 2008	Dec. 2009	No	Jiangsu Xinggang Construction Group Co., Ltd. and Shanxi Hongtu Construction Engineering Co., Ltd.
Xiangteng City Square Phase I	48.30	Jiading District, Shanghai	7,372	13,297		1,446	5,722	542	21,007	102.3	20.0	Dec. 2008	Jan. 2010	Yes	The 20th Metallurgical Construction Corporation of China.

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Project	Interest Attributable to Us (%)	Location	Site Area (sqm.)	Planned GFA (sq.m.)					Planned Construction Cost (RMB mil)	Inurred Construction Cost (RMB mil)	Commencement Date	Planned Completion Date	Involvement of Our Non Property Development Subsidiaries	Construction Enterprise	
				Residential	Office/Hotel	Retail	Car Parking Spaces/Basement	Auxiliary Facilities/ Others							Total
Zhongye Shangcheng . . .	86.36	Gaochang Town, Pudong New District, Shanghai	83,297	119,955		9,365	20,107	7,589	157,016	542.5	111.7	July 2008	Dec. 2010	Yes	Shanghai Baoye Construction Corp., Ltd.
Linyin Dadao	79.41	Economic and Technological Development Zone, Chongqing	40,081	133,405		16,416	15,584	5,848	171,253	376.9	294.7	Dec. 2007	Sept. 2009	No	Southwestern Branch of China Construction Second Engineering Division and Chongqing Tuoda Construction Engineering Co., Ltd.
Zhongding Mountain Villa	80.94	Xuanwu District, Nanjing	184,978	157,966	24,605		43,401	54,420	280,392	838.9	161.4	Jan. 2008	Apr. 2011	No	Nantong Construction Group Joint-Stock Co., Ltd. and Nantong Sijian Construction Group Co., Ltd.
Xin'ao Yijiang Panyuan	77.35	Qingshan District, Wuhan	70,955	153,467			10,000	4,130	167,597	416.3	308.6	Mar. 2007	Sept. 2009	Yes	China First Metallurgical Construction Co., Ltd.
Swan Bay International Waterfront, Phase I	48.09	Suzhou, Anhui	57,532	50,311					50,311	91.7	32.8	Oct. 2007	Dec. 2009	Yes	MCC Chenggong Construction Co., Ltd.
Zhongye Yanjing	94.30	Xujia Town, Dujiangyan City, Sichuan	117,413	182,361		4,943	15,530	32,164	234,998	429.0	50.5	Oct. 2008	Apr. 2010	Yes	MCC Chenggong Construction Co., Ltd.
Qingshan Bishui	94.00	Jilin, Jilin	48,068	229,277		1,788	36,950	3,715	271,730	600.0	17.3	Mar. 2009	Dec. 2011	Yes	China Jingye Engineering Corporation Limited
Xin'ao Lancheng Phases III and IV	77.87	Lvyuan District, Changchun	59,611 (Phase III) 64,400 (Phase IV)	112,666				23,905	136,571 (Phase III) Under planning (Phase IV)	292.8	20.0	Aug. 2006	Dec. 2013	No	China Construction Second Building Installation Co., Ltd.

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Project	Interest Attributable to Us (%)	Location	Site Area (sq.m.)	Planned GFA (sq.m.)						Planned Construction Cost (RMB mil)	Incurred Construction Cost (RMB mil)	Commencement Date	Planned Completion Date	Involvement of Our Non-Property Development Subsidiaries	Construction Enterprise
				Residential	Office/Hotel	Retail	Car Parking Spaces/Basement	Auxiliary Facilities/ Others	Total						
Zicui Gaoqingyuan . . .	94.93	Pudong New District, Shanghai	23,819	38,051		6,932	600	45,583	98.2	11.8	Mar. 2008	Apr. 2010	Yes	China Metallurgical Tiangong Shanghai Shisanye Construction Co., Ltd.	
Yundong 365/MCC Xingfuling . . .	100.0	Jiulongpo District, Chongqing	11,700	60,689	701	17,092	2,126	80,608	142.4	20.0	Apr. 2009	Dec. 2010	Yes	China Metallurgical Construction Co., Ltd.	
Shanghai Automobile Square	37.72	Zhabei District, Shanghai	10,346		19,091	6,773	13,986	163	40,013	7.7	June 2009	May 2011	Yes	MCC Chengong Shanghai Wuye Construction Co., Ltd.	
Jinyueji Project Phase II	99.01	Chongwen District, Beijing	39,433	108,752					124,821	270.3	Nov. 2005	Dec. 2009	No	Beijing Chongjian Engineering Co., Ltd.	
Hualin Technology Mansion	99.01	Chaoyang District, Beijing	9,800		50,340	1,856	7,402	59,598	N/A	N/A	Jan. 2005	Nov. 2009	No	Second Company of China First Construction Bureau	
Xuelian Mansion, Phase II	99.01	Chaoyang District, Beijing	9,414		63,297	1,703	27,700	92,700	682.0	381.3	Nov. 2006	Sept. 2009	Yes	Beijing Tianrun Construction Engineering Co., Ltd.	
Guangcheng Center	99.01	Haidian District, Beijing	16,770	50,464	54,281	13,955	24,792	143,492	809.2	434.0	Dec. 2006	Oct. 2009	Yes	Beijing Tianrun Construction Engineering Co., Ltd.	
Lianhua Village Project	59.41	Jianye District, Nanjing	141,614	310,878		63,335		374,213	719.5		Mar. 2009	Dec. 2010	No	Nanjing Zhouguye Zhenxing Real Estate Co., Ltd.	
Total			1,538,543	2,401,215	244,099	90,097	361,370	233,412	3,330,195	9,597.0					

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Projects Held for Future Development

As of June 30, 2009, we had a total of 21 projects held for future development. These projects had a total site area of approximately 1.7 million sq.m. Certain details of our projects held for future development are as follows:

Project	Interest Attributable to Us (%)	Location	Site Area (sq.m.)	Planned GFA (sq.m.)					Total	Construction Cost (RMB mil)	Incurred Construction Cost (RMB mil)	Status of “Five Certificates”
				Residential	Office/Hotel	Retail	Basement	Car Parking Spaces/ Others				
New Century Square Phase I	55.94	Qiqihar, Heilongjiang	11,069						Under planning		Obtained land use right certificate and construction land planning permit	
Jade Belt Bay Phase II	55.94	Haigang District, Qinghuangdao, Shandong	99,842	389,956	16,462	71,257	3,982	481,657			Obtained land use right certificate	
Weimingdao Residential Area	48.94	Huangdao District, Qingdao, Shandong	86,668					Under planning			Obtained land use right certificate, construction land planning permit and construction work planning permit for Phase I	
Chongqing Zaochen	70.00	Jiangbei District, Chongqing	12,054	97,057	10,021	2,113	1,709	110,900			Obtained land use right certificate and construction land planning permit	
Bei Lu Yuan	79.41	North New District, Chongqing	124,399	190,150		47,094	55,692	292,935	673.2	14.1	Obtained land use right certificate and construction land planning permit	
Kunshan Zhongye International Square	72.21	Kunshan, Jiangsu	33,453	67,478	38,947	10,932		117,357			Obtained land use right certificate and construction land planning permit	
Swan Bay International Waterfront Phases II, III; IV and V	48.09	Suzhou City, Anhui	270,906	290,985	32,000	7,629	14,340	344,954			Obtained land use right certificate and construction land planning permit	
Dongnan Mingyuan (Undeveloped land portion)	66.70	Ma'anshan City, Anhui	50,237		2,469	1,336		6,215	7.1		Obtained land use right certificate	
Zhongye Yushan Shangyuan	86.36	Intersection point of Changjiang Road and New Century Avenue, Changshu	136,329	173,380	15,233	9,054	2,294	199,961			Entered into land grant contract, and Phase I obtained land use right certificate	
Haixi International City	70.50	Changtai County, Fujian	80,000					Under planning			Obtained land use right certificate and construction land planning permit	

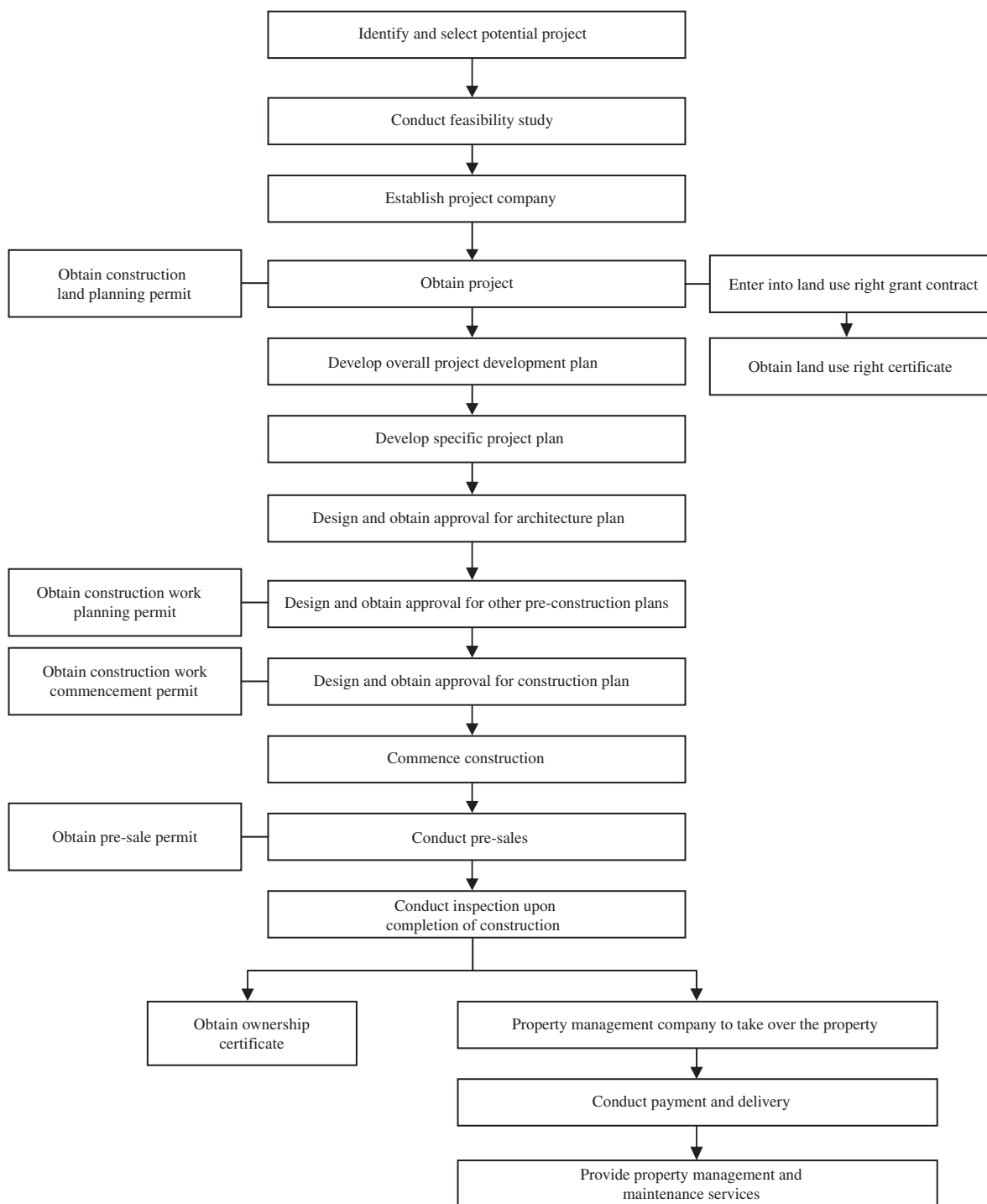
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Project	Interest Attributable to Us (%)	Location	Site Area (sq.m.)	Planned GFA (sq.m.)					Construction Cost (RMB mil)	Incurred Construction Cost (RMB mil)	Status of “Five Certificates”
				Residential	Office/Hotel	Retail	Car Parking Spaces/ Basement	Ancillary Facilities/ Others			
Anlu Huaftu	77.35	Economic Development Zone, Anlu	44,913						Under planning	Obtained land use right certificate and construction land planning permit	
Xiangteng City Square Phase II	48.30	Jiading District, Shanghai	46,259	37,948	33,378	40,990	20,934	714.0		Obtained land use right certificate	
Lugu Jingyuan	91.66	High-Tech Industrial Development Zone, Changsha	120,000	190,000		23,000	3,000	216,000		Obtained land use right certificate	
Aishang Eastern City	54.15	Xinzhou District, Wuhan	26,319						Under planning	Obtained land use right certificate and construction land planning permit	
Zhongye Shengqiao Weisi/Jinxu Spring City/Chengyang project	97.87	Chengyang District, Qingdao, Shandong	88,217						Under planning	Obtained land use right certificate	
Pingjiang Dong Lu	54.15	Wuhan, Hubei	29,528						Under planning	Obtained land use right certificate and construction land planning permit	
Anlelin Road Complex Building	99.01	Chongwen District, Beijing	2,980						Under planning	Obtained land use right certificate and construction land planning permit	
Huayuan Hotel reconstruction and expansion project	99.01	Chaoyang District, Beijing	9,394	57,841				57,841		Obtained land use right certificate and construction land planning permit	
Cihu Bei'an (Huangshi Cihu project)	77.35	Cihu District, Huangshi	232,850						Under planning	Obtained land use right certificate and construction land planning permit	
Lu Xi Tao Yuan	55.94	Qiqihar, Heilongjiang	49,621						Under planning	Obtained land use right certificate	
Xintang Group District A and B	88.20	Tianjin	121,772						Under planning	Entered into land grant contract	
Total			1,676,810	1,443,570	147,167	112,587	200,359	101,951	2,005,634	1,394.3	14.1

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Business Process

The following diagram shows the general business process involved in our development of commodity properties.



Note: While we are able to independently complete all the business activities referred to above, we may sometimes engage external companies to assist in our planning of architectural design, interior decoration and landscape design work and in construction. We may also engage sales and marketing companies to assist in our sales activities.

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Acquisition of Land

We plan to use various means to obtain land use rights:

- Participate in public tender, auction and listing-for-sale to acquire land use rights from the government;
- Acquire land use rights from current non-government holders in accordance with land transfer agreements;
- Establish joint venture enterprises with companies that own or will likely obtain land use rights;
- Invest in or acquire companies that own land use rights; and
- Selectively obtain from local governments primary land development opportunities, through which we believe we can enhance our understanding of the relevant land and the related government development plan, thereby increasing our chance of successfully obtaining the land from the public tender, auction and listing-for-sale process.

Selection of Surveying Company

We select surveying companies by strictly following the requirements of the Provisions of the Administration of the Construction Project Surveying and Design Market (《建設工程勘察設計市場管理規定》) and the Regulations on the Administration of Construction Surveying and Design (《建設工程勘察設計管理條例》). In general, we pre-select several credible surveying companies for comprehensive evaluation, from which we will select the winning company by means of the tender process.

Selection of Design Firm and Design Plan

In accordance with relevant regulatory requirements and based on the needs and scale of the project, we evaluate prospective design firms’ qualifications, past performance records, management capability, technical capability and ability to coordinate and cooperate with others. By means of tender or direct engagement, we select the winning design firm.

Based on the results of our market survey and the prevailing market circumstances, we prepare a design engagement statement and request the design firm to prepare a design based on the statement, subject to state and local laws and regulations. The proposed design is then evaluated by our expert team. If necessary, we may request the design firm to modify the proposed design based on the results of the evaluation.

Selection, Management and Inspection of Construction Company

We announce and publicize tender information for construction enterprises through a tender management institution. A preliminary evaluation is carried out by a team comprising persons-in-charge from the relevant departments and certain relevant experts. Those enterprises that have met our preliminary evaluation are requested to participate in on-site investigation, answer queries and compile a tender document. We then proceed with the opening and evaluation of tenders according to the prescribed schedule and select the winning construction enterprise with whom we enter into a construction contract.

When signing a construction contract, we generally put in place detailed quality assurance provisions and require the construction enterprise to provide the relevant technical information in relation to the construction quality anytime upon request. To ensure the quality of construction, the construction enterprise is required to provide a quality performance project bond to us and allow us to withhold a certain proportion of our payment as retention funds during the warranty period. We examine the construction quality primarily in accordance with the relevant state requirements for quality inspection of construction projects and the provisions on quality agreed upon

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between the parties. If the quality is found to be unsatisfactory, the construction enterprise may be required to rectify the work.

Selection of Supervision Company

Based on the type of construction, we announce and publicize tender information for supervision enterprises through a tender management institution. We form a committee to conduct a preliminary evaluation of the qualifications of participating enterprises. Certain qualified enterprises are then asked to submit tender documents in accordance with the relevant procedures. We select a supervision enterprise through completing the tender opening and evaluation procedures.

After-sale Services

Our customer service departments are responsible for managing delivery of properties and providing after-sale services.

We are usually required to obtain a general property ownership certificate for each of our completed projects. We also typically assist our customers in obtaining their individual property ownership certificates.

Our residential and commercial properties are managed by independent professional property management companies, including both local and international companies in China. We generally select a property management company by means of the tender process. We support and oversee the various property management companies’ operations, including their provision of services for our property buyers, tenants and retail customers, handling of complaints and organization of special activities. Property owners are entitled to collectively review the services of their property management companies periodically and decide to renew or discontinue their services contracts. With respect to our commercial properties, our project companies also have specialized staff in charge of soliciting merchants and administering and auditing rental payments.

Primary Land Development

With respect to our primary land development operations, we are generally engaged by the government to undertake certain fundamental operations required on state-owned land before the land becomes suitable for property development and can be granted to property developers or other entities through public tender, auction or listing-for-sale. Primary land development involves mainly the taking of land by the government, compensation and resettlement of residents in the affected area, destruction of existing structures and clearing of the land, construction of infrastructure and civil and public facilities, and construction of the water supply, drainage, power supply, roads, communications infrastructure, heat supply and natural gas supply. The local government generally leads the primary land development process and may engage government entities or qualified enterprises to conduct the primary land development operations. We have been engaged in primary land development for, among other projects, our Hexi southwest area project in Nanjing. We believe that by conducting primary land development operations, we can enhance our understanding of the relevant land and the related government development plan, thereby increasing our chance of successfully obtaining the land from the public tender, auction and listing-for-sale process for property development purposes.

Social Welfare Housing Development

We engage in social welfare housing projects through direct cooperation with the relevant government authorities. The government generally directs the investment planning and sets the scope of the social welfare housing projects according to the national policy requirements and the regional and local conditions of housing development. Primary land development and other preliminary work is then conducted with respect to the land provided for the development of social welfare housing. We follow the applicable legal procedures to obtain a social

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welfare housing development project. We obtain the funding for construction work primarily from the government, bank credit facilities and our corporate capital resources. After completing the construction work in accordance with the agreement with the government, we typically deliver the whole project to the government and collect payments based on a certain rate of return on the development cost as agreed upon by the government.

Procurement and Supplies

Construction materials and equipment are the principal materials required to develop a property project. The construction materials that we need primarily include: reinforcing steel bars, cement, building decorative materials, landscaping materials and equipment materials. The equipment that we need primarily includes: elevators, fire fighting equipment, ventilation and air-conditioning equipment. Our procurement of construction materials and equipment is primarily conducted by the following two methods:

- *Direct procurement.* We have two levels of direct procurement: central procurement and procurement by individual project companies. With the development of multiple projects and the promotion of our cross-regional operations, we began implementing a strategic central procurement system since 2006 in order to integrate our supply chain, reduce procurement costs and shorten procurement time. We make bulk procurement primarily by way of public tenders and develop a strategic cooperation relationship with those suppliers who have passed our internal assessments. In addition to strategic procurement, our project companies also directly procure certain materials within the scope authorized by the headquarters of our Company. Review and approval by the relevant department of the headquarters are required if a proposed procurement goes beyond the authorized scope.
- *Procurement by the construction company.* This consists of procurement by the general contractor and procurement by specialized subcontractors. The general contractor of a project procures certain materials pursuant to the construction contracts and as confirmed by us, including steel, cement, fire fighting equipment, ventilation and air-conditioning equipment. In order to maintain quality control, we and the construction company jointly conduct an inspection of the supplier and review the quality standards of the products to ensure their practicability. We also supervise the selection of products by the construction company through open bidding. Specialized subcontractors are mainly responsible for procuring materials for computerization or automation, specialized engineering areas and public facilities. To ensure product quality, project companies conduct qualification assessment and price assessment. The headquarters of our Company generally conduct the assessments instead for those areas beyond the authorized scope of the project companies.

Customers, Sales and Marketing

The target customers for our property development projects are primarily individual consumers as well as corporate and institutional buyers. Currently, sales and marketing work is handled by the project companies, which have established specialized teams dedicated to the marketing of property development projects. As needed, the sales and marketing departments of the project companies engage external sales and marketing consulting firms to assess the relevant projects and jointly implement advertising and marketing plans for the projects.

The pricing of our residential and commercial properties is based primarily on the geographical location of the area in which the project is situated, its level of economic development, income level of residents, ancillary and nearby facilities, market supply and demand, prices of neighboring properties of similar types, and costs of development, among other factors.

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Competition

With a large number of property development enterprises in China, China’s property development industry is subject to intense competition. In March 2009, the China Real Estate Association, the Enterprise Research Institute of Development Research Center of the State Council, the Institute of Real Estate Studies of the Tsinghua University and the China Index Academy of the PRC jointly released the China Top 100 Real Estate Enterprises Research Report. According to the report, in 2008, the total market share of the top 100 real estate enterprises was 21.79% and the total market share of the top 10 real estate enterprises was 7.78%, representing a relatively low degree of industry concentration.

Despite a relatively short operating history, by leveraging our advantages in capital resources, regional presence and industry chains, we have increased our business scale in the property development business. As a cross-regional property developer, our main competitors include primarily national property developers and regional property developers in our target markets. Leading enterprises in the industry such as China Vanke Co., Ltd., China Overseas Land & Investment Ltd. and Poly Real Estate (Group) Co., Ltd. generally have significant advantages in business scale, industry experience and branding, therefore having strong market positions accompanied by increasing market shares. Meanwhile, regional property developers generally have a smaller share of the overall property market in China and weaker brand influence than national property developers, due primarily to the differences in business positioning. By leveraging our comprehensive industry chains, strong capital capacity and extensive business scope, we believe that we have developed significant advantages over regional developers in terms of land reserves, the regional distribution of business and overall operational efficiency. As China’s property development industry undergoes increasing consolidation, we intend to seize future market opportunities by implementing the “urban development” business model and other initiatives for our property development business as well as to leverage our strengths to further increase the market share of our property development business.

BACKLOG

Backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a project represents the amount that as at the relevant date we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles, and our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlog. Backlog may not be indicative of future operating results. Not all of our turnover is recorded in backlog for a variety of reasons, including the fact that some projects begin and end within a short-term period. Many contracts do not provide for a fixed amount of work to be performed and are subject to modification or termination by the customer. The modification or termination of any one or more sizeable contracts or the addition of other contracts may have a substantial and immediate effect on backlog. See “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Our backlog is subject to unexpected adjustments and cancellations and may, therefore, not be indicative of our future operating results.”

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The following table shows the aggregate value of projects in the backlog of our engineering and construction business as of the dates specified.

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Metallurgical engineering and construction	53,696	101,974	114,577	102,648
Building construction	12,655	18,425	32,063	40,616
Transportation infrastructure	4,540	6,582	8,354	11,763
Others	<u>12,033</u>	<u>21,241</u>	<u>15,067</u>	<u>25,161</u>
Total	<u>82,923</u>	<u>148,222</u>	<u>170,060</u>	<u>180,188</u>

NEW CONTRACT VALUE

New contract value represents the aggregate value of the contracts we entered into during a specified period. The value of a contract is the amount that as at the relevant date we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. The following table shows the aggregate value of new domestic and overseas contracts entered into by our engineering and construction business for the periods specified.

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
	(RMB million)			
Metallurgical engineering and construction	65,792	134,873	118,064	35,145
Building construction	12,130	16,670	29,976	20,763
Transportation infrastructure	5,259	7,383	8,298	6,379
Others	<u>14,336</u>	<u>22,972</u>	<u>16,010</u>	<u>17,449</u>
Total	<u>97,518</u>	<u>181,898</u>	<u>172,348</u>	<u>79,736</u>

In 2008 and early 2009, the global financial crisis and general economic slowdown had generally led to a decline in total planned investments in the iron and steel industry in China, which has adversely affected the new contract value for our metallurgical engineering and construction business during these periods. In particular, the new contract value for our metallurgical engineering and construction business during the six months ended December 31, 2008 was approximately RMB35 billion, which only accounted for 30% of our total new contract value of the year of 2008. In addition, the growth in new contract value for our transportation infrastructure projects in 2008 was smaller than what we had anticipated. Nonetheless, our revenue continued to increase in 2008 and for the six months ended June 30, 2009 as we continued to maintain a large backlog and completed an increased amount of engineering and construction work during these periods. For the one month ended July 31, 2009, the new contract value for our engineering and construction business segment was RMB16.7 billion, among which RMB8.2 billion was from our metallurgical engineering and construction business and RMB8.5 billion was from our non-metallurgical engineering and construction business.

CUSTOMERS

As we provide a broad range of services and products in each of our business segments, we have a diverse customer base. For descriptions of customers of our engineering and construction, resources development, equipment manufacturing and property development business segments, see “—Engineering and Construction — Customers, Sales and Marketing,” “Resources Development — Customers, Sales and Marketing,” “Equipment Manufacturing — Customers, Sales and Marketing” and “Property Development — Customers, Sales and Marketing,” respectively.

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Our major customers are primarily customers for our engineering and construction business. In 2008, such customers included Baoshan Iron & Steel Co., Ltd., CITIC Pacific Mining Management Pty Limited, Angang Steel Company Limited, Minmetals Yingkou Medium Plate Co., Ltd. and Benxi Iron and Steel Group Co., Ltd. For the six months ended June 30, 2009, our major customers included Baoshan Iron & Steel Co., Ltd., Sino Iron Pty Ltd., Hunan Valin Iron & Steel Co., Ltd., Tiantie Metallurgical Group Co., Ltd. and Chongqing Iron & Steel (Group) Co., Ltd. In each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our five largest customers together accounted for less than 30% of our total revenue. None of our Directors or Supervisors, their associates or any shareholders who own more than 5% of our issued share capital has any interest in any of the above customers.

SUPPLIERS

Our major suppliers are primarily suppliers for our engineering and construction business, resources development business and equipment manufacturing business. In 2008, such suppliers included Wuhan Xiaoxiao Materials & Equipment Co., Ltd., CITIC Heavy Industries Co., Ltd., Glencore International AG, Chongqing Port Logistics Economic and Trade Co., Ltd. and Taiyuan Heavy Industry Co., Ltd. For the six months ended June 30, 2009, our major suppliers included Glencore International AG, Ansteel Construction Group Co., Ltd., Xi’an Shaangu Power Co., Ltd., CITIC Heavy Industries Co., Ltd. and Trafigura Beheer B.V. Amsterdam. In each of the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our five largest suppliers together accounted for less than 30% of our cost of sales. None of our Directors or Supervisors, their associates or any shareholders who own more than 5% of our issued share capital has any interest in any of the above suppliers.

TECHNOLOGY AND RESEARCH AND DEVELOPMENT

Technology Strategy

Throughout the development of our businesses, we have deemed technological innovation to be our key business and growth strategy, deemed the establishment of technological innovation systems to be a strategic measure for technological development, deemed the raising the level of of technology intensiveness as a strategic goal, and deemed the reorganization of technological resources and the enhancement of innovative capabilities to be an important aspect of our integration strategy. Our technology development strategy primarily comprises:

- a technological innovation strategy that is consistent with the structural adjustments of our principal businesses;
- enhancement of our independent research and development capacity;
- striving to achieve key breakthroughs by leveraging all our competitive strengths;
- recruitment, training and motivation of technical personnel;
- a research and development strategy that focuses on commercialization of technologies; and
- an intellectual property rights strategy that focuses on the accumulation of intellectual property rights as a primary goal to guide our research and development work.

Technological System and Organizational Management

We have a well established technological innovation management system. We have steadily developed a layered and multi-subject scientific research and development system that consists of our national-level technology centers, provincial-level technology centers and group-level technology centers as the principal organizations and our technology-focused subsidiaries as the foundation of our system. With such organizational structure, we have set up an operational mechanism under which our technology centers conduct key research and development

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projects and our subsidiaries conduct other research and development projects designed for specialized needs. We have also adopted a technology conversion mechanism that promotes results sharing and the commercialization of technology. In terms of the institutional development, we have established various comprehensive systems relating to technological research, management of scientific and technological organizations and incentives and rewards for achievements, which have provided strong institutional support for our technological innovation efforts.

In order to build a core talent pool at all levels of our operations, we continue to improve the development and management of our employees. As of June 30, 2009, we had a total of approximately 60,554 technicians specialized in various areas. Among these were 10,166 scientific and technological professionals, including 135 state-level scientific and technological professionals, 27 group company level scientific and technological professionals and 10,004 other scientific and technological professionals. Of these scientific and technological professionals, 1,776 engaged in research and development.

With the approval of the Office of Science and Technology Awards of the Ministry of Science and Technology of the PRC, we have established the China Metallurgical Group Corporation Science and Technology Award. This award is a national award for scientific and technological advancement in the area of metallurgical construction in China, awarding enterprises and individuals making important contributions to the promotion of scientific and technological advancement in metallurgical construction. Since its establishment in 2002, we have granted a total of 214 awards, including 4 special awards, 32 first-grade awards, 65 second-grade awards and 113 third-grade awards.

Major Technological Achievements

As of the Latest Practicable Date, we had won 34 National Science and Technology Advancement Awards. During the period from 2006 to 2008, we had undertaken eight technological support projects under the National Eleventh Five-Year Plan, four projects under the National 863 Program, nine projects under the Research and Development Funds of the Ministry of Science and Technology, 25 projects under the Special Funds of the MOF and 24 projects under the support of local governments. We had also won 196 Provincial Science and Technology Advancement Awards, had been recognized for the development of 18 National Construction Methods and 88 Provincial Construction Methods, and had compiled or participated in the compilation of 327 national technology standards. In December 2005, as approved by the National Science and Technology Advancement Award Office, we became a nominating entity for the National Science and Technology Advancement Award.

Investments in Technological Research

We place significant importance on the development of our research and development capabilities. Research and development provides significant technological support for our production and operations. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our research and development costs amounted to RMB247 million, RMB450 million, RMB1,021 million and RMB300 million, respectively.

Key Technologies

As of June 30, 2009, we had 1,474 patents, including 176 patents on inventions. We have a large number of core technologies in the areas of mining, ore processing, coking, sintering, iron making, steel making and rolling, as well as in general construction areas including civil construction, electromechanical installation, and energy

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conservation and environmental protection. We have achieved internationally advanced standards for certain of these technologies.

- *Mining:* We possess highly productive mining technology for underground mining, deep shaft mining technology, large hole underground mining technology, high concentration paste form filling technology, mining technology using the natural caving method, the ability to jointly conduct open pit and underground mining under complicated conditions, large-scale open pit mining technology, computerized mining allocation technology, and strong capabilities in construction.
- *Sintering:* We have independent, proprietary and internationally leading sintering processes, sintering equipment core technologies and system integration capabilities. We have achieved internationally advanced standards of large-scale grate-kiln pelletizing machine processes and equipment core technologies and system integration capabilities. We have also achieved internationally advanced standards for our sintering fire furnace, selection equipment and cooling equipment, among other equipment and technologies.
- *Coking:* We have more than 50 years of experience in the development, design, construction and production of coke ovens. We have reached internationally leading standards of very large volume coking core technology, large-scale stamp-charged coke oven core technology and very large-scale coke dry quenching equipment core technology, which also form our systematic core technologies. Our technologies in coking, coke dry quenching, coal gas purification and recycling of chemical products, as represented by our 6 m coke oven, not only have competitive advantages in China, having captured the largest market share in the country, but also are competitive in the international market.
- *Iron making:* We have reached an overall internationally leading standard for our original coal-based hot-set grate-kiln (one-step) direct iron reduction technology; the international standard for our large-scale blast furnace integrated technology; and an internationally advanced standard for our various specialized system management software in blast furnace management and alarm warnings, material shape prediction, furnace conditions prediction, furnace body and bottom corrosion prediction, process information stream management, process basic calculations, iron tapping and slagging process prediction, and hot metal silicon content prediction, among others. In the area of repair of large-scale blast furnaces, we have gained advanced technology and experience, having a number of proprietary core technologies including the cutting and moving of large-scale blast furnace bases and the air suspension transportation technology for heavy components.
- *Steel making and continuous casting:* We have the proprietary static condition suspension new converter technology, converter bottom blowing technology and control systems, convertor sub-lance electromechanical integration and dynamic control model technology; proprietary key technologies of 100-ton high power electric arc furnace, equipment and EIC systems; an internationally advanced standard of original structural thin slab caster, nozzle, hydraulic oscillator and real-time dynamic tracking system (including secondary cooling dynamic water distribution systems and liquid core reduction models); proprietary key technologies of extra-heavy slab caster process and equipment key technologies; proprietary modern straight-arc shaped slab continuous casting machine process and equipment core technologies; and domestically leading standards of proprietary large round/rectangular bloom caster process and equipment core technologies. We have strong capabilities in the treatment and resources utilization of scrap steel, actively contributing to the conservation of energy, reduction of emissions and protection of the environment.

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- *Steel rolling:* We are a leader in the areas of rolling of steel plates, tubes and shaped materials. We have achieved a breakthrough in the design and related manufacturing technologies of major production equipment, including the heating furnace for wide/middle, thick plates, heat treatment furnaces, rolling machine AGC, accelerated cooling equipment, hot/cold levelers, cutting shears and cooling beds. We have the capabilities to perform system integration for various process, equipment and control systems based on the different needs of production of different steel materials; the system integration capabilities for hot continuous rolling process, equipment and EIC systems; and proprietary core technologies in core control software and secondary metallurgy models, among others, which enable us to overcome technological barriers created by some in foreign countries.
- *Steel tubes technology:* We have designed and constructed steel tubes production equipment for many steel tube manufacturing enterprises in and outside of China. We have achieved internationally advanced standards for the one-step piercing in the production of mid and large diameter (mid and thick wall) seamless steel tubes by periodic tube rolling equipment and the special seamless steel tubes water pressure testing machine.
- *Section-steel rolling technology:* We have developed, and achieved internationally advanced standards in some advanced section-steel rolling technologies, including 100 m/s high-speed wire rolling technology, 18 m/s bar rolling technology, controlled rolling and controlled cooling technology, closed loop control cooling technology, multi-slit bar rolling and SY-850 large-scale and high-strength rolling mills.
- *Non-ferrous metallurgy:* We have developed various technologies in ore mining, beneficiation, smelting and extraction of non-ferrous metals (including rare earth). These include the direct reduction technology of liquid lead slag, non-toxic treatment technology of lead-zinc slag, high pressure and constant pressure leaching technology, complicated multi-metal ore treatment technology, and low-temperature burning production process of rare earth metals. Currently, our 24-pair polysilicon reduction furnace technology and its industrialization have provided us with significant economic returns.
- *Equipment manufacturing and steel structures processing:* We have successfully developed various heavy metallurgical equipment, including the first 200 MN plate formation specialized hydraulic pressing machine in China, 50-100 ton class slag pot carriers and zinc electroplating equipment.

Major Current Research and Development Projects

We currently focus our technological innovation on three of our principal business segments, including engineering and construction, resources development and equipment manufacturing.

Our research and development relating to the engineering and construction business mainly include: approximately 6.98 m top-charged coke oven technology, 6.25 m stamp-charged coke oven technology, clean and energy saving sintering technology, large volume blast furnace production technology, smelting reduction and direct reduction technologies, hot metal pre-processing technology, furnace front blowing desiliconization technology, 220 ton and above large-scale converter steel making and secondary refining technologies, 100 ton and above ultra-high power electric arc furnace technology, large slab continuous casting technology, wide cold strip rolling technology, hot wide, thick plate rolling technology, zinc electroplating technology, and bar and wire materials technology innovation core technologies.

Our research and development relating to the resources development business mainly include: deep shaft mining technology, ore utilization technology, low-grade ores comprehensive utilization technology, high-

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efficiency mining technology for low-grade ores, nickel laterite comprehensive utilization technology, oxygen bottom blowing copper smelting technology, hot liquid smelting and lead-slag direct reduction technology, liquid zinc purification technology, and rare earth low-temperate clean forging and sintering technology.

Our research and development relating to equipment manufacturing business mainly include: large-scale metallurgical equipment manufacturing technologies, 60 MN and above hydraulic quick forging press manufacturing technology, new steel structures manufacturing technologies, energy saving and environmentally friendly residential steel structures system application and development technologies, and polysilicon production process and equipment technologies.

In addition to the above projects, we also currently engage in research and development in other areas. The major projects include: high-efficiency circulating cooling water treatment technology, desulphurization waste water treatment technology, industrial solid wastes comprehensive utilization technology, sea water desalination technology, urban wastes comprehensive treatment technology, urban sewage treatment technology, metallurgical industry waste water treatment technology, metallurgical dust comprehensive treatment technology, urban fumes and air treatment technology, land foundation treatment comprehensive technology, ultra-deep foundation underground support technology, underground digging comprehensive ancillary technologies, construction energy conservation technology, three-dimensional geographic information system (GIS) technology, and non-excavation inspection, testing and repair technology for industrial enterprise pipe network.

QUALITY CONTROL

Our Company and our subsidiaries have implemented the GB/T19000 system standards in accordance with the quality supervision and management models consisting of government supervision, social oversight, internal enterprise controls and customer evaluations. We have established our internal quality assurance system in order to maintain an orderly and controlled process of quality management for our projects or products.

Based on the actual circumstances of our production operations, we have compiled the MCC Quality Management Manual. According to this manual, our headquarters have established a safety and quality supervision and management department, which is led by the president and vice presidents to supervise, manage and examine the quality of our operations and direct and support our subsidiaries’ project or product quality supervision and management. Each of our subsidiaries at all levels has a specialized quality supervision and management structure and personnel dedicated to quality supervision and inspection. For example, our subsidiaries engaging in engineering and construction operations have various professional quality control engineers (quality control personnel), forming a network of supervision and control of project quality. Our subsidiaries engaging in the manufacture of products have various quality management and quality inspection personnel based on the product types and categories in place to ensure high product quality.

In order to further strengthen our quality management and enhance our project and product quality, we periodically carry out quality improvement activities. We have established the Excellent Project Surveying Award Selection Manual, the Excellent Project Design Award Selection Manual and the Excellent Project Evaluation Manual, among other award systems, in accordance with which the quality management department of our headquarters regularly conducts internal project quality evaluations. The implementation of these award systems has contributed to our quality control efforts, effectively raising the overall quality of our engineering and construction projects.

In addition, we have established a reporting mechanism for major quality issues. Quality issues are treated in different categories, and different penalty measures are adopted correspondingly based on the degree of seriousness of the issues. During the Track Record Period, we had not experienced any material quality issues.

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QUALIFICATIONS

As of June 30, 2009, our Company and our major subsidiaries held a total of 235 qualifications of various types, including those listed below. These included 28 certificates of qualifications for construction enterprises, 48 engineering design qualifications, 17 surveying, supervision and inspection qualifications, 19 overseas engineering and construction qualifications, 24 consulting qualifications, 73 qualifications for manufacture, installation, upgrading and maintenance of special equipment, 10 qualifications for property development enterprises, and 16 qualifications for other operations. Among our Company's and our subsidiaries' qualifications for construction enterprises, we have 14 high-class qualifications in metallurgical engineering and construction (including special qualifications and Class A qualifications). The following four certificates currently held by the Parent are relating to our overseas operations:

Name	Content	No.	Duration
Certificate of Qualification for Overseas Project Contracting	Undertake overseas projects and domestic international bidding projects; undertake the consulting, survey, design and supervision of overseas industrial and civil building construction projects; export the equipment and material used in the above-mentioned overseas projects; and second labor force required in the above-mentioned overseas projects	1100200000136	April 28, 2006-December 31, 2009
Certificate of Foreign Cooperative Labor Services Qualification	Second various kinds of labor to overseas assignments	L110020060049	October 24, 2005-October 24, 2011
Certificate of PRC International Bidding Institution Grade B Qualification	Undertake international bidding on electromechanical products, the one-time commission of which is below \$20 million	Guozhao (yi) zi No. 06	December 16, 2006-December 15, 2009
Certificate of Grade A Qualification for Entire Project Construction Mission of Foreign Aids	Assume all construction tasks of foreign aid projects	50200410100	Long term

We operate our overseas business entirely through our subsidiaries. Since all of our primary subsidiaries operating overseas have obtained the relevant qualifications that allow them to operate independently from the Parent, we do not rely on the Parent's qualifications for overseas operations.

Notwithstanding that we do not rely on the Parent's qualifications for overseas operations, pursuant to the Reorganization Agreement, the Parent has applied to the MOFCOM for transferring the Certificate of Qualification for Overseas Project Contracting to us. However, the current regulations do not set forth the specific requirements, procedures and time of approval for the transfer of the relevant qualifications of an enterprise as a result of such enterprise's restructuring. According to our preliminary communications with the MOFCOM, the transfer of the Certificate of Qualification for Overseas Project Contracting may be effected by the end of October 2009, and we currently do not anticipate any legal impediment to such transfer. In addition, according to the MOFCOM, the Certificate of PRC International Bidding Institution Grade B Qualification may be transferred from the Parent to us, and we currently do not anticipate any legal impediment to such transfer. On the other hand, the Certificate of Foreign Cooperative Labor Services Qualification will not be transferred from the Parent to us and we will not apply for such qualification ourselves. We do not expect this to have any material adverse impact on our business because we will be able to rely on the Certificate of Qualification for Overseas Project Contracting upon its transfer to us to engage in activities related to labor services overseas. The Certificate of Grade A Qualification for Entire

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Project Construction Mission of Foreign Aids will not be transferred from the Parent to us and we will not apply for such qualification ourselves. We do not expect this to have any material adverse impact on our business because we generally do not conduct construction activities in relation to foreign aids projects.

HEALTH AND SAFETY

We regard occupational health and safety as one of our important corporate and social responsibilities. Our business operations involve significant risks and hazards that could result in damage or destruction of property, death and personal injury, business interruption and possible legal liabilities. See “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — 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.”

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations on Work Safety Accident Reporting and Investigation (《生產安全事故報告和調查處理條例》) and the Measures of Work Safety Permits (《安全生產許可證條例》), we have implemented the Measures on Work Safety Management, Emergency Handling Plan for Industrial Accidents, Guidelines on Construction Safety and Quality Standardization, Fire Accidents Management Plan and Emergency Procedures for Fire Fighting, among other policies, to establish the management goals and operating procedures for work safety, accident handling, accident rescue and safety training.

We have also established a work safety committee and an emergency accident response group. Our industry management department exercises supervision responsibilities over our work safety in accordance with their prescribed duties.

We maintain the “safety first, prevention as key and comprehensive management” policy and the principles that “one who produces shall be responsible for safety” and “one who manages is responsible for safety.” For the years ended December 31, 2006, 2007 and 2008, our fatality rate per one thousand employees, which was calculated to only include fatality for which we were responsible, was 0.044, 0.042 and 0.020, respectively, and our injury rate per one thousand employees was below 0.2 in each of these periods; we have not experienced any material problems relating to safety responsibilities.

All of our subsidiaries engaging in mining, construction and dangerous chemicals production and processing operations have obtained and maintained a work safety permit issued by the relevant PRC local authorities. The work safety permit review is performed by the relevant government authorities once every three years. We have not experienced any termination or suspension of our work safety permit by the relevant government departments. With regard to our overseas operations, we are committed to strict compliance with applicable local laws on occupational health, safety and environmental protection. Our ability to comply with local laws is an important consideration before we decide to commence operations in a foreign jurisdiction. Our safety, health and environmental protection department oversees our relevant operating companies’ compliance with local occupational health, safety and environmental protection requirements of the foreign jurisdictions in which they operate. Regular reviews by our safety, health and environmental protection department are instrumental in monitoring our operating companies’ compliance with relevant safety and environmental protection regulations.

ENVIRONMENTAL PROTECTION

We are subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by PRC national, provincial and municipal government and authorities.

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All of our principal subsidiaries engaging in engineering and construction operations have established ISO 9001, 14001 and 18001 compliant quality, environmental and occupational health general management systems and received the respective ISO certificates.

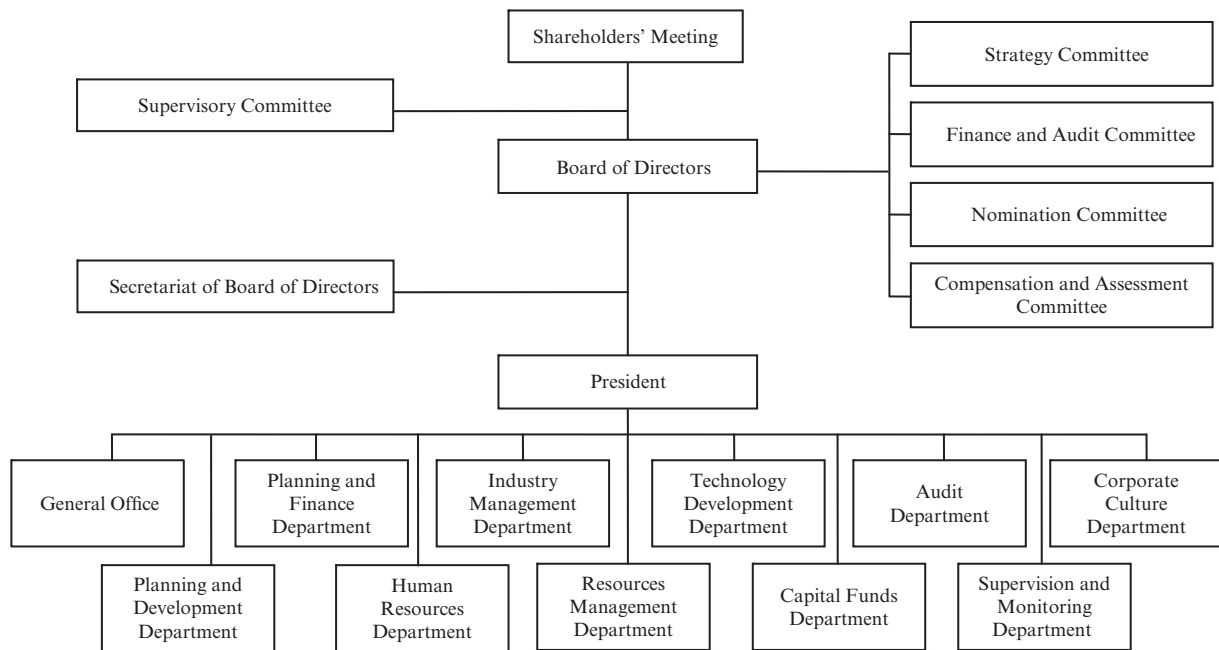
Based on GB/T 24002-2004idt ISO 14001:2004 “The Requirements of Environment Management System and User’s Guide,” our Company and our major subsidiaries have adopted stringent measures to control pollutant production in the manufacturing processes, have established a central environmental protection and control system and have installed pollution control and disposal equipment, thereby forming a comprehensive pollution control system that meets the national standards for waste discharge. We will continue to maintain our level of investment in environmental protection, promote clean production and reduce pollution creation at its source.

With regard to our overseas operations, we place great importance on compliance with applicable foreign laws and regulations. Such compliance directly affects our success in any particular overseas project and, therefore, is one of the many factors which we consider prior to our decision to undertake a project. If necessary, we engage local counsel to provide us with advice on such issues. With regard to our overseas resources development projects, including the Duddar lead-zinc mine and Saindak copper-gold mine in Pakistan, the Sierra Grande iron ore mine in Argentina and the Ramu nickel laterite mine in Papua New Guinea, we have obtained all the relevant approvals from local government authorities in connection with environmental protection issues.

We believe that our businesses are in compliance with currently applicable national, local and foreign environmental laws and regulations in all material aspects. During the Track Record Period, we had not encountered any material problems in environmental pollution or been subject to material administrative penalties due to environmental pollution activities.

MANAGEMENT STRUCTURE

The following chart shows our management structure.



Our executive Directors and senior management are jointly responsible for managing our businesses across all the four principal business segments of our Company. They are responsible for the development and review of all of our principal businesses as well as the resource allocation, coordination and supervision of activities among the

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business segments. By integrating the top management and decision-making of our four interrelated and complementary businesses, we believe we could better realize the potential synergies among our four principal business segments.

INTERNAL CONTROLS

Under the supervision of the Supervisory Committee, our Board is responsible for monitoring our internal control system and for reviewing its effectiveness. Our finance and audit committee supervises our internal control functions. See also “Directors, Supervisors and Senior Management — Finance and Audit Committee.” The finance and audit committee is responsible for supervising our overall internal controls for effective operation, reviewing our regulatory system and major control targets in respect of funds and risk management. Our internal control function is carried out by our audit department at our headquarters. The audit department is headed by Ms. Yi Liya and comprises finance, auditing, engineering and legal personnel. The audit department directly reports to both our finance and audit committee and our president. In accordance with applicable laws and regulations, we have stipulated internal procedures with a view toward establishing and maintaining our internal control systems, which cover corporate governance, operations, management, legal matters, finance and auditing as appropriate for the needs of our organization. Although such internal control system, which includes rules, policies and procedures, is in place and broad in scope, there may still be weaknesses in the implementation of such internal control system. See “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — 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.”

INTELLECTUAL PROPERTY

We place great importance on the creation, application, management and protection of intellectual property rights. Through research and development and our ordinary course of business, we have obtained various intellectual property rights which are valuable to our business. We protect and will continue to seek to protect these intellectual property rights through copyrights, patents, trademarks and contractual rights.

As of June 30, 2009, our Company and our subsidiaries had 231 trademarks registered in the PRC. In addition, we are in the process of applying for 85 trademark registrations and transferring 86 registered trademarks from the Parent.

As of June 30, 2009, our Company and our subsidiaries had 1,474 patents in China, including 176 invention patents, 1,271 utility model patents and 27 design patents.

For details of our intellectual property rights, see “Appendix IX — Statutory and General Information — V. Further Information about the Business — 2. Intellectual Property Rights” to this document.

INSURANCE

We purchase construction project all-risk insurance for most of the construction projects we undertake. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and the customary practice in the industry. With regard to our resources development business, we generally purchase insurance for vehicles and accident insurance for employees, and in some cases purchase property insurance and insurance covering potential environmental damage claims. We also purchase pension insurance, medical insurance, unemployment insurance, workplace injury insurance and maternity insurance for

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our employees and personal injury insurance for our overseas and onsite workers pursuant to the relevant PRC laws and regulations.

Consistent with the customary practice in China, we do not carry any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our property or relating to our operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. Such insurance is not mandatory according to the laws and regulations of the PRC and would impose additional costs on our operations, which would reduce our ability to compete in the PRC. See also “Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — 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.”

LEGAL PROCEEDINGS AND COMPLIANCE

We are from time to time involved in legal proceedings arising in the ordinary course of our business, including as plaintiff or defendant in litigation or arbitration proceedings. As of the Latest Practicable Date, a total of six individual legal proceedings in which we sought relief of more than RMB30 million each remained pending either for trial or for judicial enforcement of the settlement payments due to us. The total relief sought against relevant counterparties in the six legal proceedings amounted to approximately RMB338.0 million. A brief summary of each of these legal proceedings is as follows:

- In November 2006, our subsidiary, China First Metallurgical Construction Corporation (中國第一冶金建設有限責任公司), initiated a lawsuit against Xiamen Jintongcheng Industrial Development Co., Ltd. (“Xiamen Jintongcheng”) regarding a dispute related to a property transfer contract. Pursuant to the settlement order issued by the court, the defendant, Xiamen Jintongcheng, is required to pay the property transfer price, expenses, damages, penalties in a total amount of approximately RMB30.5 million to the plaintiff.
- In July 2006, our subsidiary, China MCC International Economic and Trade Co., Ltd. (中冶集團國際經濟貿易有限公司), initiated a lawsuit regarding a dispute related to a storage contract with Changzhou Jiangsheng Petroleum and Chemical Industry Storage and Transportation Co., Ltd. (“Changzhou Jiangsheng”), seeking to recover goods valued at approximately RMB39.1 million. Pursuant to the settlement order issued by the court, Jiangyin Xinkaile Chemical Industry Trade Co., Ltd. and two other parties are jointly liable for the payment for goods of RMB29 million to the plaintiff before September 30, 2007. In the event that these three defendants fail to repay the loan in full by the due date, Changzhou Jiangsheng is obligated to pay the remaining outstanding amount to the plaintiff.
- In January 2007, our subsidiary, MCC Tiangong Construction Corporation Limited (中冶天工建設有限公司), initiated a lawsuit against Kumho Tires (Tianjin) Co., Ltd. (“Kumho”), seeking judicial relief for the payment of outstanding project fees and related interest in an aggregate amount of approximately RMB64.8 million. Pursuant to the settlement order issued by the court in January 2009, Kumho is required to pay us RMB35.9 million for the outstanding project fees. As of June 30, 2009, we had received RMB33.9 million and the remaining RMB2.0 million is payable upon the delivery by both parties of the completion documents of the project.
- In March 2008, our subsidiary, China 13th Metallurgical Construction Corporation (中國第十三冶金建設公司), initiated a lawsuit against Lvliang Donghui Coking Gas Co., Ltd., seeking judicial relief for the payment of outstanding project fees and related interest in an aggregate amount of approximately RMB45.9 million. This case is currently pending for trial.

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- In August 2008, our subsidiary, China 22nd Metallurgical Construction Corporation Limited (中國第二十二冶金建設有限公司), initiated a lawsuit against Bairong Investment Holding Group Co., Ltd. (“Bairong”), seeking judicial relief for the payment of outstanding project construction fees and interest in an aggregate amount of approximately RMB56.8 million. Pursuant to the settlement order issued by the court in March 2009, Bairong is required to settle all outstanding project construction fees and interest before February 15, 2010 with monthly repayments of RMB5 million beginning from April 1, 2009. As of June 30, 2009, RMB10 million had been paid.
- In May 2009, China 22nd Metallurgical Construction Corporation Limited and our subsidiary, MCC Jingtang Tianrun Corporation (北京天潤建設工程有限公司), initiated a lawsuit against Beijing Shengshi Real Estate Development Co., Ltd. (北京盛市房地產開發有限公司) and Beijing Normal University (北京師範大學), seeking judicial relief for the payment of approximately RMB100.9 million in relation to a dispute arising from a construction contract. This case is pending for trial.

We believe that the outcome of the foregoing six legal proceedings will not have a material adverse impact on our financial position and business operations due to the amount of relief sought and the fact that these proceedings arose from the ordinary course of our business.

On December 30, 2002 and April 18, 2003, respectively, our subsidiary, China MCC 17 Construction Co., Ltd. (中國十七冶金建設有限公司), and Wuxi Xuefeng Iron and Steel Company Limited (“Wuxi Xuefeng”) entered into two EPC contracts relating to the construction of the liquid iron hot charging system project and the related 65T converter steelmaking/casting project of Wuxi Xuefeng. While the construction of the two projects was underway, disputes arose between the parties regarding such matters as project quantity and payments. In November 2005, Wuxi Xuefeng initiated a lawsuit against The 17th China Metallurgical Construction Corporation in the People’s Court of Wuxi City, seeking judicial relief for the return of the project payments of approximately RMB33.2 million from The 17th China Metallurgical Construction Corporation and its payment for the costs of the lawsuit. In December 2005, The 17th China Metallurgical Construction Corporation brought a counterclaim against Wuxi Xuefeng in the same court for the project payments of approximately RMB100.0 million as well as the payment of the costs of the lawsuit. As a result of the counterclaim of The 17th China Metallurgical Construction Corporation, this case has been transferred to the People’s High Court of Jiangsu Province as a consolidated proceeding and is currently pending for trial.

In 2003, MCC Real Estate Co., Ltd. (中冶置業有限責任公司) and Beijing Huacheng Real Property Development Company (“Beijing Huacheng”) entered into a number of agreements regarding the joint investment in and development of the JingtaiXili housing renovation project. Due to the parties’ disputes over such agreements, in October 2008, Beijing Huacheng brought a lawsuit against MCC Real Estate Co., Ltd. in the No. 2 People’s Intermediary Court of Beijing Municipality, seeking judicial relief for the payment by MCC Real Estate Co., Ltd. of the outstanding contractual amounts, Beijing Huacheng’s costs and expenses on the project, liquidated damages and interest in a total amount of approximately RMB51.8 million, as well as for the performance by MCC Real Estate Co., Ltd. of its contractual obligation to deliver an office building with a floor area of 1,500 sq.m. to Beijing Huacheng. MCC Real Estate Co., Ltd. counterclaimed to seek judicial relief for confirmation that the agreements regarding the joint investment in and development of the JingtaiXili housing renovation project are invalid as well as for the recovery of project-related profits and certain other reimbursements in a total amount of RMB15 million. The No. 2 People’s Intermediary Court of Beijing Municipality has accepted the case, which is currently pending for trial.

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We are unable to predict the outcome of judgments with respect to the foregoing two lawsuits which were initiated against us and in which we also counterclaimed. Notwithstanding their outcome, we believe that these lawsuits will not have a material impact on our business operations.

In addition, as of the Latest Practicable Date, the Parent was involved in one outstanding legal proceeding in which the relief sought was in excess of RMB30 million. In August 2003 and March 2005, respectively, the Parent entered into certain construction and related agreements with Dalian Modern City Real Estate Co., Ltd. (“Dalian Modern City”) (大連現代城市房地產有限公司), pursuant to which the Parent agreed to undertake the construction of the North Square of Dalian Railway Station and the Modern Kaixuan Shopping Mall for Dalian Modern City. In May 2008, the Parent brought a lawsuit against Dalian Modern City in the People’s High Court of Liaoning Province, seeking judicial relief for outstanding project fees and the advance made by the Parent in a total amount of approximately RMB152.2 million. Pursuant to the court judgment issued in February 2009, Dalian Modern City is required to pay the outstanding project fees of RMB52.7 million with interest and the advance of RMB64 million with interest. Due to the insolvency of Dalian Modern City, the Parent has applied for compulsory enforcement of the judgment.

Except as described herein, to the best of our knowledge, there are no current litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

Our PRC legal advisor, Jia Yuan Law Firm, has confirmed that we have complied with all relevant laws and regulations in all material respects and have obtained all necessary licenses, approvals and permits from relevant and appropriate regulatory authorities for our business operations in the PRC.

As a result of our international activities, we are also subject to the laws and regulations of the various countries and regions in which we do business. Certain of the countries in which we do business, including Sudan, Iran, Zimbabwe and Myanmar, are the target of sanctions administered by OFAC and, in the case of Iran, separate sanctions imposed pursuant to the ISA. No U.S. individuals we employ are involved, directly or indirectly, in the sale or supply of our products and services to or in countries that are the target of OFAC sanctions, and we are not involved, directly or indirectly, in exporting or re-exporting goods of U.S. origin to such countries. Our activities are not related to the development of the Iranian petroleum industry, nor do we sell to or in Iran any technology that is useful in the development of weapons of mass destruction or advanced conventional weapons. We have undertaken the ARDAKAN 800,000 ton steel making and continuous casting machine project for an Iranian company, ARFA Iron & Steel Company, a subsidiary of Iranian Mines & Mining Industries Development & Renovation Organisation (IMIDRO), with an expected contract value of €131.8 million. The project commenced construction in December 2007 and is expected to be completed within three years. Although we do not believe that we have violated any U.S. law or regulation by conducting business in Iran, we note that any past or future activities covered by the ISA could, if pursued by the U.S. government, prevent us from engaging in certain trade transactions in the United States or obtaining certain types of financing from the United States. In addition, we have in the past provided EPC services to the Myanmar Paper and Chemical Industries of the Ministry of Industry for several EPC projects, including the Myanmar natural gas revamping project, the Myanmar paper mill with daily production capacity of 200 tons project and other projects, with an aggregate contract value of US\$152 million.

We expect to continue to generate revenue from business activities in or with countries that are the target of U.S. sanctions. Although the relevant regulations are generally applicable only to U.S. persons and certain other persons subject to U.S. jurisdiction and therefore have a limited effect on us, they may affect our ability to obtain investments or other financing from U.S. persons.

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EMPLOYEES

As of June 30, 2009, we had a total of 116,223 employees.

The following table shows a breakdown of our employees by business segment as of June 30, 2009:

	<u>Number of Employees</u>	<u>% of Total</u>
Engineering and construction	80,289	69.1
Resources development	12,775	11.0
Equipment manufacturing	18,041	15.5
Property development	1,931	1.7
Others	<u>3,187</u>	<u>2.7</u>
Total	<u>116,223</u>	<u>100.0</u>

The following table shows a breakdown of our employees by age as of June 30, 2009:

	<u>Number of Employees</u>	<u>% of Total</u>
35 or below	47,698	41.0
36 – 40	23,686	20.4
41 – 45	20,316	17.5
46 – 50	13,180	11.3
51 – 55	9,042	7.8
56 or above	<u>2,301</u>	<u>2.0</u>
Total	<u>116,223</u>	<u>100.0</u>

The following table shows a breakdown of our employees by level of education as of June 30, 2009:

	<u>Number of Employees</u>	<u>% of Total</u>
Graduate degree	4,533	3.9
Undergraduate degree	27,394	23.6
Associate degree	24,755	21.3
Others	<u>59,541</u>	<u>51.2</u>
Total	<u>116,223</u>	<u>100.0</u>

In accordance with regulations applicable to enterprises and the relevant requirements of various local governments in areas in which we operate, we make contributions to the pension contribution plan, employees’ medical insurance, unemployment insurance, maternity insurance and workers’ compensation injury insurance. The amount of our contributions is based on the specified percentages of our employee’s aggregate salaries as required by relevant PRC authorities. We also make contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, we also provide voluntary benefits to our employees and retired employees. These benefits include supplemental medical insurance plans and supplemental pension plans that are not covered by mandatory insurance required by the PRC Government, for both current and retired employees, and annual bonuses for our current employees.

For the three years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our employee benefits expenses (including wages, salaries and benefits) amounted to RMB7,536 million, RMB8,791 million, RMB9,875 million and RMB4,316 million, respectively. We currently have no share option schemes for our employees.

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Currently all of our employees are hired pursuant to the terms of a written employment contract, which specifies the employee’s position, responsibilities, remuneration and grounds for termination. Our employees are protected by labor unions. We encourage employee participation in the management of our Company. The operating entities of our Company and our subsidiaries have separate branches of the labor union. We have not experienced any strikes or other labor disturbances which have materially interfered with our operations, and we believe that we generally have positive relations with our employees.

We endeavor to provide training for our employees. The scope of our induction and on-going training programs includes management skills and technology training, overseas exchange programs and other courses. We also encourage our employees to engage in self-learning programs by granting scholarship awards.

We have been advised by Jia Yuan Law Firm, our PRC legal advisor, that the new PRC Labor Contract Law calls for much stricter requirements in human resources departments in terms of signing labor contracts with employees, stipulating probation and violation penalties, terminating labor contracts, paying remuneration and economic compensation as well as social security premiums. We are required to take a variety of measures to improve our employment relationship management and accordingly fulfill our statutory obligations in a practical manner. In addition, we shall also choose the forms of employment in accordance with the new law, particularly on worker service dispatches. The legal interpretation in this regard made by the relevant central government authority provides that the term of worker service dispatch shall not exceed six months, otherwise the employer shall hire workers through ordinary employment. As for dispatch provided by law, the accepting entity is required to provide the corresponding working conditions and labor protection, pay overtime remunerations and performance bonuses and provide benefits relevant to the position. The accepting entity should not in turn dispatch the workers to any other employer. The new PRC Labor Contract Law provides that the accepting entity and the dispatching entity shall bear joint and several liability for compensation if any damage is caused to the legitimate rights and interests of workers dispatched. Therefore the new regulations strengthened the protection to dispatched workers. In general, we believe that the new PRC Labor Contract Law will help us establish a more stable and harmonious labor relationship between our employees and us.

PROPERTIES

Our head office is located in Beijing, PRC. As of June 30, 2009, we owned 502 parcels of land and 4,294 buildings.

Out of the 502 parcels of land we owned, 501 parcels of land with a total site area of approximately 20.7 million sq.m. were located in the PRC and a parcel of land with a site area of approximately 20,255 sq.m. was located in Pakistan.

In addition, 86 parcels of land with a total site area of approximately 3,565,959 sq.m. were held by us for our property development business. On these land, we held various improvements which are held for sale, under development and for future development as disclosed in “Business — Property Development — Our Projects.”

Out of the 4,294 buildings we owned, 4,206 buildings with a total GFA of approximately 4.5 million sq.m. were located in the PRC and 88 buildings with a total GFA of approximately 111,340 sq.m. were located overseas (including Hong Kong).

In addition, as of June 30, 2009, we leased 74 parcels of land with a total site area of approximately 900,294 sq.m., all of which were located in the PRC, and we leased 384 buildings with a total GFA of approximately 355,875 sq.m. located in the PRC and seven buildings with a total GFA of approximately 1,378 sq.m. located overseas.

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Certain of our properties as discussed below are occupied by us without the land use right certificates or the building ownership certificates. None of such properties are held for sale or development under our property development business.

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, valued the capital value of our property interests at approximately RMB27,652.8 million as of June 30, 2009. The letter, summary of values and the valuation certificates issued by Jones Lang LaSalle Sallmanns Limited in connection with its valuation are set out in “Appendix IV—Property Valuation” to this document.

Buildings

Owned Buildings

As of June 30, 2009, we owned 4,206 buildings with a total GFA of approximately 4.5 million sq.m. in the PRC as follows:

- *Properties for which we had obtained the building ownership certificates.* We owned 3,882 buildings with a total GFA of approximately 3.9 million sq.m. for which we had obtained the building ownership certificates. These buildings accounted for approximately 79.3% of the total GFA of our occupied buildings. Among these were:
 - (i) 3,671 buildings with a total GFA of approximately 3.6 million sq.m. erected on land for which we had legally obtained the land use rights, which accounted for approximately 73.9% of the total GFA of our occupied buildings; and
 - (ii) 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 or land use procedures or on leasehold land with respect to which the lessors had not obtained the land use right certificates or had not completed the land use procedures for leasing allocated land. These buildings accounted for approximately 5.4% of the total GFA of our occupied buildings. Of these 211 buildings, only 60 buildings with an aggregate GFA of approximately 73,707 sq.m., which accounted for approximately 1.5% of the total GFA of our occupied buildings, are used for production and industrial purposes. These buildings are used to support our core production processes and do not generate any significant direct income to us. We also believe that the activities conducted in such buildings can be relocated if necessary. The rest of these buildings are used for administrative, support or other miscellaneous purposes and are immaterial to our operations, financial performance and prospects.

In respect of these 211 buildings, the Parent made the following undertakings pursuant to the Reorganization Agreement: (1) in relation to land leased to us by the Parent Group, to be responsible for resolving any conflicts that arise in relation to our rights to any such leased land, to be liable for any legal responsibilities and any costs, charges and expenses, to ensure that our production and operations are not affected and to indemnify us against any losses or damages we may suffer as a result of any challenge to, or interference with, our rights in such leased land; and (2) in relation to land leased to us by other third parties, to be responsible for resolving any conflicts that arise in relation to our rights to any such leased lands, to be liable for any legal responsibilities and any costs, charges and expenses; and that if we suffer any losses or damages as a result of any challenge to, or interference with, our rights in such leased land, such third parties would be responsible for indemnifying us against such losses or damages and if such third parties fail to indemnify us within 60 days of the request for indemnity, the Parent would be

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liable to indemnify us to the extent of such losses or damages not indemnified/paid by such third parties.

- *Properties for which we had not obtained the building ownership certificates.* We owned 324 buildings with a total GFA of approximately 653,548 sq.m. for which we had not obtained the building ownership certificates. These buildings accounted for approximately 13.4% of the total GFA of our occupied buildings. In relation to these buildings, pursuant to the Reorganization Agreement, the Parent undertook to be responsible for all charges, expenses and damages for such applications, and to indemnify us against any losses or damages we may suffer as a result of the foregoing matters.

We are in the process of applying for the building ownership certificates for such buildings and expect to obtain them. None of such buildings are held for sale or development under our property development business. We are of the view that such buildings are immaterial to our operations, financial performance and prospects as they are used to support our core production processes and do not generate any significant direct income to us. We also believe that the activities conducted in such buildings can be relocated if necessary.

- *Mortgaged properties.* As of June 30, 2009, of our owned buildings, 187 buildings with a total GFA of approximately 219,113 sq.m. were mortgaged. As all the titles of such mortgaged buildings were owned by our subsidiaries and were injected along with such subsidiaries into our Company, there was no change in the mortgagors and no consent from relevant mortgages was required for such injection. As of the Latest Practicable Date, except for the mortgages referred to above, there were no other mortgages, third-party rights of first refusal nor any agreements that may give rise to the foregoing situations with respect to our owned buildings.

With respect to our owned buildings, our PRC legal advisor, Jia Yuan Law Firm, has advised us that:

- With respect to buildings for which we had obtained the building ownership certificates and which were erected on land with legally granted land use rights, we have legally and validly obtained the ownership of such buildings. Based on different circumstances of the land on which such buildings were erected, our rights to such buildings are as follows:
 - (i) For buildings with building ownership certificates that were erected on land for which we had obtained the land use rights by means of land grant or state capital injection, we have the rights to possess, use, transfer, give, lease, mortgage or otherwise dispose of such buildings in accordance with the PRC laws and regulations; and
 - (ii) For buildings with building ownership certificates that were erected on land for which we had obtained the land use rights by means of leasing from the state-owned land administrative authorities, we have the rights to possess, use, transfer, give, lease, mortgage or otherwise dispose of such buildings in accordance with the PRC laws and regulations, provided that advance approvals from the state-owned land administrative authorities will be required if such disposal leads to a change in the lessee of the relevant land.
- With respect to buildings for which we had obtained the building ownership certificates but which were erected on land with defective land use rights, we have legally and validly obtained the ownership of such buildings. Upon obtaining the disposable land use rights, which are not subject to any limitation with respect to relevant land in accordance with PRC laws and regulations, we would have the rights to possess, use, transfer, give, lease, mortgage or otherwise dispose of such buildings in accordance with

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PRC laws and regulations. The undertakings of the Parent to us in relation to such buildings are legal, valid and enforceable against the Parent.

- With respect to buildings for which we had not obtained the building ownership certificates, we would validly obtain complete ownership rights to such buildings upon obtaining the property ownership certificates. Such buildings constituted a relatively small proportion of the buildings used by us. There are no disputes as to the rights to such buildings that would materially affect our production and operations, and the lack of the property ownership certificates with respect to such buildings would not have any material adverse effect on our production and operations. The undertakings of the Parent to us in relation to such buildings are legal, valid and enforceable against the Parent.
- We have the rights to possess, use and gain income from those mortgaged buildings for which we had obtained the property ownership certificates, but we cannot freely transfer, mortgage or otherwise dispose of such buildings without the consent of the mortgagees. The undertakings of the Parent to us in relation to such mortgages pursuant to the Reorganization Agreement are legal, valid and enforceable against the Parent.

Leased Buildings

As of June 30, 2009, we leased and occupied 384 buildings with a total GFA of approximately 355,875 sq.m. Of these buildings, the lessors had obtained the building ownership certificates for 74 buildings with a total GFA of approximately 94,182 sq.m.

The lessors had not obtained the building ownership certificates for the other 310 buildings with a total GFA of approximately 261,693 sq.m., which accounted for 5.4% of the total GFA of our occupied buildings. Jones Lang LaSalle Sallmanns Limited has attributed no commercial value to these properties. We believe that these leased buildings without building ownership certificates do not have material adverse effect on our operations, financial performance or prospects. 208 buildings out of the 310 buildings are used for production and industrial purposes but are used to support our core production processes and do not generate any significant direct income to us. We also believe that the activities conducted in such buildings can be relocated if necessary. The other buildings are used for administrative, support and other miscellaneous purposes and are immaterial to our operations, financial performance and prospects. In relation to such buildings, the Parent made the following undertakings pursuant to the Reorganization Agreement:

- With respect to the buildings leased to us by the Parent Group, in the event of any disputes as to the rights to such buildings, the Parent undertook to be responsible for resolving any conflicts, to assume all the legal responsibilities arising from any such disputes and to be responsible for the charges, expenses and damages arising from or relating to any such disputes, to ensure that the normal production and operations of our Company and our subsidiaries are not affected, and to fully indemnify our Company against any losses we may suffer as a result of any such disputes.
- With respect to the buildings leased to us by third parties other than the Parent Group, in the event of any disputes as to the rights to such buildings, the Parent undertook to be responsible for resolving any conflicts, to assume all the legal responsibilities arising from any such disputes and to be responsible for the charges and expenses arising from or relating to any such disputes. If we suffer any losses, damages, expenses or charges as a result of any disputes as to the rights to such buildings, such third parties would be liable for indemnifying us against such losses, damages, expenses or charges, but if such third parties fail to indemnify us within sixty days of our request for indemnity, the Parent will be liable to indemnify us against all or part of the amount not paid by such third parties.

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With respect to our leased buildings, our PRC legal advisor, Jia Yuan Law Firm, has advised us that:

- Our leases from the lessors who have obtained the building ownership certificates are legal and valid. The lessors have the right to lease such buildings to us in accordance with PRC laws and regulations. The form and substance of the lease agreements for such buildings meet the requirements of the relevant PRC laws and regulations. After execution, the lease agreements are legal, valid and binding and are enforceable against each party to such agreements.
- Our leases from the lessors who have not obtained the building ownership certificates will become legal upon the lessors' obtaining the relevant building ownership certificates. Such buildings constituted a relatively small proportion of the buildings used by us; there were no disputes as to the rights to such buildings that would materially affect our production and operations, and the lack of the relevant building ownership certificate would not have any material adverse effect on our production and operations. The undertakings of the Parent to us in relation to such buildings are legal, valid and enforceable against the Parent.

Land Use Rights

Land Use Rights to Owned Properties

As of June 30, 2009, we owned 501 parcels of land with a total site area of approximately 20.7 million sq.m. as follows:

- 279 parcels were granted land with a total site area of approximately 14.9 million sq.m. 271 parcels of them with a total site area of approximately 14.7 million sq.m. were granted with the land use right certificates after relevant agreements on the grant of land use rights were entered into with the state-owned land administrative authorities. For the other eight parcels of land, with a total site area of approximately 143,107 sq.m., we had either entered into the agreement on the grant of land use rights with the state-owned land administrative authorities or were in the process of entering into such agreements. We currently expect to settle all outstanding premium in an amount of approximately RMB479,766,367 for grant of the land use rights by the end of 2009. Our PRC legal advisor, Jia Yuan Law Firm, has advised us that there is no material legal impediment to obtaining the land use right certificates to the extent that the relevant land premium is duly paid.
- 208 parcels of land with a total site area of approximately 4.4 million sq.m. were granted with the land use rights by means of state capital injection, including:
 - (i) 193 parcels of land, with a total site area of approximately 4.1 million sq.m., were injected into our Company as injected state capital as authorized by the Ministry of Land and Resources. During our application process for the land use right certificates for relevant land, the number of parcels of land was adjusted to 190. Among them, 164 parcels completed the application and relevant land use rights certificates were obtained while the application for the remaining 26 parcels is pending. We currently expect the relevant land use right certificates with respect to these 26 parcels will be issued in the near future.
 - (ii) One parcel of land, with a site area of approximately 24,646 sq.m., was injected into MCC-Xi'an Electric Furnace Institute Co., Ltd, which was established after the Reorganization, as injected state capital by Shanxi Science and Technology Administration, as authorized by the Shanxi Land and Resources Administration.

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- (iii) 13 parcels of land, with a total site area of approximately 321,236 sq.m., were injected into Huludao Nonferrous Metals Group Co., Ltd. as injected state capital by Huludao Zinc Factory, as authorized by the Liaoning Land and Resources Administration.
- Three parcels of land, with a total site area of approximately 34,450 sq.m., were allocated land reserved for railway purposes. Pursuant to the relevant PRC laws and regulations, upon the approval of relevant state-owned land administrative authorities, land reserved for railway purposes can continue to be used as allocated land. Such allocated land has been approved by the relevant local authorities to continue to be used as allocated land. These parcels of allocated land are immaterial to our operation, financial performance and prospects and we therefore intend to continue holding such land as allocated land in the near future. Jones Lang LaSalle Sallmanns Limited has attributed no commercial value to such allocated land.
 - 15 parcels of land, with a total site area of approximately 1,423,838 sq.m., were in the process of applying for the land use right certificates. Pursuant to the Reorganization Agreement, the Parent undertook to be responsible for all charges, expenses and damages for such applications, and to indemnify us against any losses or damages in connection with such land. None of these 15 parcels of land is held for sale or development under our property development business and all of them are used for administrative, support or other miscellaneous purposes and are immaterial to our operation, financial performance and prospects.
 - As of June 30, 2009, of our owned land, 42 parcels with a total site area of approximately 4.0 million sq.m. were mortgaged. As all of the land use rights to such mortgaged land were held by our subsidiaries and were injected along with the subsidiaries into our Company, there was no change in the mortgagors and no consent of the mortgagees was required for such injection. Except for the mortgages referred to above, there were no other mortgages, third party rights of first refusal, foreclosure, other restrictions of rights, nor any agreements that may give rise to the foregoing situations with respect to the land use rights to our owned land.

With respect to the land use rights to our owned land, our PRC legal advisor, Jia Yuan Law Firm, has advised us that:

- We legally obtained the land use rights with respect to the granted land. Within the effective periods of land use right certificates of the granted land, we have the rights to occupy, use, give, transfer, lease, mortgage or dispose of such right in any manner in accordance with relevant PRC laws and regulations. For such land without land use right certificates, there is no material legal impediment to obtaining the land use right certificates to the extent that the relevant land premium, as set forth in relevant agreements on the grant of land use rights, is duly paid.
- We legally obtained the land use rights of the injected land. There is no material legal impediment to obtaining such land use right certificates. Upon obtaining such land use right certificates, we will have the rights to occupy, use, give, transfer, lease, mortgage or dispose of such right in any manner in accordance with relevant PRC laws and regulations.
- We legally obtained the land use rights of the allocated land. Within the scope of usage as specified on the land use right certificates, we have the rights to occupy and use such land. We can transfer, lease or mortgage such right upon the completion of the transfer procedures and the payment of land premium or after obtaining the approval of governmental authorities.
- For the land with respect to which the land use rights are under application, the use of such land by our Company will be fully protected under the PRC laws and regulations upon the grant of land use right

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certificate. Our rights to such land are not subject to disputes or other conflicts which can materially affect our operations. Besides, they only constituted a small portion of our property assets and would not materially affect our business. The undertakings of the Parent to us in relation to such land use rights are legal, valid and enforceable against the Parent.

Land Use Rights to Leased Properties

As of June 30, 2009, we leased and occupied 74 parcels of land with a total site area of approximately 900,294 sq.m. as follows:

- 16 parcels of land, with a total site area of approximately 88,454 sq.m, had been granted land use rights through leasing agreements or arrangements reached with local state-owned land administrative authorities and were granted the land use right certificates for leased properties issued by such authorities.
- For one parcel of land with a site area of approximately 4,740 sq.m., the lessor had obtained the land use right certificate for granted land.
- The other 57 parcels of land, with a total site area of approximately 807,100 sq.m., accounted for 3.7% of the total site area of our occupied land. The lessors of those parcels had not obtained the land use right certificates or had not completed the procedures of leasing for allocated land with respect to such land. Jones Lang LaSalle Sallmanns Limited has attributed no commercial value to these properties. Among them, 51 parcels of land, with a total site area of approximately 575,808 sq.m., were leased from the Parent. On September 23, 2008, the Parent and Baosteel entered into the Agreement of Voluntary Allocation of State-owned Properties to transfer those 51 parcels of allocated state-own land from Baosteel to the Parent, which was subsequently approved by the SASAC. None of the leased land for which the land use right certificates had not been obtained is held for development under our property development business. We believe that all such leased land is not material to our operations because while the majority of the 53 parcels of land are used by us for production and industrial purposes, such land is used to support our core production processes and do not generate any significant direct income to us. The rest are used for administrative, support or other miscellaneous purposes and are immaterial to our operation, financial performance and prospects. We also believe that the activities conducted on such land can be relocated if necessary. Currently, the Parent and Baosteel are in the process of transferring the land use right certificates to the Parent. The Parent made the following undertakings regarding those properties pursuant to the Reorganization Agreement:
 - For the land leased from the Parent Group, the Parent has undertaken to be responsible for any legal responsibility and resolving any conflicts that arise in relation to our rights to any such leased land, to ensure that our production and operations are not affected by and to indemnify our Company against any losses or damages we may suffer as a result of any challenge to, or interference with, our rights in relation to any such leased land.
 - For the land leased from a third party other than the Parent Group, (i) the Parent has undertaken to be responsible for any legal responsibility and resolving any conflicts that arise in relation to our rights to any such leased land and to indemnify our Company against any expenses as a result of any challenge to, or interference with, our rights in relation to any such leased land; and (ii) the third party shall be responsible for any losses or damages we suffer as a result of any challenge to, or interference with, our rights in relation to any such leased land. If such third party fails to indemnify us against such losses or damages within 60 days of our

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claim, the Parent shall indemnify us to the extent of such losses or damages not indemnified by such third party.

With respect to the land use rights to our leased land, our PRC legal advisor, Jia Yuan Law Firm, has advised us that:

- Our leasing of state-owned properties from land authorities is legal and valid with those properties granted with the land use right certificates. Within the effective leasing period, our right to use the leased land is protected by the PRC law.
- Our leasing from the lessor who has obtained the land use right certificate for the granted land is legal and valid. Within the effective leasing period, our right to use the leased land is protected by the PRC law.
- Our leasing from lessors who have not obtained the land use right certificates or completed the procedures for leasing allocated land will become legal upon the lessors' obtaining the land use right certificates or the completion of such procedures. Such leasing only constituted a small portion of our property assets and is not expected to result in any disputes of property rights or other conflicts which could materially affect our operations.

Overseas Properties

As of June 30, 2009, we owned a parcel of land overseas with a site area of approximately 20,255 sq.m. and 88 buildings in Hong Kong and other overseas countries, with a total GFA of approximately 111,340 sq.m. We also leased seven buildings in other overseas countries with a total GFA of approximately 1,378 sq.m.

Waiver and Exemption From Certain Valuation Report Requirements

Regarding the format and content of the valuation report, the property valuation report included in Appendix IV to this document includes a valuation report in full compliance with all applicable Hong Kong Listing Rules and Paragraph 34(2) of Part II of the Third Schedule to the Companies Ordinance of property interests held or to be acquired by us for our property development business. However, owing to the substantial number of properties we own and lease, we have applied for and obtained a waiver from the Hong Kong Stock Exchange from strict compliance with Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, an exemption from the SFC under section 342A of the Companies Ordinance from strict compliance with Paragraph 34(2) of Part II of the Third Schedule of the Companies Ordinance on the grounds that:

- (a) to comply with the requirements under rules 5.01 and 5.06 and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and paragraph 34(2) of the Third Schedule of the Companies Ordinance in its unmodified form, namely to list all of the properties (other than those held by us for our property development business) and show their particulars and values individually in this document, would be unduly burdensome and, for the purposes of the Hong Kong Listing Rules, would not achieve the regulatory purpose for which the Hong Kong Listing Rules were made;
- (b) to comply with rule 19A.27(4) of the Hong Kong Listing Rules in its unmodified form, namely to prepare an English translation of the full valuation report, would be unduly burdensome as substantially all of our properties are located in the PRC and consequently the underlying valuation and title information is in Chinese;
- (c) the waiver and exemption sought will not prejudice the interests of shareholders as the proposed conditions to the waivers and exemption would provide adequate information to shareholders to assess the property interests held by us;

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- (d) for the reasons set out in paragraphs (a) to (c) above, the waiver would not result in undue risks to shareholders; and
- (e) for the reasons set out in paragraphs (a) to (c) above, the proposed waiver and exemption sought would not be repugnant to, or conflict with, the duties of the Hong Kong Stock Exchange under the Securities and Futures Ordinance and the general principles under rule 2.03 of the Hong Kong Listing Rules, as the proposed conditions to the waiver and submission would provide shareholders with sufficient information to enable them to make a properly informed assessment of us.

The exemptions were granted with conditions which are set out in “Appendix IX — Statutory and General Information — VI. Other Information — 9. Exemption and Waiver from Certain Requirements Regarding Property Valuation Report.”