Our financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, the actual outcome and developments may be subject to a number of risks and uncertainties. See "Risk Factors" and "Forward-Looking Statements."

Unless the context otherwise indicates, the financial data includes the assets, liabilities and results of operations of certain businesses retained by the Parent that were historically associated with our principal businesses, because such operations could not be clearly distinguished from our principal operations and were historically under common management and control with our principal businesses.

Unless otherwise indicated, all financial data, whether presented on the primary reporting basis or by segment, is presented after elimination of inter-segment and other intra-company transactions between the group companies.

The financial data relating to the breakdown of the revenue and cost of sales for each of our four principal business segments are derived from our management accounts and have not been audited.

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 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 the 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.

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 that have significant potential for synergy creation.

As a large multinational company, 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 business and resources development business. To date, we have operated such business in many countries and territories around the world.

Our operations are divided into four principal business segments, based on which our financial information is presented. Our four principal business segments are as follows:

- *Engineering and construction.* Engineering and construction is our traditional and core business and is currently our largest segment in terms of revenue contribution. We are the largest metallurgical engineering and construction contractor in the world in terms of 2007 revenues according to the ENR. In addition to metallurgical projects, we also engage in the provision of engineering and construction services for building construction, transportation infrastructure and other projects involving various industries, including the mining, environmental protection, power, chemicals, light and electronics industries. We provide a wide range of engineering and construction services, including research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services.

- *Resources development.* We engage in the development, mining and processing of mineral resources and the production of polysilicon. We have a business focus 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, where we hold various mining interests in a range of resources development projects designed to produce iron ore, copper, nickel, zinc, lead and other metallic mineral resources. In addition, in such locations as Liaoning, Inner Mongolia, Sichuan and Hunan in China, 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.
- *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 equipment manufacturing business includes research and development, design, manufacture, installation, testing and maintenance of such products, as well as certain relevant services. In addition to supplying products and services for the needs of our engineering and construction business, we also provide equipment, components and parts for major medium- and large-scale iron and steel enterprises in China, including Baosteel and Anbensteel, as well as for exports to overseas markets, including Japan and Germany. We are the largest manufacturer of steel structures in China, holding a leadership position in the research, design, manufacture and installation of steel structures.
- *Property development.* We are one of the central state-owned enterprises approved by the SASAC to engage in property development as a principal business. Our property development business comprises the development and sale of residential and commercial properties and primary land development. As of the Latest Practicable Date, we had projects located in various cities, including Beijing, Shanghai, Tianjin, Chongqing and Nanjing, in which our brand, MCC Real Estate, has established a good reputation and a high level of recognition.

We also engage in certain other businesses, including primarily import and export and consulting services.

BASIS OF PRESENTATION

Our Company was established in the PRC on December 1, 2008 as a joint stock limited company as a result of the Reorganization of the Parent, which is wholly owned by the SASAC. Prior to the establishment of our Company, our businesses were carried out by companies wholly owned or controlled by the Parent.

Pursuant to the Reorganization, our Company issued 12,870 million ordinary domestic shares with a nominal value of RMB1.00 per share to the Parent, which represented 99.0% of our total share capital, in exchange for all the subsidiaries, assets and liabilities currently under our Company and the principal businesses of the Parent that were transferred to us. In addition, Baosteel subscribed for 130 million of our shares for RMB194,463,000, which represented 1.0% of our total share capital.

In connection with the Reorganization, the Retained Operations include principally: (i) certain operating assets and liabilities unrelated to our Company's principal businesses, including primarily those companies engaging in the production and sale of paper and pulp and such social and community facilities as hospitals, schools and hotels; and (ii) certain operating assets and liabilities historically associated with our Company's principal businesses, including primarily those companies and divisions engaging in the provision of ancillary construction-related services. See "History and Reorganization — Retained Operations" and "Relationship with the Parent Group and Connected Transactions — Retained Operations."

For details of historical financial information about the Retained Operations, see Note 2 to "Appendix I — Accountant's Report" to this document.

The Parent and Baosteel are both state-owned enterprises owned and controlled by the SASAC. Accordingly, the Reorganization has been accounted for as a reorganization of business under common control transaction in a manner similar to a uniting of interests. Therefore, the assets and liabilities transferred to us were stated at their historical carrying amounts. In addition to the businesses transferred to us, the historical financial information included in "Appendix I — Accountant's Report" and discussed herein also includes assets, liabilities and results of operations of certain of the Retained Operations, because such operations could not be clearly distinguished from our principal operations and were historically under common management and control with our principal businesses.

The financial information presents the consolidated results and financial position of our Company as if our current group structure had been in existence throughout the Track Record Period and as if the assets and liabilities of those Retained Operations that were historically associated with our principal businesses were transferred to our Company from the Parent on the later of the beginning date of the earliest period presented or the date when such operations first came under control of the SASAC. The assets and liabilities of those Retained Operations that were historically associated with our Company's principal businesses were accounted for as a distribution to the Parent at the effective date of the Reorganization. See Note 2 to "Appendix I — Accountant's Report" to this document.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and the period-to-period comparison of our financial results have been and will continue to be affected by a number of factors, including the following:

China's and global macroeconomic trends and macroeconomic policies and measures

As most of our revenues are generated in China, the operations of each of our businesses are influenced by China's macroeconomic environment. China's economic development and other economic trends and factors would have a direct impact on our businesses, including on the demand for our services and products, the supply and prices of our requisite raw materials, and our other costs. In addition, in order to sustain the steady growth of China's economy, the PRC Government has from time to time adjusted its monetary, financial, fiscal or industry policy, among others, or has implemented other macroeconomic measures. Such adjustment in or implementation of economic policies and measures would also directly or indirectly affect our results of operations and financial condition. Both China's macroeconomic trends and various macroeconomic policies could affect our procurement, production, sales and other parts of our business, leading to fluctuations in our results of operations.

In recent years, China's economy has grown rapidly. Its GDP has continued to maintain a growth rate of above 8% per year, and its fixed asset investments have also continued to increase. The overall economic development has led to an increase in demand for our services and products, which contributed to significant increases in our revenue and profit in 2006 and 2007.

Under the globalization of the economy, China's macroeconomic environment is closely related to political, economic, policy and other changes globally. Due to the global economical downturn, a decrease in consumer demand and a slowdown in domestic property investments, the economic situation in China has been challenging since the second half of 2008. This change in the macroeconomic conditions has had and may continue to have an adverse impact on our business and operations, including by leading to a decrease in demand for our services and products, an increase in pricing pressure, and the failure of certain of our customers to carry out their engineering and construction projects as planned or pay amounts owed to us on time or at all.

In order to promote China's economic development, the PRC Government has implemented and may continue to implement various monetary, financial, fiscal or other economic measures to stimulate the investment in infrastructure projects, increase the liquidity in the credit market and promote employment opportunities. The outcome of these or other measures and the degree to which they benefit us would materially affect our results of operations and financial condition.

China's policies on the iron and steel industry and other industries related to our businesses

Our engineering and construction, resources development, equipment manufacturing and property development businesses are significantly affected by the relevant industry policies in China. In recent years, the PRC Government's regulation of the iron and steel industry, its overhaul and invigoration plan specific to the iron and steel industry, non-ferrous metal industry and equipment manufacturing industry, and its industry policies on resources development and the property market have had or may continue to have a material impact on the investment in and growth of China's iron and steel industry and other industries related to our businesses, bringing us new opportunities and challenges. See "Industry Overview" for certain recent major policies on China's iron and steel industry and other industries related to our businesses. These would affect the demand for our services and products to a large extent and affect our financial condition and results of operations. In addition, to address the PRC Government's changes and adjustments in relevant industry policies, we also have to adjust our business focus and strategic positioning. If we are not able to adapt to changes in the PRC Government's industry policies or our adjustments are not able to achieve the anticipated outcome, our financial condition and results of operations could be materially and adversely affected.

Demand for and prices of our services and products

Our financial condition and results of operations are affected by the demand for and prices of our services and products. The demand for our services and products depends on the general level of activities and growth in the industries in which we operate, including the engineering and construction, resources development, equipment manufacturing and property development industries, as well as in the industries which we serve, such as the iron and steel, building construction, and civil and public facilities and other infrastructure construction industries. General economic conditions, governmental investment policies and investment plans, financing and market conditions, and consumer confidence may also likely affect the development of these industries and other aspects of the market, thereby affecting the demand for and prices of our services and products. In addition, the intense competition in our engineering and construction, resources development, equipment manufacturing and property development businesses may also lead to pricing pressure on our services and products, which may thereby adversely affect our financial condition and results of operations.

Cost of raw materials

Cost of raw materials constitutes a significant part of our total cost of sales. Our operations require various types of raw materials, including steel, cement, sand and gravel, other construction materials, ores and fuels. The availability and prices of these raw materials depend on the local and global market conditions. The following tables show the average prices of steel and cement in China for the periods indicated:

	2006				2007				2008				2009	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
Hot rolled steel sheet (3 mm) (RMB/ton)	3,436	4,260	4,024	3,925	4,199	4,236	4,159	4,560	5,136	5,749	5,496	3,716	3,832	3,567
Steel rebar (25 mm) (RMB/ton)	2,929	3,196	3,013	3,034	3,234	3,445	3,736	4,224	4,660	5,427	5,211	3,751	3,647	3,510
Cold rolled steel sheet (1 mm) (RMB/ton)	4,640	5,261	4,886	4,782	5,032	5,029	4,936	5,260	6,075	6,934	6,780	4,499	4,499	4,378
Steel plate (20 mm) (RMB/ton)	3,120	3,980	3,716	3,653	3,998	4,174	4,453	4,795	5,453	6,411	6,134	3,825	3,674	3,373

Source: Bloomberg

	2006				2007				2008				2009	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	1st Quarter	2nd Quarter
Cement (RMB/ton)	288	288	290	298	293	297	313	329	314	337	383	376	369	365

Source: Digital Cement (official website of China Cement Association)

We are subject to the fluctuations in purchase prices of our raw materials. After the signing of a large-scale engineering and construction contract, we generally require one year or more to complete a majority of our work. Accordingly, the prices of key raw materials at the time of entering into the contracts may not reflect the prices that we will eventually pay during the execution of our projects. Our ability to pass on any increase in the purchase price of raw materials may be limited by the relevant provisions on total price or unit price set forth in certain of our contracts. Pursuant to such contracts, we may have to bear a portion of the increase in the purchase price of key raw materials, principally steel. The actual expenses we incur after entering into such contracts may vary substantially from the expense assumptions underlying our bid for several reasons, including unanticipated increases in the cost of raw materials and cost of other inputs. These variations and the risks generally inherent in the construction industry may cause our actual profits to differ from our original estimates and may lead to reduced profitability or losses on projects. See "Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Failure to accurately estimate the overall risks or costs of our contracts will lead to cost overruns, lower profitability or even losses on such contracts."

Subcontracting

In connection primarily with our engineering and construction business, we may subcontract part of our projects to subcontractors and other parties based on the various project conditions. As such, subcontracting charges constitute a significant part of the costs of sales for our engineering and construction business. We are engaged as the EPC contractor in most of our engineering and construction 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. Subcontracting charges are determined by factors including the costs of raw materials, parts and labor, among other things, required by the subcontracts and our negotiating power. The contracts entered into between us and our subcontractors generally reflect the terms and conditions of our main contract. The subcontractors and we are jointly responsible for safety issues arising from the construction of our subcontracted work. We select independent subcontractors based on past cooperation experience, performance and other factors. We intend to continue using subcontractors to meet the additional capacity required to support the growth of our business. If we fail to effectively control our subcontracting costs and the relevant risks, our profitability level may decline.

Taxation

From January 1, 2008, the normal statutory PRC corporate income tax rate has been reduced from 33% to 25% of taxable income as determined in accordance with the relevant PRC Corporate Income Tax Law. PRC national and local tax laws provide for a number of preferential tax treatments applicable to different enterprises. Certain of our subsidiaries are currently exempted or taxed at a preferential income tax rate under the preferential policy of the development plan for the western part of China and the preferential tax treatments for enterprises in coastal development zones, special economic zones or high and new technology enterprises. See "— Consolidated Results of Operations — Description of Selected Components of Results of Operations — Income tax expense." The various types of preferential tax treatments that certain of our subsidiaries, associates and jointly controlled entities currently enjoy and other taxes applicable to our business such as resources tax and property development tax may change with the PRC's evolving tax policy, affecting our results of operations and financial condition.

In addition, we pay various local taxes in certain foreign countries and territories in which we operate. During the Track Record Period, revenue generated from our overseas businesses had increased significantly. Our tax expenditures associated with such overseas operations may increase as a result of the expected increases in revenue generated from overseas operations in the coming years.

Interest rates and exchange rates

We finance a significant portion of our business operations and capital expenditures with short-term and long-term borrowings. See "— Indebtedness." Our borrowings incur interest. Our finance costs are accounted for based on the total interest less interest capitalized in construction in progress as well as in properties under development, plus (or less) net foreign exchange losses (or gains) on borrowings and plus discount charges on bank acceptance notes. The interest rate fluctuations and the amount of our total borrowings would therefore have an impact on our finance costs. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our finance costs were RMB1,030 million, RMB1,317 million, RMB3,005 million, RMB1,261 million and RMB1,173 million, respectively.

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

Business cyclicality

We are affected by the industry-specific business cyclicality, particularly in our engineering and construction business. We typically record higher revenues between July and December relative to revenues recorded between January and June. We attribute this cyclicality to the natural environment and other external factors. For example, the winter (generally from January to March) would affect our construction operations in the northern region of China. In addition, Chinese New Year and other holidays would affect the availability of human resources, and during the period from January to March, the customers of our engineering and construction business customarily engage less frequently in construction projects.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our results of operations and financial condition is based on our consolidated financial information, which has been prepared in accordance with IFRS. Our results of operations and financial condition are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our financial information. We base our assumptions and estimates on historical experience and on various other assumptions that we currently believe to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as facts, circumstances and conditions change or as a result of different assumptions.

Our management considers the following factors in reviewing our financial information:

- the selection of critical accounting policies; and
- the judgments and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. Our principal accounting policies are set forth in detail in Note 3 to "Appendix I — Accountant's Report" to this document. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial information.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the construction contracts and sale of goods and services in the ordinary course of our activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within our Company.

We recognize revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from construction and service contracts (including EPC contracts)

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.

Variation in contract work, claims and incentive payments are included in the contract revenue to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statements in the period in which the circumstances that give rise to the revision become known by our management.

Revenue from mining

Revenue from mining is recognized when the risks and rewards are transferred to the customers, which is at the date when the customer receives and accepts the goods and collectibility of the related receivables is reasonably assured.

Revenue from sale of properties

Revenue from sale of properties is recognized when the risks and rewards of the properties are transferred to the customers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectibility of the related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

Services rendered

Revenue for services rendered, which mainly include technology development, design, consulting and supervision, is recognized when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

Sale of products

Sales of products are recognized when significant risks and rewards of ownership of the goods are transferred to the customer, and the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Rental, interest and dividend incomes

Rental income under operating leases of buildings is recognized on a straight-line basis over the lease term.

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, we reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

Construction contracts

Revenue from individual contracts is recognized under the percentage of completion method which requires estimations by our management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

We review and revise the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Our management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statements in the period in which the circumstances that give rise to the revision become known by our management.

Useful lives and residual values of property, plant and equipment

Our management determines the residual values, useful lives and related depreciation charges for our property, plant and equipment. These estimates are based on the past experience of the actual residual values and useful lives of plant and equipment of similar nature and functions. They could change significantly as a result of technological innovation and competitor actions in response to severe industry cycles. Our management will increase the depreciation charge in situations where the residual value or useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of assets

As of each balance sheet date, we consider both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. Accordingly, there will be an impact to the future results if there is a significant change in the recoverable amounts of the assets.

Current taxation and deferred taxation

We are subject to income taxes in various jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the periods in which such determinations are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as our management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimates are changed.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Our Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Pension and other post-employment obligations

The present value of the pension and other post-employment obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for provisions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

We determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, we consider the interest rates of government securities which have a maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, information relating to certain income and expense items from our consolidated income statement:

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

Description of Selected Components of Results of Operations

Revenue

We generate all our revenue principally from our engineering and construction, resources development, equipment manufacturing and property development businesses.

Our revenue was generated largely from our engineering and construction business, which had represented the largest source of our revenue over the Track Record Period. The revenue of our engineering and construction business included, among other things, the revenue of certain of the Retained Operations historically associated with our engineering and construction business that was generated before the establishment of our Company. See " — Basis of Presentation." We recognize revenue from our engineering and construction operations in accordance with the principles and methods set forth in " — Critical Accounting Policies and Estimates — Revenue Recognition — Revenue from construction and service contracts (including EPC contracts)" above.

The revenue of our resources development business comprised primarily the sales of our smelting products, including refined zinc and copper cathode, the sales of polysilicon, and the sales of mineral products, including blister copper and iron concentrate.

The revenue of our equipment manufacturing business included primarily the sales from our manufacture of metallurgical equipment, the sales of steel structures, and the sales of construction materials and other products. It also included the revenue of certain of the Retained Operations historically associated with our equipment manufacturing business that was generated before the establishment of our Company. See " — Basis of Presentation."

The revenue of our property development business included primarily the sales of properties from our property development projects, including residential properties (including social welfare housing) and commercial properties, and the income generated from primary land development.

The following table sets forth our revenue from these businesses before inter-segment elimination and as a percentage of 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)	(%)
Segment revenue										
Engineering and construction	75,186	81.7	97,856	77.7	128,041	80.1	59,894	79.8	65,475	86.4
Resources development	9,114	9.9	13,338	10.6	9,538	6.0	5,406	7.2	3,061	4.0
Equipment manufacturing	5,374	5.8	8,531	6.8	15,649	9.8	7,584	10.1	4,375	5.8
Property development	731	0.8	3,888	3.1	4,199	2.6	1,057	1.4	1,831	2.4
Others	1,659	1.8	2,317	1.8	2,400	1.5	1,123	1.5	1,083	1.4
Subtotal	**92,064**	**100.0**	**125,930**	**100.0**	**159,827**	**100.0**	75,064	**100.0**	75,825	**100.0**
Inter-segment elimination	(358)		(874)		(1,928)		(950)		(959)	
Total revenue	**91,706**		**125,056**		**157,899**		**74,114**		**74,866**	

In 2006, 2007 and 2008, our total revenue had continued to increase. Our total revenue for the six months ended June 30, 2009 also increased as compared to the corresponding period in 2008. 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 that have significant potential for synergy creation. In recent years, we have taken advantage of opportunities presented by the rapid development of the Chinese economy, to develop our engineering and construction business and equipment manufacturing business. We are also committed to gradually improving our business structure, rapidly expanding our resources development business and property development business.

From 2006 to 2007, our engineering and construction business grew steadily, but as the other business segments grew rapidly, the revenue of our engineering and construction business, as a percentage of our revenue before inter-segment elimination, decreased from 81.7% in 2006 to 77.7% in 2007. In 2008, our resources development business and property development business were adversely affected by the macroeconomic conditions, which led to a decrease in revenue or a slowdown in revenue growth of the two business segments, and their percentage contribution to our revenue before inter-segment elimination decreased from 10.6% and 3.1% in 2007, respectively, to 6.0% and 2.6% in 2008, respectively. For the six months ended June 30, 2009, the revenue of our equipment manufacturing business decreased as a result of the exclusion of the financial results of MCC Hengtong Cold Rolling Technology Co., Ltd. and although there were signs of economic recovery, our resources development business and equipment manufacturing business were adversely affected by the general decline in macroeconomic conditions, which led to decreases in revenue of the two business segments as compared to the six months ended June 30, 2008, and their percentage contribution to our total revenue also decreased from 7.2% and 10.1% for the six months ended June 30, 2008, respectively, to 4.0% and 5.8% for the six months ended June 30, 2009, respectively. We believe the improvement and optimization of our business structure is our key business development strategy. We plan to gradually increase the contribution of such new businesses as resources development and social welfare housing development to our total revenue and actively grow our non-metallurgical engineering and construction business, thereby further enhancing our diversification of business and improving our position against market and other risks.

Cost of sales

Our cost of sales primarily includes material cost (raw materials, products and work-in-progress consumed, purchased equipment and consumables used), subcontracting charges, employee benefits and other costs.

Our cost of sales on a consolidated basis is presented after elimination of inter-segment transactions. As a result, only the cost of sales incurred from purchases of goods or services from external suppliers is accounted for as cost in our consolidated results of operations.

The following table shows a breakdown of our cost of sales for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Material cost	39,756	48.4	51,761	46.2	65,770	45.2	29,154	43.4	24,685	36.4
Subcontracting charges	27,959	34.1	43,198	38.5	59,180	40.6	29,187	43.5	34,387	50.7
Employee benefits	5,189	6.3	6,170	5.5	7,156	4.9	3,015	4.5	2,906	4.3
Others	9,199	11.2	10,956	9.8	13,489	9.3	5,797	8.6	5,869	8.7
Total	**82,103**	**100.0**	**112,085**	**100.0**	**145,595**	**100.0**	**67,153**	**100.0**	**67,847**	**100.0**

Material cost (raw materials, products and work-in-progress consumed, purchased equipment and consumables used) constituted the main component of our cost of sales. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, material cost was RMB39,756 million, RMB51,761 million, RMB65,770 million, RMB29,154 million and RMB24,685 million, respectively, representing 48.4%, 46.2%, 45.2%, 43.4% and 36.4% of our total cost of sales, respectively. The raw materials used in our engineering and construction business mainly include steel, wood, cement, initiating explosive devices, waterproofing materials, geotechnical materials and additives. The raw materials and other consumables used in our resources development business mainly include electricity, fuels, explosives, water and chemicals. The raw materials used in our equipment manufacturing business primarily include steel, scrap iron, alloy materials such as ferromolybdenum, pig iron and trace chromium, and molding materials such as resin, chromium ore sand, welding wires and other welding materials. The raw materials used in our property development business mainly include reinforcing steel bars, cement, building decorative materials, landscaping materials and equipment materials. The increase in material cost during the period from 2006 to 2008 was attributable mainly to the increase in revenue during the period and increases in prices of materials. The decrease in material cost for the six months ended

June 30, 2009 as compared to the six months ended June 30, 2008 was due primarily to the decreases in our purchase prices of raw materials in general.

During the Track Record Period, subcontracting charges were an important component of our cost of sales. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, subcontracting charges were RMB27,959 million, RMB43,198 million, RMB59,180 million, RMB29,187 million and RMB34,387 million, respectively, which represented 34.1%, 38.5%, 40.6%, 43.5% and 50.7% of our total cost of sales, respectively. Subcontracting charges were incurred primarily for our engagement of independent third parties to provide certain services, including primarily labor and other services for the subcontracting of labor-intensive projects and procurement services for mainly large-scale, low value-added equipment in engineering and construction projects, in order to meet the needs for the progress of a project. We incurred subcontracting charges primarily for our engineering and construction business. As a result, subcontracting charges increased during the period from 2006 to 2008 as well as for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 primarily because of the growth of our engineering and construction business during the Track Record Period.

During the Track Record Period, employee benefits were also a significant component of our cost of sales. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, employee benefits were RMB5,189 million, RMB6,170 million, RMB7,156 million, RMB3,015 million and RMB2,906 million, respectively, which represented 6.3%, 5.5%, 4.9%, 4.5% and 4.3% of our total cost of sales, respectively. Employee benefits consisted mainly of wages, salaries and allowances, labor protection fees, retirement pensions, medical insurance premiums, unemployment insurance premiums, workers' compensation premiums, housing provident funds, education and training expenses and labor union expenses.

During the Track Record Period, our cost of sales also included other costs, including primarily business tax and other transaction taxes, operating lease rentals, fuel and heating expenditure, and depreciation of property, plant and equipment. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, such other costs amounted to RMB9,199 million, RMB10,956 million, RMB13,489 million, RMB5,797 million and RMB5,869 million, respectively, representing 11.2%, 9.8%, 9.3%, 8.6% and 8.7% of our total cost of sales, respectively.

Selling and marketing expenses

The following table shows a breakdown of our selling and marketing expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Employee benefits	147	27.7	191	26.9	251	27.0	98	26.8	119	30.9
Transportation costs	108	20.4	157	22.1	174	18.8	85	23.3	64	16.6
Office expenses	74	14.0	87	12.3	168	18.1	66	18.1	70	18.2
Advertising expenditures	61	11.5	82	11.6	121	13.0	40	11.0	50	13.0
Traveling expenses	36	6.8	52	7.3	72	7.8	31	8.5	36	9.4
Professional and technical consulting fees	14	2.6	79	11.1	37	4.0	6	1.6	12	3.1
Others	90	17.0	61	8.6	105	11.3	39	10.7	34	8.8
Total	**530**	**100.0**	**709**	**100.0**	**928**	**100.0**	**365**	**100.0**	**385**	**100.0**

Our selling and marketing expenses consisted primarily of employee benefits, transportation costs and office expenses. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our selling and marketing expenses were RMB530 million, RMB709 million, RMB928 million, RMB365 million and RMB385 million, respectively. These expenses increased at a CAGR of 32.3% from 2006 to 2008 and at 5.5% for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008. This increase was due mainly to our increased spending on sales and marketing in particular, on employee benefits, office expenses and advertising expenditures, in order to grow our business.

Administrative expenses

The following table shows a breakdown of our administrative expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Employee benefits	2,200	43.4	2,430	41.9	2,468	37.6	1,440	46.8	1,291	43.3
Office expenses	554	10.9	648	11.2	765	11.7	330	10.7	351	11.8
Depreciation of property, plant and equipment	274	5.4	281	4.9	386	5.9	194	6.3	184	6.2
Repairs and maintenance	256	5.0	306	5.3	226	3.4	84	2.7	57	1.9
Traveling expenses	250	4.9	294	5.1	261	4.0	114	3.7	102	3.4
Others	1,538	30.3	1,827	31.6	2,453	37.4	918	29.8	999	33.5
Total	**5,072**	**100.0**	**5,786**	**100.0**	**6,559**	**100.0**	**3,080**	**100.0**	**2,984**	**100.0**

Our administrative expenses included primarily employee benefits for administrative staff, office expenses, depreciation of property, plant and equipment and traveling expenses. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our administrative expenses were RMB5,072 million, RMB5,786 million, RMB6,559 million, RMB3,080 million and RMB2,984 million, respectively. These expenses increased at a CAGR of 13.7% from 2006 to 2008 primarily as a result of the growth of our business and our increased investments in research and development. These expenses decreased at 3.1% for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008, primarily due to the decrease of employee benefits.

Other income

The following table shows a breakdown of our other income for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Dividend income from available-for-sale financial assets	25	7.2	57	9.7	32	3.0	6	1.8	8	1.6
Dividend income from financial assets at fair value through profit or loss	52	15.0	96	16.4	1	0.1	—	—	—	—
Income from liabilities forgiven	4	1.2	22	3.7	177	16.6	13	4.0	12	2.4
Insurance reimbursement	2	0.6	6	1.0	4	0.4	1	0.3	1	0.2
Rental income	150	43.2	203	34.6	307	28.9	104	31.8	107	21.8
Government grants and subsidies	87	25.1	163	27.8	493	46.3	184	56.3	332	67.8
Others	27	7.8	40	6.8	50	4.7	19	5.8	30	6.1
Total	**347**	**100.0**	**587**	**100.0**	**1,064**	**100.0**	**327**	**100.0**	**490**	**100.0**

Other income consisted primarily of rental income, government grants and subsidies, and dividend income from financial assets at fair value through profit or loss. Other income also included income from liabilities forgiven, which related primarily to certain of our payables.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our other income was RMB347 million, RMB587 million, RMB1,064 million, RMB327 million and RMB490 million, respectively. Dividend income from financial assets at fair value through profit or loss decreased from RMB52 million in 2006 to RMB1 million in 2008. Such dividend income was RMB0 million for the six months ended June 30, 2008 and for the six months ended June 30, 2009. Rental income increased from RMB150 million in 2006 to RMB307 million in 2008 and increased from RMB104 million for the six months ended June 30, 2008 to RMB107 million for the six months ended June 30, 2009. Government grants and subsidies increased from RMB87 million in 2006 to RMB493 million in 2008 and increased from RMB184 million for the six months ended June 30, 2008 to RMB332 million for the six months ended June 30, 2009.

Other gains–net

The following table shows a breakdown of our other net gains for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Financial assets at fair value through profit or loss:										
– Fair value gains	84	66.7	11	0.8	—	—	—	—	—	—
Net foreign exchange losses	(51)	(40.5)	(40)	(2.9)	(142)	(25.2)	(32)	(24.2)	(47)	(66.2)
(Loss)/gain on disposal of associates	—	—	(2)	(0.1)	13	2.3	—	—	—	—
Gain on disposal of subsidiaries	—	—	317	22.8	42	7.4	3	2.3	—	—
Excess of fair value of our share of the identifiable net assets acquired over the cost of acquisition	13	10.3	29	2.1	—	—	—	—	110	154.9
Gain on disposal of property, plant and equipment	4	3.2	190	13.7	75	13.3	46	34.8	37	52.1
Gain on disposal of financial assets at fair value through profit or loss	32	25.4	432	31.1	5	0.9	8	6.1	—	—
Gain/(loss) on disposal of available-for-sale financial assets	29	23.0	311	22.4	528	93.6	120	90.9	(21)	(29.6)
Gain on disposal of held-to-maturity financial assets	—	—	—	—	11	2.0	8	6.1	—	—
Impairment loss for available-for-sale financial assets	(2)	(1.6)	—	—	(2)	(0.4)	(2)	(1.5)	—	—
Others	17	13.5	142	10.2	34	6.0	(19)	(14.4)	(8)	(11.3)
Total	**126**	**100.0**	**1,390**	**100.0**	**564**	**100.0**	**132**	**100.0**	**71**	**100.0**

Our other gains–net included primarily fair value gains of financial assets at fair value through profit or loss, foreign exchange losses, gain on disposal of property, plant and equipment, and gain on disposal of financial assets. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our other gains–net were RMB126 million, RMB1,390 million, RMB564 million, RMB132 million and RMB71 million, respectively.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our fair value gain of financial assets at fair value through profit or loss was RMB84 million, RMB11 million, RMB0 million, RMB0 million and RMB0 million, respectively.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our net foreign exchange losses were RMB51 million, RMB40 million, RMB142 million, RMB32 million and RMB47 million, respectively.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our gain on disposal of subsidiaries was nil, RMB317 million, RMB42 million, RMB3 million and nil, respectively. The gain in 2007 was primarily attributable to the disposal of our Xin Ao Xi Jun project company during that year.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008, our gain on disposal of financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets, in aggregate, was RMB61 million, RMB743 million, RMB544 million and RMB136 million, respectively. For the six months ended June 30, 2009, we incurred a loss of RMB21 million on disposal of available-for-sale financial assets primarily as a result of the change in market prices of the available-for-sale financial assets at the time of disposal. Our significant gain on disposal of financial assets in 2007 and 2008 was attributable primarily to the sale of holdings of certain stocks and investment funds.

Other expenses

Our other expenses consisted primarily of rent of our production facilities and office premises. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our other expenses were RMB64 million, RMB98 million, RMB85 million, RMB17 million and RMB50 million, respectively.

Finance income

The following table shows a breakdown of our finance income for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Interest income on bank deposits	282	62.4	362	94.8	391	71.4	169	71.6	166	72.5
Interest income on held-to-maturity financial assets	3	0.7	3	0.8	4	0.7	2	0.8	1	0.4
Interest income on loans to related parties	5	1.1	15	3.9	65	11.9	6	2.5	37	16.2
Gain on debt restructuring	162	35.8	2	0.5	88	16.1	59	25.0	25	10.9
Total	**452**	**100.0**	**382**	**100.0**	**548**	**100.0**	**236**	**100.0**	**229**	**100.0**

Our finance income consisted mainly of interest income on bank deposits, interest income on held-to-maturity financial assets, interest income on loans to related parties and gain on debt restructuring. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our finance income was RMB452 million, RMB382 million, RMB548 million, RMB236 million and RMB229 million, respectively.

Finance costs

The following table shows a breakdown of our finance costs for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million) (unaudited)	(%)	(RMB million)	(%)
Interest expenses:										
Bank borrowings	1,077	104.6	1,410	107.1	2,792	93.0	1,368	108.5	1,397	119.1
Other borrowings	51	5.0	179	13.6	547	18.2	204	16.2	314	26.8
Less: Amounts capitalized in construction-in-progress	(9)	(0.9)	(30)	(2.3)	(116)	(3.9)	(52)	(4.1)	(76)	(6.5)
Less: Amounts capitalized in properties under development	(237)	(23.0)	(459)	(34.9)	(501)	(16.7)	(346)	(27.4)	(515)	(43.9)
Net foreign exchange losses/(gains) on borrowings	5	0.5	(7)	(0.5)	(4)	(0.1)	2	0.2	(6)	(0.5)
Discount charges on bank acceptance notes	143	13.9	224	17.0	287	9.6	85	6.7	59	5.0
Total	**1,030**	**100.0**	**1,317**	**100.0**	**3,005**	**100.0**	**1,261**	**100.0**	**1,173**	**100.0**

Our finance costs consisted mainly of interest expenses on bank borrowings, net foreign exchange losses/(gains) on borrowings, and discount charges on bank acceptance notes, less amounts capitalized in construction in progress and amounts capitalized in properties under development. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our finance costs were RMB1,030 million, RMB1,317 million, RMB3,005 million, RMB1,261 million and RMB1,173 million, respectively. The increase in finance costs during the period from 2006 to 2008 was due primarily to an increase in bank borrowings and an increase in interest rates on our borrowings. The decrease in finance costs for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 was due primarily to a decrease in bank borrowing intereset rates and an increase of interest capitalized in construction in progress as well as in properties under development. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the weighted average effective interest rates per annum of our RMB bank borrowings were 5.02%, 6.22%, 6.26% and 5.29%, respectively, and the weighted average effective interest rates per annum of other RMB borrowings were 3.97%, 5.49%, 7.49% and 7.79%, respectively.

Share of profits of associates

Our share of profits of associates is the profits attributable to us from our associates, net of the losses attributable to us from our associates, pursuant to our equity interests in such associates. Associates are entities other than subsidiaries in which we have a long-term interest of generally no less than 20% of the equity voting rights and over which we are in a position to exercise significant influence. Investments in associates are accounted for under the equity method of accounting and are initially recognized at cost. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our share of profits of associates was RMB26 million, RMB70 million, RMB120 million, RMB52 million and RMB40 million, respectively.

Income tax expense

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, our income taxes were RMB651 million, RMB1,698 million, RMB840 million, RMB605 million and RMB684 million, respectively, and our effective tax rates were 16.9%, 22.7%, 20.9%, 20.3% and 21.0%, respectively. The relatively large increase in the effective tax rate in 2007 over 2006 was primarily due to the expiration of preferential tax treatment enjoyed by some of our subsidiaries. Since 2008, the corporate income tax rate generally applied to the enterprises in the PRC was reduced from 33% to 25%, which contributed to the decrease in our effective tax rate during the relevant period.

Certain of our subsidiaries are currently exempted from income tax or taxed at a preferential income tax rate (such preferential tax treatment being available to high-technology businesses and businesses that participate in the PRC Government's development plan for the western part of China).

The table below shows the corporate income tax rates of certain of our subsidiaries which were entitled to preferential tax treatments in the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
CISDI Engineering Co., Ltd.	15%	15%	15%	15%
MCC-SFRE Heavy Industry Equipment Co., Ltd.	15%	15%	15%	25%
WISDRI Engineering & Research Incorporation Limited	15%	15%	15%	15%
MCC Capital Engineering & Research Incorporation Limited	0%	7.5%	7.5%	7.5%
Northern Engineering & Technology Corporation, MCC	0%	15%	15%	15%
Zhong Ye Changtian International Engineering Co., Ltd.	15%	15%	15%	15%
Huatian Engineering & Technology Corporation, MCC	33%	33%	15%	15%
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	0%	15%	15%	15%
CCTEC Engineering Co., Ltd.	15%	15%	15%	15%
Wuhan Metallurgical Construction Co., Ltd. of MCC Group	0%	0%	15%	15%
Beijing MCC Equipment Research & Design Corporation Ltd.	0%	0%	0%	25%
Xi'an Electric Furnace Institute Co., Ltd.	0%	0%	0%	25%
MCC Hi-Tech Engineering Co., Ltd.	15%	15%	25%	25%
China Enfi Engineering Co., Ltd.	15%	15%	25%	25%
China Enfi Engineering Corporation	0%	0%	0%	7.5%
MCC Communication Engineering Technology Co., Ltd.	0%	0%	0%	7.5%
Central Research Institute of Building and Construction Co., Ltd., MCC Group	0%	0%	0%	15%
China Metallurgical Construction Co., Ltd.	33%	15%	15%	15%
MCC Great Land United Consulting and Engineering Co., Ltd.	0%	0%	25%	25%

Certain of our expenses are not deductible for tax purposes, which include certain costs of construction contracts that are not tax deductible at the time of recognition according to tax bureau policies. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, the tax impact of expenses not deductible for tax purposes was RMB152 million, RMB153 million, RMB99 million, RMB42 million and RMB59 million, respectively. The fluctuations in these expenses during the period from 2006 to 2008 as well as for the six months ended June 30, 2009 as compared to the six months ended June 30, 2008 were attributable to changes in provision for bad debts and changes in expected losses on engineering contracts, among other causes. Moreover, certain of our income is not subject to taxation, including investment income obtained from invested enterprises and interest income from treasury bond investments. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2008 and 2009, the tax impact of income not subject to taxation was RMB174 million, RMB199 million, RMB52 million, RMB37 million and RMB48 million, respectively.

Profit/(loss) attributable to non-controlling interests

Profit/(loss) attributable to non-controlling interests represent the interests of outside shareholders not held by our Company in the results of operations of our non-wholly owned subsidiaries. For the years ended December 31, 2006 and 2007 and the six months ended June 30, 2008 and 2009, our profit attributable to non-controlling interests was RMB1,287 million, RMB1,937 million, RMB324 million and RMB436 million, respectively. In 2008, we had a loss attributable to non-controlling interests of RMB17 million, primarily due to the loss of Huludao Nonferrous Metals Group Co., Ltd.

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Overview of our operating results

The following table shows the revenue, gross profit, gross profit margin, segment result and segment result margin of our businesses for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Segment Result[(1)]		Segment Result Margin[(2)]	
	For the Six Months Ended June 30,		For the Six Months Ended June 30,		For the Six Months Ended June 30,		For the Six Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
	(RMB million) (unaudited)		(RMB million) (unaudited)		(%)		(RMB million) (unaudited)		(%)	
Engineering and construction	59,894	65,475	5,303	5,630	8.9	8.6	3,159	3,398	5.3	5.2
Resources development	5,406	3,061	754	445	13.9	14.5	424	236	7.8	7.7
Equipment manufacturing	7,584	4,375	707	519	9.3	11.9	394	267	5.2	6.1
Property development	1,057	1,831	139	323	13.2	17.6	78	227	7.4	12.4
Others	1,123	1,083	112	138	10.0	12.7	10	100	0.9	9.2
Subtotal	**75,064**	**75,825**	**7,015**	**7,055**	**9.3**	**9.3**	**4,065**	**4,228**	**5.4**	**5.6**
Inter-segment elimination	(950)	(959)	(54)	(36)	—	—	(54)	(36)	—	—
Unallocated costs	—	—	—	—	—	—	(53)	(31)	—	—
Total	**74,114**	**74,866**	**6,961**	**7,019**	**9.4**	**9.4**	**3,958**	**4,161**	**5.3**	**5.6**

(1) Total of segment results less inter-segment elimination and unallocated costs equals our total operating profit.

(2) Segment result margin represents segment result as a percentage of segment revenue.

Revenue. Our total revenue after inter-segment elimination increased by 1.0% from RMB74,114 million for the six months ended June 30, 2008 to RMB74,866 million for the six months ended June 30, 2009. This increase was mainly attributable to increases in revenues of our engineering and construction business and property development business, partially offset by decreases in revenues of our resources development business and equipment manufacturing business.

Cost of sales. Our cost of sales after inter-segment elimination increased by 1.0% from RMB67,153 million for the six months ended June 30, 2008 to RMB67,847 million for the six months ended June 30, 2009.

Gross profit. As a result of the foregoing, our gross profit increased by 0.8% from RMB6,961 million for the six months ended June 30, 2008 to RMB7,019 million for the six months ended June 30, 2009.

Selling and marketing expenses. Our selling and marketing expenses increased by 5.5% from RMB365 million for the six months ended June 30, 2008 to RMB385 million for the six months ended June 30, 2009.

Administrative expenses. Our administrative expenses decreased by 3.1% from RMB3,080 million for the six months ended June 30, 2008 to RMB2,984 million for the six months ended June 30, 2009.

Other income. Our other income increased from RMB327 million for the six months ended June 30, 2008 to RMB490 million for the six months ended June 30, 2009. The increase in other income was primarily attributable to an increase in government grants and subsidies.

Other gains-net. Our other gains-net decreased from RMB132 million for the six months ended June 30, 2008 to RMB71 million for the six months ended June 30, 2009.

Other expenses. Our other expenses increased from RMB17 million for the six months ended June 30, 2008 to RMB50 million for the six months ended June 30, 2009.

Operating profit. Our operating profit (representing the sum of gross profit, other gains-net and other income, less selling and marketing expenses, administrative expenses and other expenses) increased by RMB203 million, or 5.1%, from RMB3,958 million for the six months ended June 30, 2008 to RMB4,161 million for the six months ended June 30, 2009. Meanwhile, our operating profit margin (representing operating profit as a percentage of revenue) increased from 5.3% for the six months ended June 30, 2008 to 5.6% for the six months ended June 30, 2009.

Finance income. Our finance income decreased by 3.0% from RMB236 million for the six months ended June 30, 2008 to RMB229 million for the six months ended June 30, 2009.

Finance costs. Our finance costs decreased by 7.0% from RMB1,261 million for the six months ended June 30, 2008 to RMB1,173 million for the six months ended June 30, 2009. This decrease was primarily attributable to a decrease in bank borrowing interest rates and an increase of interest capitalized in construction in progress as well as in properties under development.

Share of profits of associates. Our share of profits of associates decreased by RMB12 million, or 23.1%, from RMB52 million for the six months ended June 30, 2008 to RMB40 million for the six months ended June 30, 2009. This decrease was primarily attributable to a decrease in the profits of our associates.

Income tax expense. Our income tax expense increased by 13.1% from RMB605 million for the six months ended June 30, 2008 to RMB684 million for the six months ended June 30, 2009. This increase was primarily attributable to an increase in profit before income tax.

Profit for the period. As a result of the foregoing, our profit for the period increased by RMB193 million, or 8.1%, from RMB2,380 million for the six months ended June 30, 2008 to RMB2,573 million for the six months ended June 30, 2009.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests increased by 34.6% from RMB324 million for the six months ended June 30, 2008 to RMB436 million for the six months ended June 30, 2009. The increase was due primarily to the decrease in the loss incurred by Huludao Nonferrous Metals Group Co., Ltd., which resulted in a decrease in the loss attributable to the non-controlling interests of that subsidiary.

Profit attributable to equity holders of our Company. As a result of the foregoing, the profit attributable to equity holders of our Company was RMB2,056 million for the six months ended June 30, 2008 and RMB2,137 million for the six months ended June 30, 2009.

Discussion of Our Operating Results by Segment

Engineering and construction

The principal segment result information for our engineering and construction business is as follows:

	For the Six Months Ended June 30,			
	2008		2009	
	(RMB million) (unaudited)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	59,894	100.0	65,475	100.0
Metallurgical engineering and construction	*41,866*	*69.9*	*42,861*	*65.5*
Building construction	*10,302*	*17.2*	*13,375*	*20.4*
Transportation infrastructure	*1,617*	*2.7*	*2,431*	*3.7*
Others	*6,109*	*10.2*	*6,808*	*10.4*
Inter-segment revenue	(633)	(1.1)	(805)	(1.2)
Revenue from external sales	59,261	98.9	64,670	98.8
Cost of sales	(54,591)	(91.1)	(59,845)	(91.4)
Metallurgical engineering and construction	*(37,894)*	*(63.3)*	*(38,935)*	*(59.5)*
Building construction	*(9,683)*	*(16.2)*	*(12,505)*	*(19.1)*
Transportation infrastructure	*(1,491)*	*(2.5)*	*(2,267)*	*(3.5)*
Others	*(5,523)*	*(9.2)*	*(6,138)*	*(9.4)*
Gross profit	5,303	8.9	5,630	8.6
Selling and marketing expenses	(197)	(0.3)	(226)	(0.3)
Administrative expenses	(2,285)	(3.8)	(2,282)	(3.5)
Other income and gains/(expenses)[(1)]	338	0.6	276	0.4
Segment result	**3,159**	**5.3**	**3,398**	**5.2**

(1) Other income and gains/(expenses) represents other income, plus other gains — net and less other expenses.

Segment revenue. The revenue of our engineering and construction business before inter-segment elimination increased by 9.3%, or RMB5,581 million, from RMB59,894 million for the six months ended June 30, 2008 to RMB65,475 million for the six months ended June 30, 2009. The increase was due mainly to increases in revenues from our building construction, metallurgical engineering and construction, transportation infrastructure and other projects.

- *Metallurgical engineering and construction.* Revenue generated from our metallurgical engineering and construction projects before inter-segment elimination increased by 2.4% from RMB41,866 million for the six months ended June 30, 2008 to RMB42,861 million for the six months ended June 30, 2009. This increase was due mainly to the increased amount of our metallurgical engineering and construction work completed for the six months ended June 30, 2009.

- *Building construction.* Revenue generated from our building construction projects before intersegment elimination increased by 29.8% from RMB10,302 million for the six months ended June 30, 2008 to RMB13,375 million for the six months ended June 30, 2009. This increase was due mainly to an increase in the amount of building construction work undertaken by us, especially construction work for conference and exhibition centers.

- *Transportation infrastructure.* Revenue generated from our transportation infrastructure projects before inter-segment elimination increased by 50.3% from RMB1,617 million for the six months ended June 30, 2008 to RMB2,431 million for the six months ended June 30, 2009. This increase was primarily attributable to an increase in the amount of construction work for roads, intra-city light rails, airports, and railway stations.
- *Other projects.* Revenue generated from our other projects before inter-segment elimination increased by 11.4% from RMB6,109 million for the six months ended June 30, 2008 to RMB6,808 million for the six months ended June 30, 2009. This increase was due mainly to an increase in our engineering and construction projects related to various industries, including environmental protection and new energy projects.

For the six months ended June 30, 2008 and 2009, inter-segment revenue generated from our engineering and construction business was RMB633 million and RMB805 million, respectively. These were primarily generated from the provision of building construction services by our engineering and construction business to our property development business.

As a result, for the six months ended June 30, 2008 and 2009, revenue from external sales of our engineering and construction business was RMB59,261 million and RMB64,670 million, respectively.

Cost of sales. Cost of sales of our engineering and construction business increased by 9.6% from RMB54,591 million for the six months ended June 30, 2008 to RMB59,845 million for the six months ended June 30, 2009. The increase was attributable primarily to our increased business in this segment.

- *Metallurgical engineering and construction.* Cost of sales incurred from our metallurgical engineering and construction projects increased by 2.7% from RMB37,894 million for the six months ended June 30, 2008 to RMB38,935 million for the six months ended June 30, 2009.
- *Building construction.* Cost of sales incurred from our building construction projects increased by 29.1% from RMB9,683 million for the six months ended June 30, 2008 to RMB12,505 million for the six months ended June 30, 2009.
- *Transportation infrastructure.* Cost of sales incurred from our transportation infrastructure projects increased by 52.0% from RMB1,491 million for the six months ended June 30, 2008 to RMB2,267 million for the six months ended June 30, 2009.
- *Other projects.* Cost of sales incurred from our other projects increased by 11.1% from RMB5,523 million for the six months ended June 30, 2008 to RMB6,138 million for the six months ended June 30, 2009.

Gross profit. Gross profit generated from our engineering and construction business increased by RMB327 million, or 6.2%, from RMB5,303 million for the six months ended June 30, 2008 to RMB5,630 million for the six months ended June 30, 2009. Gross profit margin of our engineering and construction business decreased from 8.9% for the six months ended June 30, 2008 to 8.6% for the six months ended June 30, 2009. This decrease was attributable primarily to the decrease in the gross profit margin of our metallurgical engineering and construction projects, which, despite signs of recoveries of the overall economy, was still adversely affected by the global financial crisis and economic downturn. Furthermore, such decrease in gross profit margin was also partially due to the increase in revenue contribution by our building construction, transportation infrastructure and other projects, which had lower gross profit margins.

Selling and marketing expenses. Selling and marketing expenses incurred from our engineering and construction business increased by 14.7% from RMB197 million for the six months ended June 30, 2008 to

RMB226 million for the six months ended June 30, 2009. This increase was attributable primarily to our increased business in this segment.

Administrative expenses. Administrative expenses incurred from our engineering and construction business decreased by 0.1% from RMB2,285 million for the six months ended June 30, 2008 to RMB2,282 million for the six months ended June 30, 2009. Administrative expenses for our engineering and construction business as a percentage of the segment revenue of such business decreased from 3.8% for the six months ended June 30, 2008 to 3.5% for the six months ended June 30, 2009.

Other income and gains/(expenses). Other income and gains/(expenses) for our engineering and construction business decreased from RMB338 million for the six months ended June 30, 2008 to RMB276 million for the six months ended June 30, 2009.

Segment result. As a result of the foregoing, segment result of our engineering and construction business increased by RMB239 million, or 7.6%, from RMB3,159 million for the six months ended June 30, 2008 to RMB3,398 million for the six months ended June 30, 2009. Meanwhile, segment result margin of our engineering and construction business decreased from 5.3% for the six months ended June 30, 2008 to 5.2% for the six months ended June 30, 2009.

Resources development

The principal segment result information for our resources development business is as follows:

	For the Six Months Ended June 30,			
	2008		2009	
	(RMB million) (unaudited)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	5,406	100.0	3,061	100.0
Smelting and processing	*4,799*	*88.8*	*2,652*	*86.6*
Smelting	*3,971*	*73.5*	*2,196*	*71.7*
Polysilicon production	*828*	*15.3*	*456*	*14.9*
Mining	*607*	*11.2*	*409*	*13.4*
Copper products	*437*	*8.1*	*362*	*11.8*
Others	*170*	*3.1*	*47*	*1.5*
Inter-segment revenue	(131)	(2.4)	—	—
Revenue from external sales	5,275	97.6	3,061	100.0
Costs of sales	(4,652)	(86.1)	(2,616)	(85.5)
Smelting and processing	*(4,261)*	*(78.8)*	*(2,340)*	*(76.4)*
Smelting	*(4,063)*	*(75.2)*	*(1,987)*	*(64.9)*
Polysilicon production	*(198)*	*(3.7)*	*(353)*	*(11.5)*
Mining	*(391)*	*(7.2)*	*(276)*	*(9.0)*
Copper products	*(303)*	*(5.6)*	*(240)*	*(7.8)*
Others	*(88)*	*(1.6)*	*(36)*	*(1.2)*
Gross profit	754	13.9	445	14.5
Selling and marketing expenses	(60)	(1.1)	(38)	(1.2)
Administrative expenses	(359)	(6.6)	(280)	(9.1)
Other income and gains/(expenses)	89	1.6	109	3.6
Segment result	**424**	**7.8**	**236**	**7.7**

Decreases in gross profit and segment result of our resources development business for the six months ended June 30, 2009, as compared to the six months ended June 30, 2008, were due primarily to the fluctuations of prices of our products. Due primarily to the global financial crisis and economic downturn, the prices of various products of our smelting and processing businesses decreased significantly in late 2008. Although the prices of the products of our smelting and processing business increased for the six months ended June 30, 2009, these prices were still lower than those for the six months ended June 30, 2008.

Segment revenue. The revenue of our resources development business before inter-segment elimination decreased by 43.4% from RMB5,406 million for the six months ended June 30, 2008 to RMB3,061 million for the six months ended June 30, 2009. This decrease was primarily attributable to lower prices of the products of our smelting and processing businesses.

For the six months ended June 30, 2008 and 2009, inter-segment revenue generated from our resources development business was RMB131 million and nil, respectively. The inter-segment revenue for the six months ended June 30, 2008 was primarily generated from the supplies of zinc and other products by Huludao Nonferrous Metals Group Co., Ltd. to MCC Hengtong Cold Rolling Technology Co., Ltd. as raw materials for our equipment manufacturing business.

As a result, revenue from external sales of inter-segment revenue of our resources development business was RMB5,275 million and RMB3,061 million for the six months ended June 30, 2008 and 2009, respectively.

Cost of sales. Cost of sales incurred from our resources development business decreased by 43.8% from RMB4,652 million for the six months ended June 30, 2008 to RMB2,616 million for the six months ended June 30, 2009. This decrease was primarily due to a decrease in the raw material prices and our implementation of cost control measures over procurement.

Gross profit. Gross profit of our resources development business decreased by 41.0% from RMB754 million for the six months ended June 30, 2008 to RMB445 million for the six months ended June 30, 2009, primarily due to the decrease in the prices of our resources development products. Gross profit margin of our resources development business increased from 13.9% for the six months ended June 30, 2008 to 14.5% for the six months ended June 30, 2009, primarily due to the the increase of the gross profit margin of our smelting business as a result of the decrease in the raw material prices and our implementation of cost control measures over procurement. The increase was partially offset by the decrease of gross profit margin of our polysilicon production business as a result of the decrease of polysilicon price.

Selling and marketing expenses. Selling and marketing expenses incurred from our resources development business decreased by 36.7% from RMB60 million for the six months ended June 30, 2008 to RMB38 million for the six months ended June 30, 2009, primarily due to our cost control efforts.

Administrative expenses. Administrative expenses incurred from our resources development business decreased by 22.0% from RMB359 million for the six months ended June 30, 2008 to RMB280 million for the six months ended June 30, 2009, primarily due to our cost control efforts.

Other income and gains/(expenses). Other income and gains/(expenses) of our resources development business increased from RMB89 million for the six months ended June 30, 2008 to RMB109 million for the six months ended June 30, 2009, primarily as a result of an increase in government grants and subsidies.

Segment result. As a result of the foregoing, segment result of our resources development business decreased by 44.3% from RMB424 million for the six months ended June 30, 2008 to RMB236 million for the six months ended June 30, 2009. Meanwhile, segment result margin of our resources development business decreased from 7.8% for the six months ended June 30, 2008 to 7.7% for the six months ended June 30, 2009.

Equipment manufacturing

The principal segment result information for our equipment manufacturing operations is as follows:

	For the Six Months Ended June 30,			
	2008		2009	
	(RMB million) (unaudited)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	7,584	100.0	4,375	100.0
Metallurgical equipment	*3,170*	*41.8*	*2,528*	*57.8*
Steel structures	*1,409*	*18.6*	*1,450*	*33.1*
Others	*3,005*	*39.6*	*397*	*9.1*
Inter-segment revenue	(147)	(1.9)	(30)	(0.7)
Revenue from external sales	7,437	98.1	4,345	99.3
Cost of sales	(6,877)	(90.7)	(3,856)	(88.1)
Metallurgical equipment	*(2,687)*	*(35.4)*	*(2,180)*	*(49.8)*
Steel structures	*(1,276)*	*(16.8)*	*(1,321)*	*(30.2)*
Others	*(2,914)*	*(38.4)*	*(355)*	*(8.1)*
Gross profit	707	9.3	519	11.9
Selling and marketing expenses	(61)	(0.8)	(64)	(1.5)
Administrative expenses	(285)	(3.8)	(280)	(6.4)
Other income and gains/(expenses)	33	0.4	92	2.1
Segment result	**394**	**5.2**	**267**	**6.1**

Segment revenue. The revenue of our equipment manufacturing business before inter-segment elimination decreased by 42.3% from RMB7,584 million for the six months ended June 30, 2008 to RMB4,375 million for the six months ended June 30, 2009. This decrease was due primarily to the exclusion of the financial results of MCC Hengtong Cold Rolling Technology Co., Ltd. since December 1, 2008, when it was retained by the Parent pursuant to the Reorganization. As a result, while the revenue contribution of MCC Hengtong Cold Rolling Technology Co., Ltd. was significant for the six months ended June 30, 2008, its revenue was not included in the segment revenue of our equipment manufacturing business for the six months ended June 30, 2009. The decrease in the revenue of our equipment manufacturing business was also due partially to the global financial crisis and economic downturn and the decrease in steel prices. Although there have been signs of recovery, the global financial crisis and economic downturn have adversely affected the metallurgical equipment manufacturing industry in general and had a negative impact on the prices and sales volume of our metallurgical equipment products in particular. The decrease in steel prices also had a negative impact on the prices of our steel structure products.

For the six months ended June 30, 2008 and 2009, inter-segment revenue generated from our equipment manufacturing business was RMB147 million and RMB30 million, respectively. Inter-segment revenue of our equipment manufacturing business consisted primarily of the sales of equipment by our equipment manufacturing business to our engineering and construction business.

As a result, for the six months ended June 30, 2008 and 2009, revenue from external sales of our equipment manufacturing business was RMB7,437 million and RMB4,345 million, respectively.

Cost of sales. Cost of sales incurred from our equipment manufacturing business decreased by 43.9% from RMB6,877 million for the six months ended June 30, 2008 to RMB3,856 million for the six months ended June 30, 2009. The cost of sales of our equipment manufacturing business for the six months ended June 30, 2009 decreased significantly as compared to the six months ended June 30, 2008, mainly due to the exclusion of the financial results of MCC Hengtong Cold Rolling Technology Co., Ltd. since December 1, 2008 and, to a lesser extent, the decrease in prices of the raw materials as a result of the global crisis.

Gross profit. Gross profit of our equipment manufacturing business decreased by 26.6% from RMB707 million for the six months ended June 30, 2008 to RMB519 million for the six months ended June 30, 2009. Gross profit margin of our equipment manufacturing business increased from 9.3% for the six months ended June 30, 2008 to 11.9% for the six months ended June 30, 2009, primarily due to the exclusion from our Company since December 1, 2008 of MCC Hengtong Cold Rolling Technology Co., Ltd., which made significant revenue contribution for the six months ended June 30, 2008 to our equipment manufacturing business with a lower gross profit margin.

Selling and marketing expenses. Selling and marketing expenses incurred from our equipment manufacturing business increased by 4.9% from RMB61 million for the six months ended June 30, 2008 to RMB64 million for the six months ended June 30, 2009.

Administrative expenses. Administrative expenses incurred from our equipment manufacturing business decreased by 1.8% from RMB285 million for the six months ended June 30, 2008 to RMB280 million for the six months ended June 30, 2009.

Other income and gains/(expenses). Other income and gains/(expenses) of our equipment manufacturing business increased from RMB33 million for the six months ended June 30, 2008 to RMB92 million for the six months ended June 30, 2009.

Segment result. As a result of the foregoing, segment result of our equipment manufacturing business decreased by 32.2% from RMB394 million for the six months ended June 30, 2008 to RMB267 million for the six months ended June 30, 2009. Meanwhile, segment result margin of our equipment manufacturing business increased from 5.2% for the six months ended June 30, 2008 to 6.1% for the six months ended June 30, 2009.

Property development

The principal segment result information for our property development business is as follows:

	For the Six Months Ended June 30,			
	2008		2009	
	(RMB million) (unaudited)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	1,057	100.0	1,831	100.0
Commercial	*544*	*51.5*	*515*	*28.1*
Residential	*159*	*15.0*	*130*	*7.1*
Social welfare housing	*320*	*30.3*	*648*	*35.4*
Primary land development	—	—	*482*	*26.3*
Others	*34*	*3.2*	*56*	*3.1*
Inter-segment revenue	—	—	—	—
Revenue from external sales	1,057	100.0	1,831	100.0
Cost of sales	(918)	(86.8)	(1,508)	(82.4)
Commercial	*(453)*	*(42.9)*	*(290)*	*(15.8)*
Residential	*(134)*	*(12.7)*	*(116)*	*(6.3)*
Social welfare housing	*(314)*	*(29.7)*	*(614)*	*(33.5)*
Primary land development	—	—	*(459)*	*(25.1)*
Others	*(17)*	*(1.6)*	*(29)*	*(1.6)*
Gross profit	139	13.2	323	17.6
Selling and marketing expenses	(21)	(2.0)	(32)	(1.7)
Administrative expenses	(40)	(3.8)	(86)	(4.7)
Other income and gains/(expenses)	—	—	22	1.2
Segment result	**78**	**7.4**	**227**	**12.4**

Segment revenue. The revenue of our property development business before inter-segment elimination increased by 73.2% from RMB1,057 million for the six months ended June 30, 2008 to RMB1,831 million for the six months ended June 30, 2009. The increase was primarily attributable to an increase in the number of primary land development and social welfare housing projects the revenue of which was recognized for the six months ended June 30, 2009.

Cost of sales. Cost of sales incurred from our property development business increased by 64.3% from RMB918 million for the six months ended June 30, 2008 to RMB1,508 million for the six months ended June 30, 2009.

Gross profit. Gross profit of our property development business increased by 132.4% from RMB139 million for the six months ended June 30, 2008 to RMB323 million for the six months ended June 30, 2009. Gross profit margin of our property development business increased from 13.2% for the six months ended June 30, 2008 to 17.6% for the six months ended June 30, 2009, primarily as a result of an increase in the percentage of the segment revenue contributed by high-end property development projects, which was partially offset by the lower gross profit margins of our primary land development projects and social welfare housing projects.

Selling and marketing expenses. Selling and marketing expenses incurred from our property development business increased by 52.4% from RMB21 million for the six months ended June 30, 2008 to RMB32 million for the six months ended June 30, 2009.

Administrative expenses. Administrative expenses incurred from our property development business increased from RMB40 million for the six months ended June 30, 2008 to RMB86 million for the six months ended June 30, 2009. This increase was primarily due to the growth of our property development business.

Other income and gains/(expenses). For the six months ended June 30, 2008 and 2009, our other income and gains/(expenses) of our property development business was RMB0 million and RMB22 million, respectively.

Segment result. As a result of the foregoing, segment result of our property development business increased by 191.0% from RMB78 million for the six months ended June 30, 2008 to RMB227 million for the six months ended June 30, 2009. Meanwhile, segment result margin of our property development business increased from 7.4% for the six months ended June 30, 2008 to 12.4% for the six months ended June 30, 2009.

Other businesses

The principal segment result information for our other businesses is as follows:

	For the Six Months Ended June 30,			
	2008		2009	
	(RMB million) (unaudited)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	1,123	100.0	1,083	100.0
Inter-segment revenue	(39)	(3.5)	(124)	(11.4)
Revenue from external sales	1,084	96.5	959	88.6
Cost of sales	(1,011)	(90.0)	(945)	(87.3)
Gross profit	112	10.0	138	12.7
Selling and marketing expenses	(26)	(2.3)	(25)	(2.3)
Administrative expenses	(58)	(5.2)	(25)	(2.3)
Other income and gains/(expenses)	(18)	(1.6)	12	1.1
Segment result	**10**	**0.9**	**100**	**9.2**

Segment revenue. The revenue of our other businesses before inter-segment elimination decreased by 3.6% from RMB1,123 million for the six months ended June 30, 2008 to RMB1,083 million for the six months ended June 30, 2009.

For the six months ended June 30, 2008 and 2009, inter-segment revenue generated from our other businesses was RMB39 million and RMB124 million, respectively. The significant increase in inter-segment revenue was attributable mainly to the provision of import and export services to our resources development segment.

As a result, for the six months ended June 30, 2008 and 2009, revenue from external sales of our other businesses was RMB1,084 million and RMB959 million, respectively.

Cost of sales. Cost of sales incurred from our other businesses decreased by 6.5% from RMB1,011 million for the six months ended June 30, 2008 to RMB945 million for the six months ended June 30, 2009.

Gross profit. Gross profit of our other businesses increased by 23.2% from RMB112 million for the six months ended June 30, 2008 to RMB138 million for the six months ended June 30, 2009. Meanwhile, gross profit margin of our other businesses increased from 10.0% for the six months ended June 30, 2008 to 12.7% for the six months ended June 30, 2009.

Selling and marketing expenses. Selling and marketing expenses incurred from our other businesses decreased by 3.8% from RMB26 million for the six months ended June 30, 2008 to RMB25 million for the six months ended June 30, 2009.

Administrative expenses. Administrative expenses incurred from our other businesses decreased by 56.9% from RMB58 million for the six months ended June 30, 2008 to RMB25 million for the six months ended June 30, 2009.

Other income and gains/(expenses). Other income and gains/(expenses) of our other businesses was RMB12 million for the six months ended June 30, 2009 as compared to a net loss of RMB18 million for the six months ended June 30, 2008.

Segment result. As a result of the foregoing, segment result of our other businesses increased by 900.0% from RMB10 million for the six months ended June 30, 2008 to RMB100 million for the six months ended June 30, 2009. Meanwhile, segment result margin of our other businesses increased from 0.9% for the six months ended June 30, 2008 to 9.2% for the six months ended June 30, 2009.

2008 Compared to 2007

Overview of our operating results

The following table shows the revenue, gross profit, gross profit margin, segment result and segment result margin of our businesses for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Segment Result[1]		Segment Result Margin[2]	
	For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	(RMB million)		(RMB million)		(%)		(RMB million)		(%)	
Engineering and construction	97,856	128,041	9,944	10,026	10.2	7.8	6,426	5,511	6.6	4.3
Resources development	13,338	9,538	1,283	565	9.6	5.9	674	240	5.1	2.5
Equipment manufacturing	8,531	15,649	1,249	1,130	14.6	7.2	817	562	9.6	3.6
Property development	3,888	4,199	319	501	8.2	11.9	471	271	12.1	6.5
Others	2,317	2,400	176	198	7.6	8.3	80	17	3.5	0.7
Subtotal	**125,930**	**159,827**	**12,971**	**12,420**	**10.3**	**7.8**	**8,468**	**6,601**	**6.7**	**4.1**
Inter-segment elimination	(874)	(1,928)	—	(116)	—	—	—	(116)	—	—
Unallocated costs	—	—	—	—	—	—	(113)	(125)	—	—
Total	**125,056**	**157,899**	**12,971**	**12,304**	**10.4**	**7.8**	**8,355**	**6,360**	**6.7**	**4.0**

(1) Total of segment results less inter-segment elimination and unallocated costs equals our total operating profit.

(2) Segment result margin represents segment result as a percentage of segment revenue.

Revenue. Our total revenue after inter-segment elimination increased by 26.3% from RMB125,056 million in 2007 to RMB157,899 million in 2008. This increase was mainly attributable to increases in revenues of our engineering and construction business, equipment manufacturing business and property development business, partially offset by a decrease in revenue of our resources development business.

Cost of sales. Our cost of sales after inter-segment elimination increased by 29.9% from RMB112,085 million in 2007 to RMB145,595 million in 2008. This increase was slightly higher than the increase in our total revenue during the same period, which was due primarily to the larger increases in the costs of raw materials and subcontracting charges in our engineering and construction business and in the costs of raw materials in our equipment manufacturing business.

Gross profit. As a result of the foregoing, our gross profit decreased by 5.1% from RMB12,971 million in 2007 to RMB12,304 million in 2008. Our gross profit margin decreased from 10.4% in 2007 to 7.8% in 2008, due primarily to the higher increase in cost of sales than in revenue during the same period.

Selling and marketing expenses. Our selling and marketing expenses increased by 30.9% from RMB709 million in 2007 to RMB928 million in 2008. The increase in selling and marketing expenses was mainly attributable to our increased spending on sales and marketing primarily as a result of the growth of our businesses.

Administrative expenses. Our administrative expenses increased by 13.4% from RMB5,786 million in 2007 to RMB6,559 million in 2008. The increase in administrative expenses was due primarily to our increased business activities.

Other income. Our other income increased by 81.3% from RMB587 million in 2007 to RMB1,064 million in 2008. The increase in other income was primarily attributable to an increase in government grants and subsidies.

Other gains-net. Our other gains-net decreased by 59.4% from RMB1,390 million in 2007 to RMB564 million in 2008. Our other gains-net were relatively lower in 2008 mainly because we had larger gains on disposals of equity interests in our subsidiaries and of financial assets in 2007.

Other expenses. Our other expenses decreased by 13.3% from RMB98 million in 2007 to RMB85 million in 2008.

Operating profit. Our operating profit (representing the sum of gross profit, other gains-net and other income, less selling and marketing expenses, administrative expenses and other expenses) decreased by RMB1,995 million, or 23.9%, from RMB8,355 million in 2007 to RMB6,360 million in 2008. Meanwhile, our operating profit margin (representing operating profit as a percentage of revenue) decreased from 6.7% in 2007 to 4.0% in 2008.

Finance income. Our finance income increased by 43.5% from RMB382 million in 2007 to RMB548 million in 2008. This increase was primarily attributable to an increase in interest income mainly as a result of our increased bank deposits.

Finance costs. Our finance costs increased by 128.2% from RMB1,317 million in 2007 to RMB3,005 million in 2008. This increase was primarily attributable to our substantial increase in borrowings driven by our increased need for capital mainly as a result of our significant growth of business and our increased investment in resources development, equipment manufacturing and other business segments, coupled with an increase in interest rates on borrowings during the same period.

Share of profits of associates. Our share of profits of associates increased by RMB50 million, or 71.4%, from RMB70 million in 2007 to RMB120 million in 2008. This increase was primarily attributable to an increase in the profits of our associates.

Income tax expense. Our income tax expense decreased by 50.5% from RMB1,698 million in 2007 to RMB840 million in 2008. This decrease was primarily attributable to a decline in profit before income tax and a decrease in the tax rate.

Profit for the year. As a result of the foregoing, our profit for the year decreased by RMB2,609 million, or 45.0%, from RMB5,792 million in 2007 to RMB3,183 million in 2008.

Profit/(loss) attributable to non-controlling interests. Our profit attributable to non-controlling interests was RMB1,937 million in 2007 as compared to a loss of RMB17 million in 2008. Such loss in 2008 was due primarily to the loss incurred by Huludao Nonferrous Metals Group Co., Ltd. in 2008, which resulted in a loss attributable to the non-controlling interests of that subsidiary, and our purchase of the shares of other relevant subsidiaries held by certain of their employees, which resulted in a decrease in the number of non-controlling interests and thus a decrease in profit attributable to such non-controlling interests.

Profit attributable to equity holders of our Company. As a result of the foregoing, the profit attributable to equity holders of our Company was RMB3,855 million in 2007 and RMB3,200 million in 2008.

Discussion of Our Operating Results by Segment

Engineering and construction

The principal segment result information for our engineering and construction business is as follows:

	For the Year Ended December 31,			
	2007		2008	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	97,856	100.0	128,041	100.0
Metallurgical engineering and construction	*66,322*	*67.8*	*86,731*	*67.7*
Building construction	*19,067*	*19.5*	*23,668*	*18.5*
Transportation infrastructure	*4,766*	*4.9*	*3,703*	*2.9*
Others	*7,701*	*7.9*	*13,939*	*10.9*
Inter-segment revenue	(518)	(0.5)	(1,265)	(1.0)
Revenue from external sales	97,338	99.5	126,776	99.0
Cost of sales	(87,912)	(89.8)	(118,015)	(92.2)
Metallurgical engineering and construction	*(58,320)*	*(59.6)*	*(79,887)*	*(62.4)*
Building construction	*(18,009)*	*(18.4)*	*(21,953)*	*(17.1)*
Transportation infrastructure	*(4,667)*	*(4.8)*	*(3,507)*	*(2.7)*
Others	*(6,916)*	*(7.1)*	*(12,668)*	*(9.9)*
Gross profit	9,944	10.2	10,026	7.8
Sales and marketing expenses	(390)	(0.4)	(512)	(0.4)
Administrative expenses	(4,499)	(4.6)	(5,014)	(3.9)
Other income and gains/(expenses)(1)	1,371	1.4	1,011	0.8
Segment result	**6,426**	**6.6**	**5,511**	**4.3**

(1) Other income and gains/(expenses) represents other income, plus other gains-net and less other expenses.

Segment revenue. The revenue of our engineering and construction business before inter-segment elimination increased by 30.8%, or RMB30,185 million, from RMB97,856 million in 2007 to RMB128,041 million in 2008. The increase was due mainly to increases in revenues generated from our metallurgical engineering and construction, building construction and other projects.

- *Metallurgical engineering and construction.* Revenue generated from our metallurgical engineering and construction projects before inter-segment elimination increased by 30.8% from RMB66,322 million in 2007 to RMB86,731 million in 2008. This increase was due mainly to the increased amount of our metallurgical engineering and construction work completed in 2008 as we continued to benefit from increased investment in China's iron and steel industry in the first half of 2008. In the second half of 2008, 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 adversely affected our metallurgical engineering and construction business and our new contract value during the period in particular. See "Business — New Contract Value."

- *Building construction.* Revenue generated from our building construction projects before inter-segment elimination increased by 24.1% from RMB19,067 million in 2007 to RMB23,668 million in

2008. This increase was due mainly to an increase in the amount of construction work for sports stadiums and conference and exhibition centers undertaken by us.

- *Transportation infrastructure.* Revenue generated from our transportation infrastructure projects before inter-segment elimination decreased by 22.3% from RMB4,766 million in 2007 to RMB3,703 million in 2008. In 2008, we undertook a number of large transportation infrastructure projects, which required an extended period for pre-construction preparation and construction schedule, with their total contract revenue recognized over a number of fiscal years. This resulted in the decreased revenue generated from our transportation infrastructure projects in 2008.

- *Other projects.* Revenue generated from our other projects before inter-segment elimination increased by 81.0% from RMB7,701 million in 2007 to RMB13,939 million in 2008. This increase was due mainly to an increase in our engineering and construction projects in the power, chemicals and environmental protection industries, among others, in 2008 primarily as a result of our further business expansion in these areas.

In 2007 and 2008, inter-segment revenue of our engineering and construction business was RMB518 million and RMB1,265 million, respectively. These were primarily generated from the provision of building construction services by our engineering and construction business to our property development business.

As a result, in 2007 and 2008, revenue from external sales of our engineering and construction business was RMB97,338 million and RMB126,776 million, respectively.

Cost of sales. Cost of sales of our engineering and construction business increased by 34.2% from RMB87,912 million in 2007 to RMB118,015 million in 2008. The increase was attributable primarily to our increased business in this segment and a significant increase in the prices of such raw materials as steel and cement during the first half of 2008.

- *Metallurgical engineering and construction.* Cost of sales incurred from our metallurgical engineering and construction projects increased by 37.0% from RMB58,320 million in 2007 to RMB79,887 million in 2008.

- *Building construction.* Cost of sales incurred from our building construction projects increased by 21.9% from RMB18,009 million in 2007 to RMB21,953 million in 2008.

- *Transportation infrastructure.* Cost of sales incurred from our transportation infrastructure projects decreased by 24.9% from RMB4,667 million in 2007 to RMB3,507 million in 2008.

- *Other projects.* Cost of sales incurred from our other projects increased by 83.2% from RMB6,916 million in 2007 to RMB12,668 million in 2008.

Gross profit. Gross profit generated from our engineering and construction business increased by RMB82 million, or 0.8%, from RMB9,944 million in 2007 to RMB10,026 million in 2008. Gross profit margin of our engineering and construction business decreased from 10.2% in 2007 to 7.8% in 2008. The decrease in gross profit margin was attributable primarily to the significant increases in steel and cement prices occuring or beginning in the first half of 2008, which could not be translated into higher contract prices due to the pricing pressure we experienced in 2008.

Selling and marketing expenses. Selling and marketing expenses incurred from our engineering and construction business increased by 31.3% from RMB390 million in 2007 to RMB512 million in 2008. This increase was attributable primarily to our increased business in this segment.

Administrative expenses. Administrative expenses incurred from our engineering and construction business increased by 11.4% from RMB4,499 million in 2007 to RMB5,014 million in 2008. This increase was due primarily to our increased business in this segment. Administrative expenses for our engineering and construction business as a percentage of the segment revenue of such business decreased from 4.6% in 2007 to 3.9% in 2008.

Other income and gains/(expenses). Other income and gains/(expenses) for our engineering and construction business decreased by 26.3% from RMB1,371 million in 2007 to RMB1,011 million in 2008.

Segment result. As a result of the foregoing, segment result of our engineering and construction business decreased by RMB915 million, or 14.2%, from RMB6,426 million in 2007 to RMB5,511 million in 2008. Meanwhile, segment result margin of our engineering and construction business decreased from 6.6% in 2007 to 4.3% in 2008.

Resources development

The principal segment result information for our resources development business is as follows:

	For the Year Ended December 31,			
	2007		2008	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	13,338	100.0	9,538	100.0
Smelting and processing	*11,657*	*87.4*	*8,138*	*85.3*
Smelting	*10,835*	*81.2*	*6,622*	*69.4*
Polysilicon production	*822*	*6.2*	*1,516*	*15.9*
Mining	*1,681*	*12.6*	*1,400*	*14.7*
Copper products	*1,315*	*9.9*	*992*	*10.4*
Others	*366*	*2.7*	*408*	*4.3*
Inter-segment revenue	(63)	(0.5)	(260)	(2.7)
Revenue from external sales	13,275	99.5	9,278	97.3
Costs of sales	(12,055)	(90.4)	(8,973)	(94.1)
Smelting and processing	*(10,828)*	*(81.2)*	*(7,965)*	*(83.5)*
Smelting	*(10,621)*	*(79.6)*	*(7,551)*	*(79.2)*
Polysilicon production	*(207)*	*(1.6)*	*(414)*	*(4.3)*
Mining	*(1,227)*	*(9.2)*	*(1,008)*	*(10.6)*
Copper products	*(929)*	*(7.0)*	*(776)*	*(8.1)*
Others	*(298)*	*(2.2)*	*(232)*	*(2.4)*
Gross profit	1,283	9.6	565	5.9
Selling and marketing expenses	(77)	(0.6)	(111)	(1.2)
Administrative expenses	(564)	(4.2)	(600)	(6.3)
Other income and gains/(expenses)	32	0.2	386	4.0
Segment result	**674**	**5.1**	**240**	**2.5**

Significant decreases in gross profit, gross profit margin and segment result of our resources development business in 2008 were due primarily to the fluctuations in business of our subsidiary, Huludao Nonferrous Metals Group Co., Ltd., with respect to the smelting of zinc, copper and other metals. Due primarily to the global economic downturn, the prices of various metals required as raw materials for its production generally experienced significant fluctuations over the course of 2008. Huludao Nonferrous Metals Group Co., Ltd. procured its raw materials in early 2008, which resulted in its high raw materials costs. Meanwhile, the prices of its zinc, copper and other metal products decreased significantly, and the price of zinc ingot, a primary product of the subsidiary, decreased by nearly 50% from early 2008 to late 2008. The combination of high raw materials costs and low products prices led to the loss incurred by its nonferrous metal smelting business. Had the financial results of Huludao Nonferrous Metals Group Co., Ltd. been excluded, the revenue of our resources development business would have increased by 16.5% in 2008 as compared to 2007 and the gross profit margin of the segment would have been approximately 51.2% in 2008 as compared to 42.7% in 2007 because of the relatively high gross profit margin of polysilicon products in our resources development business.

Segment revenue. The revenue of our resources development business before inter-segment elimination decreased by 28.5% from RMB13,338 million in 2007 to RMB9,538 million in 2008. This decrease was primarily attributable to the decreases in the selling prices of non-ferrous metal products of Huludao Nonferrous Metals Group Co., Ltd.

In 2007 and 2008, inter-segment revenue of our resources development business was RMB63 million and RMB260 million, respectively. These were primarily generated from the supplies of zinc and other products by Huludao Nonferrous Metals Group Co., Ltd. to MCC Hengtong Cold Rolling Technology Co., Ltd. as raw materials for equipment manufacturing.

As a result, total segment revenue from external sales of our resources development business was RMB13,275 million and RMB9,278 million in 2007 and 2008, respectively.

Cost of sales. Cost of sales incurred from our resources development business decreased by 25.6% from RMB12,055 million in 2007 to RMB8,973 million in 2008.

Gross profit. Gross profit of our resources development business decreased by 56.0% from RMB1,283 million in 2007 to RMB565 million in 2008, primarily due to the negative impact of the financial results of Huludao Nonferrous Metals Group Co., Ltd. Gross profit margin of our resources development business decreased from 9.6% in 2007 to 5.9% in 2008, primarily due to the significant decrease in the gross margin of that subsidiary.

Selling and marketing expenses. Selling and marketing expenses incurred from our resources development business increased by 44.2% from RMB77 million in 2007 to RMB111 million in 2008.

Administrative expenses. Administrative expenses incurred from our resources development business increased by 6.4% from RMB564 million in 2007 to RMB600 million in 2008.

Other income and gains/(expenses). Other income and gains/(expenses) of our resources development business increased from RMB32 million in 2007 to RMB386 million in 2008, primarily as a result of an increase in government grants and subsidies.

Segment result. As a result of the foregoing, segment result of our resources development business decreased by 64.4% from RMB674 million in 2007 to RMB240 million in 2008. Meanwhile, segment result margin of our resources development business decreased from 5.1% in 2007 to 2.5% in 2008.

Equipment manufacturing

The principal segment result information for our equipment manufacturing operations is as follows:

	For the Year Ended December 31,			
	2007		2008	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	8,531	100.0	15,649	100.0
Metallurgical equipment	*4,945*	*58.0*	*6,308*	*40.3*
Steel structures	*2,153*	*25.2*	*2,803*	*17.9*
Others	*1,433*	*16.8*	*6,538*	*41.8*
Inter-segment revenue	(225)	(2.6)	(265)	(1.7)
Revenue from external sales	8,306	97.4	15,384	98.3
Cost of sales	(7,282)	(85.4)	(14,519)	(92.8)
Metallurgical equipment	*(3,949)*	*(46.3)*	*(5,314)*	*(34.0)*
Steel structures	*(1,958)*	*(23.0)*	*(2,522)*	*(16.1)*
Others	*(1,375)*	*(16.1)*	*(6,683)*	*(42.7)*
Gross profit	1,249	14.6	1,130	7.2
Selling and marketing expenses	(97)	(1.1)	(151)	(1.0)
Administrative expenses	(438)	(5.1)	(511)	(3.3)
Other income and gains/(expenses)	103	1.2	94	0.6
Segment result	**817**	**9.6**	**562**	**3.6**

Segment revenue. The revenue of our equipment manufacturing business before inter-segment elimination increased by 83.4% from RMB8,531 million in 2007 to RMB15,649 million in 2008. The increase was due mainly to the change in the number of months for which MCC Hengtong Cold Rolling Technology Co., Ltd.'s revenue was included for the respective periods. This company was established in October 2007 and since December 1, 2008, the date on which our Company was incorporated, was retained by the Parent, thus ceasing to be part of our operations. As a result, the revenue contribution of MCC Hengtong Cold Rolling Technology Co., Ltd. to us was only for less than three months in 2007 in the amount of RMB737 million, accounting for approximately 8.6% of the revenue of our equipment manufacturing business before inter-segment elimination in 2007, while in 2008, such contribution was for the first eleven months of the year in the amount of RMB4,853 million, accounting for approximately 31.0% of the revenue of our equipment manufacturing business before inter-segment elimination in 2008.

In 2007 and 2008, inter-segment revenue of our equipment manufacturing business was RMB225 million and RMB265 million, respectively. Inter-segment revenue of our equipment manufacturing business consisted primarily of the sales of equipment by our equipment manufacturing business to our engineering and construction business.

As a result, in 2007 and 2008, revenue from external sales of our equipment manufacturing business was RMB8,306 million and RMB15,384 million, respectively.

Cost of sales. Cost of sales incurred from our equipment manufacturing business increased by 99.4% from RMB7,282 million in 2007 to RMB14,519 million in 2008. The cost of sales of our equipment manufacturing business in 2008 increased significantly as compared to 2007, mainly due to the changes in our product structure, the increased prices of raw materials, such as iron, steel and fuel, and the increase in cost of sales contributed by MCC Hengtong Cold Rolling Technology Co., Ltd.

Gross profit. Gross profit of our equipment manufacturing business decreased by 9.5% from RMB1,249 million in 2007 to RMB1,130 million in 2008. Gross profit margin of our equipment manufacturing business decreased from 14.6% in 2007 to 7.2% in 2008, primarily due to the lower gross margin of MCC Hengtong Cold Rolling Technology Co., Ltd. and the increased prices of raw materials.

Selling and marketing expenses. Selling and marketing expenses incurred from our equipment manufacturing business increased by 55.7% from RMB97 million in 2007 to RMB151 million in 2008.

Administrative expenses. Administrative expenses incurred from our equipment manufacturing business increased by 16.7% from RMB438 million in 2007 to RMB511 million in 2008.

Other income and gains/(expenses). Other income and gains/(expenses) of our equipment manufacturing business decreased by 8.7% from RMB103 million in 2007 to RMB94 million in 2008.

Segment result. As a result of the foregoing, segment result of our equipment manufacturing business decreased by 31.2% from RMB817 million in 2007 to RMB562 million in 2008. Meanwhile, segment result margin of our equipment manufacturing business decreased from 9.6% in 2007 to 3.6% in 2008.

Property development

The principal segment result information for our property development business is as follows:

	For the Year Ended December 31,			
	2007		2008	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	3,888	100.0	4,199	100.0
Commercial	*5*	*0.1*	*2,110*	*50.3*
Residential	*810*	*20.8*	*618*	*14.7*
Social welfare housing	—	—	*484*	*11.5*
Primary land development	*2,924*	*75.2*	*859*	*20.5*
Others	*149*	*3.8*	*128*	*3.0*
Inter-segment revenue	—	—	—	—
Revenue from external sales	3,888	100.0	4,199	100.0
Cost of sales	(3,569)	(91.8)	(3,698)	(88.1)
Commercial	*(3)*	*(0.1)*	*(1,843)*	*(43.9)*
Residential	*(730)*	*(18.8)*	*(547)*	*(13.0)*
Social welfare housing	—	—	*(469)*	*(11.2)*
Primary land development	*(2,735)*	*(70.3)*	*(768)*	*(18.3)*
Others	*(101)*	*(2.6)*	*(71)*	*(1.7)*
Gross profit	319	8.2	501	11.9
Selling and marketing expenses	(95)	(2.4)	(90)	(2.1)
Administrative expenses	(121)	(3.1)	(178)	(4.2)
Other income and gains/(expenses)	368	9.5	38	0.9
Segment result	**471**	**12.1**	**271**	**6.5**

Segment revenue. The revenue of our property development business before inter-segment elimination increased by 8.0% from RMB3,888 million in 2007 to RMB4,199 million in 2008. The increase was primarily attributable to an increase in commercial projects the revenue of which was recognizable in 2008, which was partially offset by the decrease in revenue from our primary land development projects.

Cost of sales. Cost of sales incurred from our property development business increased by 3.6% from RMB3,569 million in 2007 to RMB3,698 million in 2008.

Gross profit. Gross profit of our property development business increased by 57.1% from RMB319 million in 2007 to RMB501 million in 2008. Gross profit margin of our property development business increased from 8.2% in 2007 to 11.9% in 2008, primarily as a result of the lower percentage of the segment revenue contributed by primary land development projects and an increase in the percentage of the segment revenue contributed by commercial projects with higher selling prices.

Selling and marketing expenses. Selling and marketing expenses incurred from our property development business decreased by 5.3% from RMB95 million in 2007 to RMB90 million in 2008.

Administrative expenses. Administrative expenses incurred from our property development business increased by 47.1% from RMB121 million in 2007 to RMB178 million in 2008. This increase was primarily due to the growth of our property development business.

Other income and gains/(expenses). Other income and gains/(expenses) of our property development business decreased significantly from RMB368 million in 2007 to RMB38 million in 2008, primarily as a result of our significant gain on our disposal of equity interest in the Xin Ao Xi Jun project company in 2007.

Segment result. As a result of the foregoing, segment result of our property development business decreased by 42.5% from RMB471 million in 2007 to RMB271 million in 2008. Meanwhile, segment result margin of our property development business decreased from 12.1% in 2007 to 6.5% in 2008.

Other businesses

The principal segment result information for our other businesses is as follows:

	For the Year Ended December 31,			
	2007		2008	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	2,317	100.0	2,400	100.0
Inter-segment revenue	(68)	(2.9)	(138)	(5.8)
Revenue from external sales	2,249	97.1	2,262	94.3
Cost of sales	(2,141)	(92.4)	(2,202)	(91.8)
Gross profit	176	7.6	198	8.3
Selling and marketing expenses	(50)	(2.2)	(64)	(2.7)
Administrative expenses	(51)	(2.2)	(131)	(5.5)
Other income and gains/(expenses)	5	0.2	14	0.6
Segment result	**80**	**3.5**	**17**	**0.7**

Segment revenue. The revenue of our other businesses before inter-segment elimination increased by 3.6% from RMB2,317 million in 2007 to RMB2,400 million in 2008.

In 2007 and 2008, inter-segment revenue of our other businesses was RMB68 million and RMB138 million, respectively. The significant increase in inter-segment revenue was attributable mainly to the increases in the income from loan services provided by our financial company to the other business segments and the provision of import and export services to the other business segments.

As a result, in 2007 and 2008, revenue from external sales of our other businesses was RMB2,249 million and RMB2,262 million, respectively.

Cost of sales. Cost of sales incurred from our other businesses increased by 2.8% from RMB2,141 million in 2007 to RMB2,202 million in 2008.

Gross profit. Gross profit of our other businesses increased by 12.5% from RMB176 million in 2007 to RMB198 million in 2008. Meanwhile, gross profit margin of our other businesses increased from 7.6% in 2007 to 8.3% in 2008.

Selling and marketing expenses. Selling and marketing expenses incurred from our other businesses increased by 28.0% from RMB50 million in 2007 to RMB64 million in 2008.

Administrative expenses. Administrative expenses incurred from our other businesses increased by 156.9% from RMB51 million in 2007 to RMB131 million in 2008.

Other income and gains/(expenses). Other income and gains/(expenses) of our other businesses increased by 180.0% from RMB5 million in 2007 to RMB14 million in 2008.

Segment result. As a result of the foregoing, segment result of our other businesses decreased by 78.8% from RMB80 million in 2007 to RMB17 million in 2008. Meanwhile, segment result margin of our other businesses decreased from 3.5% in 2007 to 0.7% in 2008.

2007 Compared to 2006

Overview of our operating results

The following table shows the revenue, gross profit, gross profit margin, segment result and segment result margin of our businesses for the periods indicated:

	Revenue		Gross Profit		Gross Profit Margin		Segment Result(1)		Segment Result Margin(2)	
	For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,		For the Year Ended December 31,	
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007
	(RMB million)		(RMB million)		(%)		(RMB million)		(%)	
Engineering and construction	75,186	97,856	7,378	9,944	9.8	10.2	3,573	6,426	4.8	6.6
Resources development	9,114	13,338	832	1,283	9.1	9.6	151	674	1.7	5.1
Equipment manufacturing	5,374	8,531	1,163	1,249	21.6	14.6	716	817	13.3	9.6
Property development	731	3,888	145	319	19.8	8.2	48	471	6.6	12.1
Others	1,659	2,317	85	176	5.1	7.6	29	80	1.7	3.5
Subtotal	**92,064**	**125,930**	**9,603**	**12,971**	**10.4**	**10.3**	**4,517**	**8,468**	**4.9**	**6.7**
Inter-segment elimination	(358)	(874)	—	—	—	—	—	—	—	—
Unallocated costs	—	—	—	—	—	—	(107)	(113)	—	—
Total	**91,706**	**125,056**	**9,603**	**12,971**	**10.5**	**10.4**	**4,410**	**8,355**	**4.8**	**6.7**

(1) Total of segment results less inter-segment elimination and unallocated costs equals our total operating profit.

(2) Segment result margin represents segment result as a percentage of segment revenue.

Revenue. Our total revenue after inter-segment elimination increased by 36.4% from RMB91,706 million in 2006 to RMB125,056 million in 2007. The revenues of our four principal business segments increased significantly as we benefited from the business opportunities presented by the rapid growth of the Chinese economy and we continued to expand our resources development and property development businesses.

Cost of sales. Our cost of sales after inter-segment elimination increased by 36.5% from RMB82,103 million in 2006 to RMB112,085 million in 2007. This increase was generally consistent with the increase in our total revenue during the period and was attributable primarily to the increase in our business.

Gross profit. As a result of the foregoing, our gross profit increased by 35.1% from RMB9,603 million in 2006 to RMB12,971 million in 2007. Our gross profit margin was 10.5% in 2006 and 10.4% in 2007.

Selling and marketing expenses. Our selling and marketing expenses increased by 33.8% from RMB530 million in 2006 to RMB709 million in 2007. The increase in selling and marketing expenses was attributable mainly to the increased spending on sales and marketing driven by the significant growth of our businesses.

Administrative expenses. Our administrative expenses increased by 14.1% from RMB5,072 million in 2006 to RMB5,786 million in 2007. The increase in administrative expenses was attributable primarily to the increased administrative spending driven by the significant growth of our businesses. Our administrative expenses as a percentage of our total revenue decreased from 5.5% in 2006 to 4.6% in 2007.

Other income. Our other income increased by 69.2% from RMB347 million in 2006 to RMB587 million in 2007. The increase in other income was primarily attributable to increases in government grants and rental income.

Other gains-net. Our other gains-net increased from RMB126 million in 2006 to RMB1,390 million in 2007. This increase was mainly attributable to our gains on the disposal of our equity interest in the Xin Ao Xi Jun project company and certain financial assets.

Other expenses. Our other expenses increased by 53.1% from RMB64 million in 2006 to RMB98 million in 2007. This increase was primarily attributable to an increase in depreciation of investment property.

Operating profit. Our operating profit (representing the sum of gross profit, other gains-net and other income, less selling and marketing expenses, administrative expenses and other expenses) increased by RMB3,945 million, or 89.5%, from RMB4,410 million in 2006 to RMB8,355 million in 2007. Meanwhile, our operating profit margin increased from 4.8% in 2006 to 6.7% in 2007.

Finance income. Our finance income decreased by 15.5% from RMB452 million in 2006 to RMB382 million in 2007.

Finance costs. Our finance costs increased by 27.9% from RMB1,030 million in 2006 to RMB1,317 million in 2007. This increase was mainly attributable to a significant increase in borrowings primarily as a result of our general business growth and the increased investments in our resources development business and equipment manufacturing business, coupled with the increase in interests rates on borrowings during the same period.

Share of profits of associates. Our share of profits of associates increased by RMB44 million, or 169.2%, from RMB26 million in 2006 to RMB70 million in 2007. This increase was primarily attributable to an increase in the profits of our associates.

Income tax expense. Our income tax expense increased by 160.8% from RMB651 million in 2006 to RMB1,698 million in 2007. This increase was primarily attributable to an increase in profit before income tax and the expiration of the preferential tax treatments enjoyed by certain of our subsidiaries.

Profit for the year. As a result of the foregoing, our profit for the year increased by RMB2,585 million, or 80.6%, from RMB3,207 million in 2006 to RMB5,792 million in 2007.

Profit attributable to non-controlling interests. Our profit attributable to non-controlling interests increased by 50.5% from RMB1,287 million in 2006 to RMB1,937 million in 2007. This increase was primarily attributable to an increase in overall profit of our non-wholly owned subsidiaries.

Profit attributable to equity holders of our Company. As a result of the foregoing, the profit attributable to equity holders of our Company was RMB1,920 million in 2006 and RMB3,855 million in 2007.

Discussion of Our Operating Results by Segment

Engineering and construction

The principal segment result information for our engineering and construction business is as follows:

	For the Year Ended December 31,			
	2006		2007	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	75,186	100.0	97,856	100.0
Metallurgical engineering and construction	*53,382*	*71.0*	*66,322*	*67.8*
Building construction	*14,703*	*19.6*	*19,067*	*19.5*
Transportation infrastructure	*2,675*	*3.6*	*4,766*	*4.9*
Others	*4,426*	*5.9*	*7,701*	*7.9*
Inter-segment revenue	(9)	(0.0)	(518)	(0.5)
Revenue from external sales	75,177	100.0	97,338	99.5
Cost of sales	(67,808)	(90.2)	(87,912)	(89.8)
Metallurgical engineering and construction	*(47,163)*	*(62.7)*	*(58,320)*	*(59.6)*
Building construction	*(14,049)*	*(18.7)*	*(18,009)*	*(18.4)*
Transportation infrastructure	*(2,553)*	*(3.4)*	*(4,667)*	*(4.8)*
Others	*(4,043)*	*(5.4)*	*(6,916)*	*(7.1)*
Gross profit	7,378	9.8	9,944	10.2
Selling and marketing expenses	(376)	(0.5)	(390)	(0.4)
Administrative expenses	(3,812)	(5.1)	(4,499)	(4.6)
Other income and gains/(expenses)[1]	383	0.5	1,371	1.4
Segment result	**3,573**	**4.8**	**6,426**	**6.6**

(1) Other income and gains/(expenses) represents other income, plus other gains-net and less other expenses.

Segment revenue. The revenue of our engineering and construction business before inter-segment elimination increased by 30.2%, or RMB22,670 million, from RMB75,186 million in 2006 to RMB97,856 million in 2007. The increase was due mainly to our continued growth of new business areas, such as building construction and transportation infrastructure projects, while continuing to grow our metallurgical engineering and construction business.

- *Metallurgical engineering and construction.* Revenue generated from metallurgical engineering and construction before inter-segment elimination increased by 24.2% from RMB53,382 million in 2006 to RMB66,322 million in 2007. This increase was due mainly to the increase in metallurgical engineering and construction work as demand for our engineering and construction services grew primarily as result of the rapid development of China's iron and steel industry in 2007.

- *Building construction.* Revenue generated from building construction before inter-segment elimination increased by 29.7% from RMB14,703 million in 2006 to RMB19,067 million in 2007. This increase was due mainly to an increase in our engineering and construction services for sports stadium and conference and exhibition center projects primarily as a result of our increasing competitiveness in the building construction area.

- *Transportation infrastructure.* Revenue generated from our transportation infrastructure projects before inter-segment elimination increased by 78.2% from RMB2,675 million in 2006 to RMB4,766 million in 2007. This increase was due mainly to our undertaking and completion of a number of major transportation infrastructure projects primarily as a result of our increasing focus on large transportation infrastructure projects and our increased competitiveness in the transportation infrastructure area.

- *Other projects.* Revenue generated from other projects before inter-segment elimination increased by 74.0% from RMB4,426 million in 2006 to RMB7,701 million in 2007. This increase was due primarily to our further business development in the areas of cement, power and other projects.

In 2006 and 2007, inter-segment revenue of our engineering and construction business was RMB9 million and RMB518 million, respectively. It consisted primarily of the revenue generated from the provision of construction services by our engineering and construction business to our property development business. The significant increase in inter-segment revenue during the two years was due mainly to the significant growth of our property development business, which resulted in an increase in the construction services provided to such segment by our construction subsidiaries.

As a result, in 2006 and 2007, revenue from external sales of our engineering and construction business was RMB75,177 million and RMB97,338 million, respectively.

Cost of sales. Cost of sales of our engineering and construction business increased by 29.6% from RMB67,808 million in 2006 to RMB87,912 million in 2007. This increase was generally in line with the increase in revenue.

- *Metallurgical engineering and construction.* Cost of sales incurred from metallurgical engineering and construction increased by 23.7% from RMB47,163 million in 2006 to RMB58,320 million in 2007.

- *Building construction.* Cost of sales incurred from building construction increased by 28.2% from RMB14,049 million in 2006 to RMB18,009 million in 2007.

- *Transportation infrastructure.* Cost of sales incurred from transportation infrastructure increased by 82.8% from RMB2,553 million in 2006 to RMB4,667 million in 2007.

- *Other projects.* Cost of sales incurred from other projects increased by 71.1% from RMB4,043 million in 2006 to RMB6,916 million in 2007.

Gross profit. Gross profit generated from our engineering and construction business increased by RMB2,566 million, or 34.8%, from RMB7,378 million in 2006 to RMB9,944 million in 2007. Meanwhile, gross profit margin of our engineering and construction business increased slightly from 9.8% in 2006 to 10.2% in 2007.

Selling and marketing expenses. Selling and marketing expenses incurred from our engineering and construction business increased by 3.7% from RMB376 million in 2006 to RMB390 million in 2007.

Administrative expenses. Administrative expenses incurred from our engineering and construction business increased by 18.0% from RMB3,812 million in 2006 to RMB4,499 million in 2007. The increase was due mainly to the increase in research and development and administrative spending primarily as a result of our significant growth of business in this segment. Administrative expenses for our engineering and construction business as a percentage of the segment revenue of such business decreased from 5.1% in 2006 to 4.6% in 2007.

Other income and gains/(expenses). Other income and gains/(expenses) for our engineering and construction business increased by 258.0% from RMB383 million in 2006 to RMB1,371 million in 2007, which was due primarily to an increase in our gains on disposal of financial assets.

Segment result. As a result of the foregoing, segment result of our engineering and construction business increased by RMB2,853 million, or 79.8%, from RMB3,573 million in 2006 to RMB6,426 million in 2007. Meanwhile, segment result margin of our engineering and construction business increased from 4.8% in 2006 to 6.6% in 2007.

Resources development

The principal segment result information for our resources development business is as follows:

	For the Year Ended December 31,			
	2006		2007	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	9,114	100.0	13,338	100.0
Smelting and processing	*9,114*	*100.0*	*11,657*	*87.4*
Smelting	*8,897*	*97.6*	*10,835*	*81.2*
Polysilicon production	*217*	*2.4*	*822*	*6.2*
Mining	—	—	*1,681*	*12.6*
Copper products	—	—	*1,315*	*9.9*
Others	—	—	*366*	*2.7*
Inter-segment revenue	—	—	(63)	(0.5)
Revenue from external sales	9,114	100.0	13,275	99.5
Cost of sales	*(8,282)*	*(90.9)*	*(12,055)*	*(90.4)*
Smelting and processing	*(8,282)*	*(90.9)*	*(10,828)*	*(81.2)*
Smelting	*(8,199)*	*(90.0)*	*(10,621)*	*(79.6)*
Polysilicon production	*(83)*	*(0.9)*	*(207)*	*(1.6)*
Mining	—	—	*(1,227)*	*(9.2)*
Copper products	—	—	*(929)*	*(7.0)*
Others	—	—	*(298)*	*(2.2)*
Gross profit	832	9.1	1,283	9.6
Selling and marketing expenses	(31)	(0.3)	(77)	(0.6)
Administrative expenses	(673)	(7.4)	(564)	(4.2)
Other income and gains/(expenses)	23	0.3	32	0.2
Segment result	**151**	**1.7**	**674**	**5.1**

Segment revenue. The revenue of our resources development business before inter-segment elimination increased by 46.3% from RMB9,114 million in 2006 to RMB13,338 million in 2007. This increase was primarily attributable to the increases in prices and sales volumes of our non-ferrous metals products and polysilicon products in 2007.

In 2006 and 2007, inter-segment revenue of our resources development business was nil and RMB63 million, respectively. Such sales in 2007 were primarily generated from the sales of products by our resources development business to our equipment manufacturing business.

Cost of sales. Cost of sales incurred from our resources development business increased by 45.6% from RMB8,282 million in 2006 to RMB12,055 million in 2007. This increase was primarily attributable to the increased sales volume as well as increases in the prices of raw materials and production costs of Huludao Nonferrous Metals Group Co., Ltd.

Gross profit. Gross profit of our resources development business increased by 54.2% from RMB832 million in 2006 to RMB1,283 million in 2007. Gross profit margin of our resources development business increased from 9.1% in 2006 to 9.6% in 2007, primarily as a result of the increase in the revenue accounted for by our polysilicon products and the increase in gross profit margin of such products.

Selling and marketing expenses. Selling and marketing expenses incurred from our resources development business increased by 148.4% from RMB31 million in 2006 to RMB77 million in 2007.

Administrative expenses. Administrative expenses incurred from our resources development business decreased by 16.2% from RMB673 million in 2006 to RMB564 million in 2007.

Other income and gains/(expenses). Other income and gains/(expenses) of our resources development business increased by 39.1% from RMB23 million in 2006 to RMB32 million in 2007.

Segment result. As a result of the foregoing, segment result of our resources development business increased by 346.4% from RMB151 million in 2006 to RMB674 million in 2007. Meanwhile, segment result margin of our resources development business increased from 1.7% in 2006 to 5.1% in 2007.

Equipment manufacturing

The principal segment result information for our equipment manufacturing operations is as follows:

	For the Year Ended December 31,			
	2006		2007	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	5,374	100.0	8,531	100.0
Metallurgical equipment	*3,047*	*56.7*	*4,945*	*58.0*
Steel structures	*1,759*	*32.7*	*2,153*	*25.2*
Others	*568*	*10.6*	*1,433*	*16.8*
Inter-segment revenue	(343)	(6.4)	(225)	(2.6)
Revenue from external sales	5,031	93.6	8,306	97.4
Cost of sales	(4,211)	(78.4)	(7,282)	(85.4)
Metallurgical equipment	*(2,229)*	*(41.5)*	*(3,949)*	*(46.3)*
Steel structures	*(1,517)*	*(28.2)*	*(1,958)*	*(23.0)*
Others	*(465)*	*(8.7)*	*(1,375)*	*(16.1)*
Gross profit	1,163	21.6	1,249	14.6
Selling and marketing expenses	(79)	(1.5)	(97)	(1.1)
Administrative expenses	(358)	(6.7)	(438)	(5.1)
Other income and gains/(expenses)	(10)	(0.2)	103	1.2
Segment result	**716**	**13.3**	**817**	**9.6**

Segment revenue. The revenue of our equipment manufacturing business before inter-segment elimination increased by 58.7% from RMB5,374 million in 2006 to RMB8,531 million in 2007. The increase was attributable mainly to the increases in sales volumes of our metallurgical equipment and steel structures.

In 2006 and 2007, inter-segment revenue of our equipment manufacturing business was RMB343 million and RMB225 million, respectively. Inter-segment revenue of our equipment manufacturing business was generated primarily from the sales of equipment by our equipment manufacturing business to our engineering and construction business.

As a result, in 2006 and 2007, revenue from external sales of our equipment manufacturing business was RMB5,031 million and RMB8,306 million, respectively.

Cost of sales. Cost of sales incurred from our equipment manufacturing business increased by 72.9% from RMB4,211 million in 2006 to RMB7,282 million in 2007. This increase was due mainly to the increase in sales and the increases in prices of the major raw materials of our equipment manufacturing business, such as steel, and fuel.

Gross profit. Gross profit of our equipment manufacturing business increased by 7.4% from RMB1,163 million in 2006 to RMB1,249 million in 2007. Gross profit margin of our equipment manufacturing business decreased from 21.6% in 2006 to 14.6% in 2007, primarily as a result of the significant increases in prices of steel and other raw materials and fuel.

Selling and marketing expenses. Selling and marketing expenses incurred from our equipment manufacturing business increased by 22.8% from RMB79 million in 2006 to RMB97 million in 2007.

Administrative expenses. Administrative expenses incurred from our equipment manufacturing business increased by 22.3% from RMB358 million in 2006 to RMB438 million in 2007.

Other income and gains/(expenses). In 2006, our equipment manufacturing business incurred a loss of RMB10 million in other income and gains/(expenses). In 2007, other income and gains/(expenses) of our equipment manufacturing business were RMB103 million, which were attributable primarily to government grants and subsidies.

Segment result. As a result of the foregoing, segment result of our equipment manufacturing business increased by 14.1% from RMB716 million in 2006 to RMB817 million in 2007. Meanwhile, segment result margin of our equipment manufacturing business decreased from 13.3% in 2006 to 9.6% in 2007.

Property development

The principal segment result information for our property development business is as follows:

	For the Year Ended December 31,			
	2006		2007	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	731	100.0	3,888	100.0
Commercial	—	—	*5*	*0.1*
Residential	*590*	*80.7*	*810*	*20.8*
Social welfare housing	—	—	—	—
Primary land development	—	—	*2,924*	*75.2*
Others	*141*	*19.3*	*149*	*3.8*
Inter-segment revenue	—	—	—	—
Revenue from external sales	731	100.0	3,888	100.0
Cost of sales	(586)	(80.2)	(3,569)	(91.8)
Commercial	—	—	*(3)*	*(0.1)*
Residential	*(475)*	*(65.0)*	*(730)*	*(18.8)*
Social welfare housing	—	—	—	—
Primary land development	—	—	*(2,735)*	*(70.3)*
Others	*(111)*	*(15.2)*	*(101)*	*(2.6)*
Gross profit	145	19.8	319	8.2
Selling and marketing expenses	(20)	(2.7)	(95)	(2.4)
Administrative expenses	(85)	(11.6)	(121)	(3.1)
Other income and gains/(expenses)	8	1.1	368	9.5
Segment result	**48**	**6.6**	**471**	**12.1**

Segment revenue. The revenue of our property development business before inter-segment elimination increased by 431.9% from RMB731 million in 2006 to RMB3,888 million in 2007. The increase was primarily attributable to an increase in the selling prices of those property projects the revenue of which was recognizable in 2007 and the significant amount of revenues generated from the Nanjing Zhongye Hexi primary land development project.

Cost of sales. Cost of sales incurred from our property development business increased by 509.0% from RMB586 million in 2006 to RMB3,569 million in 2007, primarily as a result of the significant cost of the Nanjing Zhongye Hexi primary land development project.

Gross profit. Gross profit of our property development business increased by 120.0% from RMB145 million in 2006 to RMB319 million in 2007. Gross profit margin of our property development business decreased from 19.8% in 2006 to 8.2% in 2007, primarily as a result of the change in product mix caused by the growth of primary land development projects.

Selling and marketing expenses. Selling and marketing expenses incurred from our property development business increased by 375.0% from RMB20 million in 2006 to RMB95 million. This increase in selling and marketing expenses was attributable primarily to the increased efforts in sales and marketing to promote the sales of our completed projects.

Administrative expenses. Administrative expenses incurred from our property development business increased by 42.4% from RMB85 million in 2006 to RMB121 million in 2007, primarily as a result of increased administrative spending driven by the significant growth of our businesses.

Other income and gains/(expenses). Other income and gains/(expenses) of our property development business increased significantly from RMB8 million in 2006 to RMB368 million in 2007. The increase was attributable primarily to our gain on disposal of equity interests in the Xin Ao Xi Jun project company.

Segment result. As a result of the foregoing, the segment result of our property development business increased by 881.3% from RMB48 million in 2006 to RMB471 million in 2007. Meanwhile, the segment result margin of our property development business increased from 6.6% in 2006 to 12.1% in 2007.

Other businesses

The principal segment result information for our other businesses is as follows:

	For the Year Ended December 31,			
	2006		2007	
	(RMB million)	(% of Segment Revenue)	(RMB million)	(% of Segment Revenue)
Segment revenue	1,659	100.0	2,317	100.0
Inter-segment revenue	(6)	(0.4)	(68)	(2.9)
Revenue from external sales	1,653	99.6	2,249	97.1
Cost of sales	(1,574)	(94.9)	(2,141)	(92.4)
Gross profit	85	5.1	176	7.6
Selling and marketing expenses	(24)	(1.4)	(50)	(2.2)
Administrative expenses	(37)	(2.2)	(51)	(2.2)
Other income and gains/(expenses)	5	0.3	5	0.2
Segment result	**29**	**1.7**	**80**	**3.5**

Segment revenue. The revenue of our other businesses before inter-segment elimination increased by 39.7% from RMB1,659 million in 2006 to RMB2,317 million in 2007. This increase was due mainly to an increase in domestic and international trading transactions we conducted through a trading subsidiary.

In 2006 and 2007, inter-segment revenue of our other businesses were RMB6 million and RMB68 million, respectively. The increase in inter-segment revenue was attributable mainly to an increase in the provision of import and export services to the other business segments and the income from loan services provided by our financial company to the other business segments.

As a result, in 2006 and 2007, revenue from external sales of our other businesses was RMB1,653 million and RMB2,249 million, respectively.

Cost of sales. Cost of sales incurred from our other businesses increased by 36.0% from RMB1,574 million in 2006 to RMB2,141 million in 2007, primarily as a result of the increase in revenue of our other businesses.

Gross profit. Gross profit of our other businesses increased by 107.1% from RMB85 million in 2006 to RMB176 million in 2007. Gross profit margin of our other businesses increased from 5.1% in 2006 to 7.6% in 2007.

Selling and marketing expenses. Selling and marketing expenses incurred from our other businesses increased by 108.3% from RMB24 million in 2006 to RMB50 million in 2007.

Administrative expenses. Administrative expenses incurred from our other businesses increased by 37.8% from RMB37 million in 2006 to RMB51 million in 2007.

Other income and gains/(expenses). Other income and gains/(expenses) of our other businesses remained at RMB5 million in both 2006 and 2007.

Segment result. As a result of the foregoing, segment result of our other businesses increased by 175.9% from RMB29 million in 2006 to RMB80 million in 2007. Meanwhile, segment result margin of our other businesses increased from 1.7% in 2006 to 3.5% in 2007.

Geographic Analysis of Our Operations

We conduct business in China as well as other countries and territories around the world. The following table sets forth our revenue from external sales allocated based on the location of our customers for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2006	2007	2008	2008	2009
			(RMB million)	(unaudited)	
The PRC	89,384	122,226	148,878	69,880	68,387
Other countries	2,322	2,830	9,021	4,234	6,479
Total	**91,706**	**125,056**	**157,899**	**74,114**	**74,866**

Revenue generated from other countries increased from RMB2,322 million in 2006 to RMB9,021 million in 2008 and from RMB4,234 million for the six months ended June 30, 2008 to RMB6,479 million for the six months ended June 30, 2009, primarily as a result of our increased involvement in overseas projects, such as the Western Australian iron ore mine EPC project in 2008, the Universal Studios Singapore at Sentosa project in 2008 and other large projects. We have won an increasing number of overseas projects because of our enhanced capability to conduct overseas operations and our increased brand recognition in overseas markets. The percentage of revenue generated from other countries in our total revenue increased from 2.5% in 2006 to 5.7% in 2008 and from 5.7% for the six months ended June 30, 2008 to 8.7% for the six months ended June 30, 2009.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds have been cash generated from operations and various short-term and long-term bank borrowings and lines of credit, as well as equity contributions from shareholders. Our liquidity requirements involve primarily our working capital needs, purchases of property, plant and equipment, and servicing our indebtedness.

We have historically met our working capital and other liquidity requirements principally from cash generated from operations, while financing the remainder primarily through bank borrowings.

We focus on improving the profitability of our business to enhance our operating cash flow. We closely monitor and manage (i) the level of our account payables and receivables, (ii) our inventory level, and (iii) our ability to obtain external financing by implementing various internal guidelines and mechanisms, including the following:

- approval procedures for our contract terms governing collection and payment, strict compliance with contractual terms, regular reviews of the collection and payment for account receivables and payables, the allocation of responsibility on account receivables and provision for doubtful debts;

- centralized procurement, comprehensive budget management, inventory management and an acceptance and return system, to control our raw materials procurement and enhance inventory management; and
- increasing the availability of credit facilities.

We intend to further improve our receivable management and control our inventory level. We also intend to maintain a prudent capital expenditure policy, according to our business development needs and our cash flow situation. According to our corporate policy, the capital expenditure plans of each of our subsidiaries as well as any independent capital expenditure exceeding a certain amount must be approved by our corporate headquarters.

Cash Flows

The following table shows changes in cash flows for the periods indicated:

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

Cash flows from operating activities

For the six months ended June 30, 2009, we had net cash used in operating activities of RMB2,237 million, mainly as a result of the profit of RMB2,573 million generated in the period, which was mainly adjusted for (i) an increase in contract work-in-progress of RMB5,277 million due mainly to our involvement in an increased amount of engineering and construction work; and (ii) a decrease in trade and other payables of RMB1,636 million; and offset partially by (i) interest expenses of RMB1,179 million; and (ii) depreciation of property, plant and equipment of RMB768 million.

For the year ended December 31, 2008, we had net cash generated from operating activities of RMB5,596 million, mainly as a result of profit for the year in the amount of RMB3,183 million generated in the period, which was mainly adjusted for (i) an increase in trade and other payables of RMB17,105 million due to our involvement in an increased amount of engineering and construction work, which increased the purchases of raw materials and engagement of subcontractors, and an increase in other items including primarily advances for customers; (ii) interest expense of RMB3,009 million; and (iii) depreciation of property, plant and equipment of RMB1,602 million; and offset partially by (i) an increase in trade and other receivables of RMB10,195 million due to our involvement in an increased number of engineering and construction projects and projects for which we were subject to performance bond and retention funds; and (ii) an increase in inventories, property under development and completed properties held for sales of RMB6,922 million attributable mainly to the increases in purchases of raw materials and property development costs.

For the year ended December 31, 2007, we had net cash generated from operating activities of RMB6,842 million, mainly as a result of profit for the year in the amount of RMB5,792 million generated in the period, which was mainly adjusted for (i) an increase in trade and other payables of RMB20,067 million due to our involvement in an increased number of engineering and construction projects, which increased the purchases of raw materials and engagement of subcontractors, and an increase in other items including primarily advances for customers; (ii) depreciation of property, plant and equipment of RMB1,361 million; and (iii) interest expense of RMB1,324 million; and offset partially by (i) an increase in trade and other receivables of RMB17,981 million due to our involvement in an increased number of engineering and construction projects and projects for which we were subject to performance bond and retention funds; and (ii) an increase in inventories, property under development and completed properties held for sale of RMB7,018 million attributable mainly to the increases in purchases of raw materials and property development costs.

For the year ended December 31, 2006, we had net cash generated from operating activities of RMB3,224 million, mainly as a result of profit for the year in the amount of RMB3,207 million generated in the period, which was mainly adjusted for (i) an increase in trade and other payables of RMB5,619 million; (ii) depreciation of property, plant and equipment of RMB1,224 million; and (iii) interest expense of RMB1,025 million and offset partially by: (i) an increase in trade and other receivables of RMB3,880 million due to our involvement in an increased number of engineering and construction projects and projects for which we were subject to performance bond and retention funds; and (ii) an increase in inventories, property under development and completed properties held for sale of RMB2,186 million attributable mainly to the increases in purchases of raw materials and property development costs; and (iii) an increase in our contract work-in-progress of RMB2,017 million due to the expansion of our engineering and construction business.

Cash flows from investing activities

For the six months ended June 30, 2009, our net cash used in investing activities was RMB8,866 million. Our cash outflow for investing activities mainly consisted of (i) purchase of property, plant and equipment for RMB3,851 million; and (ii) prepayment for investments in the amount of RMB3,504 million. Our cash inflow from investing activities consisted mainly of (i) proceeds from held-to-maturity financial assets upon maturity date of RMB240 million; and (ii) net cash inflow for acquisition of subsidiaries of RMB196 million.

For the year ended December 31, 2008, our net cash used in investing activities was RMB17,014 million. Our cash outflow for investing activities mainly consisted of (i) purchase of property, plant and equipment for RMB8,092 million; (ii) payment for purchase of land use rights and mining rights in the amount of RMB2,413 million and RMB3,207 million, respectively; and (iii) transaction with non-controlling interests in the amount of RMB1,820 million. Our cash inflow from investing activities consisted mainly of (i) proceeds from disposal of available-for-sale financial assets of RMB666 million; and (ii) proceeds from disposal of held-to-maturity financial assets of RMB500 million.

For the year ended December 31, 2007, our net cash used in investing activities was RMB16,005 million. Our cash outflow for investing activities mainly consisted of (i) purchase of property, plant and equipment for RMB9,015 million; (ii) payment of RMB4,368 million for purchase of land use rights; and (iii) acquisition of subsidiaries for RMB1,281 million. Our cash inflow from investing activities consisted mainly of (i) proceeds from disposal of available-for-sale financial assets of RMB457 million; (ii) net cash inflow on disposal of subsidiaries of RMB381 million; and (iii) proceeds from disposal of property, plant and equipment of RMB189 million.

For the year ended December 31, 2006, our net cash used in investing activities was RMB5,043 million. Our cash outflow for investing activities consisted primarily of (i) purchase of property, plant and equipment of RMB3,376 million; (ii) acquisition of subsidiaries for RMB1,410 million; and (iii) payment of RMB750 million for purchase of land use rights. Our cash inflow from investing activities consisted mainly of (i) proceeds from transaction with non-controlling interests of RMB455 million; and (ii) proceeds from disposal of investment in associates of RMB232 million.

Cash flows from financing activities

For the six months ended June 30, 2009, our net cash generated from financing activities was RMB12,001 million. Our cash inflow from financing activities consisted primarily of cash from bank and other borrowings of RMB47,099 million. Our cash outflow for financing activities consisted mainly of (i) cash used in repayment of bank and other borrowings of RMB32,374 million; and (ii) cash used in the payment of interest of RMB1,954 million.

For the year ended December 31, 2008, our net cash generated from financing activities was RMB13,549 million. Our cash inflow from financing activities consisted primarily of cash from bank and other borrowings of RMB55,607 million. Our cash inflow also included MOF earthquake fund of RMB57 million as subsidies for our post-disaster recovery and reconstruction efforts, which was treated as capital contribution by the state in accordance with the requirements of the relevant MOF notices. Our cash outflow for financing activities consisted mainly of (i) cash used in repayment of bank and other borrowings of RMB37,022 million; and (ii) cash used in the payment of interest of RMB3,287 million.

For the year ended December 31, 2007, our net cash generated from financing activities was RMB15,049 million. Our cash inflow from financing activities consisted primarily of cash from new bank and other borrowings of RMB38,973 million. Our cash outflow for financing activities consisted mainly of (i) cash used in repayment of bank and other borrowings of RMB22,142 million; and (ii) cash used in the payment of interest of RMB1,813 million.

For the year ended December 31, 2006, our net cash generated from financing activities was RMB7,336 million. Our cash inflow from financing activities included mainly cash from new bank and other borrowings of RMB19,341 million. Our cash outflow for financing activities consisted mainly of (i) cash used in repayment of bank and other borrowings of RMB11,457 million; and (ii) cash used in the payment of interest of RMB1,271 million.

Capital Expenditures

We incurred capital expenditures for resources development and advanced processing, construction of production facilities and the purchase of various equipment. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our capital expenditures were RMB7,155 million, RMB17,056 million, RMB14,950 million and RMB5,267 million, respectively.

The following table sets forth our capital expenditures for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	**2007**	**2008**	**2009**
	(RMB million)			
Engineering and construction	3,442	5,346	7,496	962
Resources development	2,366	3,023	3,782	2,690
Equipment manufacturing	550	5,812	2,877	1,460
Property development	672	2,741	725	144
Others	125	134	70	11
Total	**7,155**	**17,056**	**14,950**	**5,267**

Our current estimates of capital expenditures for 2009 are RMB18.5 billion. Such estimated amounts of capital expenditures may vary from actual amounts of expenditures for a variety of reasons, including changes in market conditions and other factors. Any expansion of our capacity beyond the projects currently planned may require additional debt or equity funding. Our ability to obtain additional funding in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the PRC and Hong Kong, and the PRC Government's policies relating to interest rate and foreign currency borrowings.

We manage our capital expenditures through our capital budget management policies and investment management policies. At the end of each year, each of our subsidiaries prepares its capital expenditure plan for the following year according to its business needs, and reports to our headquarters. Requests from subsidiaries are analyzed and prioritized according to the overall development strategy of our Company. Our headquarters then communicates with each subsidiary the proposed revisions to its capital budget plan. The final budget plan is approved by the Board and distributed to subsidiaries for implementation. We plan to finance our capital commitments using cash flow generated from our operations as well as external financings. We may also issue debt securities. We may also selectively enter into joint ventures with companies that have strong financial backing to pool the financial resources required for large-scale projects.

ASSETS AND LIABILITIES

The following table sets forth our assets and liabilities as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
		(RMB million)		
Assets				
Current assets				
Inventories	5,814	9,384	11,112	10,106
Properties under development	5,663	11,025	16,995	18,421
Completed properties held for sales	245	460	367	911
Trade and other receivables	28,467	50,785	56,783	60,446
Amounts due from customers for contract work	11,131	11,918	16,913	19,186
Available-for-sale financial assets	73	55	12	7
Held-to-maturity financial assets	83	456	—	101
Financial assets at fair value through profit or loss	381	24	2	2
Restricted cash	612	522	2,271	3,287
Cash and cash equivalents	18,517	24,281	26,094	26,946
	70,986	108,910	130,549	139,413

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Non-current assets				
Property, plant and equipment	11,942	20,203	21,486	25,317
Land use rights	2,019	3,235	5,767	5,925
Mining rights	241	353	3,519	3,509
Investment properties	498	392	343	323
Intangible assets	649	2,271	3,586	4,174
Investments in associates	504	607	923	1,098
Available-for-sale financial assets	1,127	2,310	900	1,091
Held-to-maturity financial assets	17	44	46	47
Deferred income tax assets	1,232	988	1,580	1,695
Trade and other receivables	1,358	1,321	1,734	1,984
Other non-current assets	70	89	91	107
	19,657	31,813	39,975	45,270
Total Assets	**90,643**	**140,723**	**170,524**	**184,683**
Liabilities				
Current liabilities				
Trade and other payables	47,919	72,499	81,904	80,947
Dividends payable	—	34	256	2,131
Amounts due to customers for contract work	6,389	10,051	14,030	11,016
Current income tax liabilities	606	1,002	791	754
Borrowings	19,038	34,894	38,721	42,645
Retirement and other supplemental benefit obligations	732	766	905	847
	74,684	119,246	136,607	138,340
Non-current liabilities				
Borrowings	5,095	5,975	18,718	30,445
Deferred income	300	456	431	326
Retirement and other supplemental benefit obligations	7,438	6,962	6,225	6,054
Provisions for other liabilities and charges	46	22	26	34
Trade and other payables	290	542	257	350
Deferred income tax liabilities	536	1,045	605	629
	13,705	15,002	26,262	37,838
Total Liabilities	**88,389**	**134,248**	**162,869**	**176,178**
Net current (liabilities)/assets	**(3,698)**	**(10,336)**	**(6,058)**	**1,073**

Working Capital

Taking into account the financial resources available to us, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Liquidity Ratios

The following table shows certain of our liquidity ratios as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
Current ratio	0.95	0.91	0.96	1.01
Quick ratio	0.79	0.74	0.75	0.79

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our current ratio (current assets divided by current liabilities) was 0.95, 0.91, 0.96 and 1.01, respectively, and our quick ratio (current assets after subtraction of inventories, properties under development and completed properties held for sale divided by current liabilities) was 0.79, 0.74, 0.75 and 0.79, respectively. These ratios were generally stable during the Track Record Period.

Net Current Liabilities/Assets

As of December 31, 2006, 2007 and 2008, our net current liabilities were RMB3,698 million, RMB10,336 million and RMB6,058 million, respectively, which mainly represented the increased capital expenditures in our resources development business and equipment manufacturing business as part of our strategic development plan. We financed our capital expenditures primarily through cash generated from our business operations and short-term bank borrowings, which contributed to our net current liability position. As of June 30, 2009, our net current assets were RMB1,073 million, primarily as a result of an increase in our trade and other receivables.

Although we had net current liabilities during the Track Record Period, we expect that we are able to repay our debts in the foreseeable future when they become due. As of June 30, 2009, the largest item of our current liabilities was trade and other payables, of which prepayments from projects represented a substantial portion. Such prepayments from projects are generally recognized as revenue as the relevant project is constructed and completed. Therefore, we expect that there is generally no need to repay such liabilities by using our cash flows. We also intend to increase our share capital and adjust the term structure of our borrowings as appropriate to further improve our working capital position.

Cash Assets

The following table shows our cash assets as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Restricted cash	612	522	2,271	3,287
Cash and cash equivalents	18,517	24,281	26,094	26,946
Total	**19,129**	**24,803**	**28,365**	**30,233**

Our cash assets included primarily cash and cash equivalents and restricted cash. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the total amount of our cash assets was RMB19,129 million, RMB24,803 million, RMB28,365 million and RMB30,233 million, respectively, which represented 26.9%, 22.8%, 21.7% and 21.7% of our current assets, respectively. We maintain an appropriate amount of cash assets to support our daily operations.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our foreign currencies were RMB845 million, RMB2,547 million, RMB2,442 million and RMB2,782 million, respectively, representing 4.4%, 10.3%, 8.6% and 9.2% of our cash assets, respectively. As a result of the growth of our overseas business, foreign currencies, as a percentage of our cash assets, are likely to increase and fluctuations in exchange rates may have an increasing impact on our exchange gains or losses and other operating results. We aim to enhance the management of foreign currencies in order to reduce our exposure to foreign exchange risk.

The following table shows the equivalent amount in Renminbi of our cash and cash equivalents denominated in foreign currencies as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
U.S. dollar	792	1,890	844	1,538
Others	53	657	1,598	1,244
Total	**845**	**2,547**	**2,442**	**2,782**

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our restricted cash was RMB612 million, RMB522 million, RMB2,271 million and RMB3,287 million, respectively, representing 3.2%, 2.1%, 8.0% and 10.9% of our cash assets, respectively. Our restricted cash was held primarily in designated bank accounts mainly for the issuance of bank acceptance notes to our suppliers.

Inventories

The following table sets forth the components of our inventories as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Raw materials	3,058	4,835	6,509	5,364
Work-in-progress	1,468	3,129	2,307	2,764
Finished goods	1,288	1,420	2,296	1,978
Total	**5,814**	**9,384**	**11,112**	**10,106**

Our inventory balances as of December 31, 2006, 2007 and 2008 had increased significantly, which was primarily due to the increase in procurement of equipment as a result of the growth of our engineering and construction business and the increase in purchases of raw materials as a result of the growth of our equipment manufacturing business.

The following table sets forth the turnover days of our inventories for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
Turnover days of inventories[(1)]	24	25	26	29

(1) Turnover days of inventories is derived by dividing the arithmetic mean of the opening and closing balances of inventories for the relevant period by cost of sales and multiplying by 365 days in respect of an annual period or by 182 days in respect of a six-month period. Due to the characteristics of our businesses, the turnover days of inventories for the first half of a given year are typically longer than the turnover days for the second half of the year.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the turnover days of inventories were 24 days, 25 days, 26 days, and 29 days, respectively.

Properties under Development

The following table shows certain information of our properties under development as of the dates and for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
	(RMB million)			
As of beginning of period	2,165	5,663	11,025	16,995
Additions	1,442	5,509	7,537	2,925
Attributable to acquisition of subsidiaries	1,713	2,534	—	—
Transfer from land use rights	808	3,671	1,648	355
Transfer to completed properties held for sale	(465)	(3,341)	(2,768)	(1,854)
Attributable to disposal of subsidiaries	—	(3,011)	(447)	—
As of end of period	**5,663**	**11,025**	**16,995**	**18,421**

Our properties under development increased from RMB5,663 million as of December 31, 2006 to RMB18,421 million as of June 30, 2009. This increase was due primarily to our investment in new property development projects in cities such as Nanjing and Tianjin.

Completed Properties Held for Sales

The following table shows certain information of our completed properties held for sales as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Land use rights	7	5	19	127
Development costs	227	441	331	753
Finance costs capitalized	11	14	17	31
Total	**245**	**460**	**367**	**911**

Our properties held for sales increased from RMB245 million as of December 31, 2006 to RMB911 million as of June 30, 2009.

Trade and Other Receivables

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our net trade receivables were RMB18,311 million, RMB27,480 million, RMB30,740 million and RMB33,067 million, respectively. Among them, the current portion amounted to RMB16,953 million, RMB26,159 million, RMB29,006 million and RMB31,083 million, which represented 23.9%, 24.0%, 22.2% and 22.3% of our current assets as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. Our trade receivables included mainly project settlement and retention funds. Our trade receivables increased at a CAGR of 29.6% during the period from 2006 to 2008, which was relatively lower than the CAGR of revenue at 31.2%, primarily as a result of our enhanced efforts to collect trade receivables.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our note receivables were RMB3,375 million, RMB6,242 million, RMB5,205 million and RMB5,187 million, respectively.

The following table sets forth an aging analysis of trade receivables as of the balance sheet dates indicated:

	As of December 31,						As of June 30,	
	2006		2007		2008		2009	
	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)	(RMB million)	(%)
Less than one year	16,679	77.8	24,920	82.3	26,262	79.7	25,875	72.7
One to two years	2,187	10.2	2,672	8.8	4,009	12.2	6,289	17.7
Two to three years	794	3.7	769	2.5	1,066	3.2	1,696	4.8
Three to four years	703	3.3	458	1.5	466	1.4	487	1.4
Four to five years	459	2.1	479	1.6	351	1.1	445	1.3
More than five years	614	2.9	969	3.2	785	2.4	804	2.3
Trade receivables	**21,436**	**100.0**	**30,267**	**100.0**	**32,939**	**100.0**	**35,596**	**100.0**
Less: provision for impairment	(3,125)		(2,787)		(2,199)		(2,529)	
Trade receivables — net	**18,311**		**27,480**		**30,740**		**33,067**	

During the Track Record Period, approximately 80% of our trade receivables were aged less than one year. We have continually enhanced our management of tradable receivables in order to reduce the exposure to impairment risks. In addition, after fully considering the nature of trade receivables and their collectibility, we make provisions for impairment of certain trade receivables in order to ensure the quality of our assets. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our provisions for impairment of trade receivables were RMB3,125 million, RMB2,787 million, RMB2,199 million and RMB2,529 million, respectively, which represented 14.6%, 9.2%, 6.7% and 7.1% of our trade receivables, respectively.

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
Turnover days of trade receivables(1)	79	75	73	83

(1) Turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenues and multiplying by 365 days in respect of an annual period or by 182 days in respect of a six-month period. Due to the characteristics of our businesses the turnover days of trade receivable for the first half of a given year are typically longer than the turnover days for the second half of the year.

We do not have a uniform standard credit period granted to customers of our construction services and other businesses. In addition, certain customers of our construction services set forth their requested credit periods in their bidding documents. Accordingly, the credit periods are, to a certain extent, influenced by the demand of these customers. The credit periods of individual customers are therefore considered on a case-by-case basis and set forth in the construction and other contracts, as appropriate. For those customers that are government authorities or large enterprises with good credit history, we usually agree to the granting of a longer credit period.

The following table shows our other receivables as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Prepayments to suppliers	8,365	18,528	21,393	18,387
Deposits	2,448	3,259	3,439	4,085
Amounts due from related parties and third parties	1,433	1,916	2,512	2,795
Staff advances	277	218	367	682
Prepayment for investments	—	—	—	3,504
Others	916	810	632	548
	13,439	24,731	28,343	30,001
Less: provision for impairment	(1,925)	(105)	(566)	(638)
Other receivables — net	**11,514**	**24,626**	**27,777**	**29,363**

Our other receivables included primarily prepayments to suppliers, deposits, amounts due from related parties and third parties and staff advances. Prepayments to suppliers included mainly advance payments to suppliers for the purchase of inventories and advance payments to subcontractors for subcontracting work. Deposits and other receivables mainly represented bidding bonds, performance bonds and various deposits required for our business operations. Our other receivables — net increased from RMB11,514 million as of December 31, 2006 to RMB24,626 million as of December 31, 2007, to RMB27,777 million as of December 31, 2008, and to RMB29,363 million as of June 30, 2009, primarily because of the increases in prepayments, deposits and amounts due from related parties and third parties.

As of December 31, 2006, 2007 and 2008, our prepayments to suppliers were RMB8,365 million, RMB18,528 million and RMB21,393 million, respectively, which represented 11.8%, 17.0% and 16.4% of our current assets, respectively. The increase in prepayments to suppliers was due primarily to the increase in EPC projects we undertook during the period, which required us to prepay for a larger amount of procurement items for the EPC projects, as well as the increase in subcontracting charges incurred in conjunction with the growth in our engineering and construction business. As of June 30, 2009, our prepayments to suppliers were RMB18,387 million. The majority of these prepayments had relatively short terms and had high liquidity. Substantially all of them were aged within one year. We aim to maintain effective management of prepayments by implementing an internal controls system comprising comprehensive financial management for our projects.

As of June 30, 2009, our prepayment for investments was RMB3,504 million, which represented primarily our capital contribution to two newly established property development companies, namely Shijiazhuang Zhongye Infrastructure Investment Co., Ltd. and Shijiazhuang Zhongye Social Welfare Housing Investment Co., Ltd., for an equity interest of 45% in each of these two companies, as well as our partial payment for the acquisition of an equity interest of 20% in Sino Iron Holdings Pty Ltd. in connection with our Western Australian Sino iron ore mine project. These investments were recorded as prepayment for investments because neither the incorporation of the two companies nor the transfer of the equity interest in Sino Iron Holdings Pty Ltd. had been completed as of June 30, 2009.

Contract Work-in-Progress

The following table shows our contract work-in-progress as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Contract cost incurred plus recognized profit less recognized losses	138,539	166,295	251,351	279,018
Less: progress billings	(133,797)	(164,428)	(248,468)	(270,848)
Contract work-in-progress	4,742	1,867	2,883	8,170
Representing:				
Amount due from customers for contract work	11,131	11,918	16,913	19,186
Amount due to customers for contract work	(6,389)	(10,051)	(14,030)	(11,016)

Our contract work-in-progress increased from RMB4,742 million as of December 31, 2006 to RMB8,170 million as of June 30, 2009, which was due mainly to our involvement in an increased amount of engineering and construction work.

Available-for-Sale Financial Assets

During the Track Record Period, our investments in financial assets included available-for-sale financial assets, held-to-maturity financial assets and financial assets at fair value through profit or loss. According to our investment policy relating to investment instruments, all investments by our Company or our subsidiaries must be approved by the appropriate department that is authorized to review and approve such investments, and all our subsidiaries are not allowed to invest in high-risk businesses or complicated financial products. As we are strengthening the restrictions on our investment in financial assets, the total balance of financial assets as a percentage of total assets is expected to decrease.

The following table shows our available-for-sale financial assets as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Listed securities				
Equity securities — China	566	1,720	301	498
Unlisted securities				
Equity securities — China	634	645	611	600
Total	**1,200**	**2,365**	**912**	**1,098**

Our available-for-sale financial assets were RMB1,200 million, RMB2,365 million, RMB912 million and RMB1,098 million, as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively. The changes were primarily attributable to the fluctuations of the market prices of available-for-sale financial assets we held. Of our available-for-sale financial assets, the current portion was RMB73 million, RMB55 million, RMB12 million and RMB7 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

Held-to-Maturity Financial Assets

The following table shows our held-to-maturity financial assets as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Held-to-maturity financial assets	100	500	46	148

Our held-to-maturity financial assets included primarily national debt instruments and other financial products that we intend to hold to maturity. Our held-to-maturity financial assets increased from RMB100 million as of December 31, 2006 to RMB148 million as of June 30, 2009. The decrease in held-to-maturity financial assets from December 31, 2007 to December 31, 2008 was attributable primarily to the maturity of certain financial assets. The increase of held-to-maturity financial assets from December 31, 2008 to June 30, 2009 was primarily due to our purchase of certain financial instrument in 2009. Of our held-to-maturity financial assets, the current portion was RMB83 million, RMB456 million, RMB0 million and RMB101 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss included primarily certain funds and stocks held for trading purposes. Our financial assets at fair value through profit or loss were RMB381 million, RMB24 million, RMB2 million and RMB2 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

Trade and Other Payables

The following table shows an aging analysis of our trade payables as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Less than one year	21,281	33,233	33,382	32,716
One to two years	3,006	4,005	4,843	7,957
Two to three years	928	828	1,075	1,826
More than three years	1,190	830	911	1,108
Total	**26,405**	**38,896**	**40,211**	**43,607**

Our trade payables increased from RMB26,405 million as of December 31, 2006 to RMB43,607 million as of June 30, 2009. This increase was attributable primarily to the expansion of our business scale and the longer credit period granted by suppliers. Of our trade and other payables, the current portion amounted to RMB47,919 million, RMB72,499 million, RMB81,904 million and RMB80,947 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
Turnover days of trade payables[1]	104	106	99	112

(1) Turnover days of trade payables is derived by dividing the arithmetic mean of opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days in respect of an annual period or by 182 days in respect of a six-month period. Due to the characteristics of our businesses, the turnover days of trade payables for the first half of a given year are typically longer than the turnover days for the second half of the year.

The following table shows our other payables as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Accrued payroll and related expenses	1,926	1,966	1,598	1,230
Accrued expenses	390	485	454	428
Purchase deposits from customers	14,691	23,758	29,047	24,786
Deposits payable	2,122	3,466	3,259	3,246
Other taxes payable	1,780	2,376	2,007	2,200
Amount due to the Parent	—	—	2,914	2,824
Others	895	2,094	2,671	2,976
Total	**21,804**	**34,145**	**41,950**	**37,690**

Other payables included accrued payroll and related expenses, accrued expenses, purchase deposits from customers, deposits payable, other taxes payable, amount due to the Parent and certain other payables. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our other payables were RMB21,804 million, RMB34,145 million, RMB41,950 million and RMB37,690 million, respectively. The increase in other payables was primarily attributable to the increases in purchase deposits from customers and deposits payable.

Our purchase deposits from customers were composed mainly of advance payments from owners of engineering and construction projects and advances on raw materials purchases. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our purchase deposits from customers were RMB14,691 million, RMB23,758 million, RMB29,047 million and RMB24,786 million, respectively, which represented 16.6%, 17.7%, 17.8% and 14.1% of our liabilities, respectively. The decrease in purchase deposits from customers, as a percentage of our liabilities, was primarily due to the settlement of existing purchase deposits with our customers and the decrease in deposits we received from our customers under our new contracts. These were a major component of our liabilities.

During the period from 2006 to 2008, our purchase deposits from customers increased at a CAGR of 40.6%. The significant increase in our purchase deposits from customers was attributable primarily to the growth of our EPC projects during that period.

Current Income Tax Liabilities

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our current income tax liabilities were RMB606 million, RMB1,002 million, RMB791 million and RMB754 million, respectively.

On January 1, 2008, the PRC Corporate Income Tax Law became effective in China and affects us in the aspects of tax base calculation and preferential tax treatment for high-technology companies, among others. See "— Factors Affecting Our Results of Operations — Taxation."

In addition, certain of our subsidiaries are currently exempted or taxed at a preferential income tax rate under the preferential policy of the development plan for the western part of China and the preferential tax treatments for enterprises in coastal development zones, special economic zones or high and new technology enterprises.

Retirement and Other Supplemental Benefits Obligations

The following table shows our retirement and other supplemental benefits obligations as of the dates and for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2006	2007	2008	2009
	(RMB million)			
As of beginning of period	8,511	8,170	7,728	7,130
Interest costs	274	277	321	108
Payment	(655)	(732)	(709)	(320)
Actuarial losses	39	—	122	(17)
Transitional provision	1	13	—	—
Past service cost	—	—	(332)	—
As of end of period	**8,170**	**7,728**	**7,130**	**6,901**

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our retirement and other supplemental benefit obligations were RMB8,170 million, RMB7,728 million, RMB7,130 million and RMB6,901 million, respectively. Of such obligations, the current portion amounted to RMB732 million, RMB766 million, RMB905 million and RMB847 million as of December 31, 2006, 2007 and 2008 and June 30, 2009, respectively.

Our obligations in respect of the retirement and other supplemental benefits obligations as of the balance sheet dates were computed by an independent qualified actuary, Towers Perrin Consulting Company Ltd., whose actuaries are members of the Society of Actuaries of the United States of America, using the projected unit credit actuarial cost method. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our provision for those obligations was RMB8,170 million, RMB7,728 million, RMB7,130 million and RMB6,901 million, respectively. See Note 28 to "Appendix I — Accountant's Report" to this document for more details.

Property, Plant and Equipment

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our property, plant and equipment were RMB11,942 million, RMB20,203 million, RMB21,486 million and RMB25,317 million, respectively, which represented 60.8%, 63.5%, 53.7% and 55.9% of our total non-current assets, respectively.

Our property, plant and equipment included primarily buildings, plant and machinery, transportation equipment and construction-in-progress. As of December 31, 2006, 2007 and 2008 and June 30, 2009, in terms of percentages of our property, plant and equipment, our buildings represented 41.3%, 30.0%, 30.3% and 25.4%, respectively; our plant and machinery represented 32.3%, 41.2%, 29.3% and 24.7%, respectively; our transportation equipment represented 6.8%, 4.5%, 4.4% and 3.7%, respectively. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our construction-in-progress was RMB1,996 million, RMB4,471 million, RMB7,285 million and RMB11,270 million, respectively, which represented 16.7%, 22.1%, 33.9% and 44.5% of our non-current assets, respectively. Our construction-in-progress projects as of June 30, 2009 included, among others, Ramu nickel laterite mine project in Papua New Guinea, Yingkou pilot test base project, the Aynak copper mine project in Afghanistan, Luoyang Zhonggui 2,000-ton polysilicon project and WISDRI cold rolled non-oriented silicon steel project (Phase I).

During the period from 2006 to 2008, the amount of our property, plant and equipment increased significantly at a CAGR of 34.1%. Of these, construction-in-progress increased at a CAGR of 91.0%, buildings at a CAGR of 14.9%, and plant and machinery at a CAGR of 27.9%. The significant growth of our property, plant and equipment during the Track Record Period was attributable primarily to our increased efforts to procure and upgrade our engineering equipment in order to further enhance the overall engineering technology and speed up the projects of our equipment manufacturing business and resources development business.

Land Use Rights and Mining Rights

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our land use rights amounted to RMB2,019 million, RMB3,235 million, RMB5,767 million and RMB5,925 million, which represented 10.3%, 10.2%, 14.4% and 13.1% of our non-current assets, respectively. As of the same balance sheet dates, our mining rights amounted to RMB241 million, RMB353 million, RMB3,519 million and RMB3,509 million, which represented 1.2%, 1.1%, 8.8% and 7.8% of our non-current assets, respectively.

During the Track Record Period, we had gradually increased our efforts to acquire domestic and overseas mining interests and had obtained the operating right to the Ramu nickel laterite mine in Papua New Guinea. In the future, by operating our Aynak copper mine in Afghanistan, Cape Lambert iron ore mine in Australia, and other projects successfully, we expect to further increase the value of our mining interests.

Investment Properties

As of December 31, 2006, 2007 and 2008 and June 30, 2009, the net book value of our investment properties was RMB498 million, RMB392 million, RMB343 million and RMB323 million. All of our investment properties were located in the PRC and had lease periods of between 10 to 40 years.

Intangible Assets

Our intangible assets included primarily concession assets, goodwill, patent and proprietary technologies and computer software. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our intangible assets were RMB649 million, RMB2,271 million, RMB3,586 million and RMB4,174 million, respectively, which represented 3.3%, 7.1%, 9.0% and 9.2% of our non-current assets, respectively. As of the same balance sheet dates, our concession assets represented 2.5%, 51.8%, 69.0% and 73.8% of our intangible assets, respectively. The increase in concession assets was due primarily to our involvement in certain waste water treatment and public road projects.

Goodwill represents the excess of the cost of an acquisition over the fair value of our share of the net identifiable assets of the acquired subsidiary at the date of acquisition. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the book value of our goodwill was RMB596 million, RMB1,055 million, RMB1,038 million and RMB1,017 million, respectively, which represented 91.8%, 46.5%, 28.9% and 24.4% of our intangible assets, respectively. The following table shows the carrying amounts of goodwill allocated to certain significant cash generating units ("CGU") as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Beijing Guangyuanli Real Estate Development Co., Ltd.[(1)]	171	171	171	171
MCC Minera Sierra Grande S.A.[(2)]	312	283	241	220
Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd.[(3)]	—	318	318	318

(1) The recoverable amount is determined based on value-in-use calculations. The recoverable amount is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by the management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the expected growth rates. Cash flow projections during the forecast period for the CGU are based on the expected growth rate and gross margin during the forecast period. Forecast growth rate is based on expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development. The pre-tax discount rate used in value-in-use calculation is 7.5%.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our management is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

(2) The recoverable amount is determined based on value-in-use calculations. The recoverable amount is based on certain similar key assumptions. Value-in-use calculations use cash flow projections based on financial forecasts approved by the management covering a 5-year period, and a pre-tax discount rate of 10%. Cash flow projections during the forecast period for the CGU is based on the expected growth rate gross margin during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

The carrying amount of goodwill allocated to MCC Minera Sierra Grande S.A. decreased from RMB312 million as of December 31, 2006, to RMB283 million as of December 31, 2007, to RMB241 million as of December 31, 2008 and further to RMB220 million as of June 30, 2009 primarily as a result of the appreciation of the Renminbi.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our management is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

(3) The recoverable amount is determined based on fair value less costs to sell as we have entered into an agreement to sell the business. Fair value less costs to sell was based on a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.

As of December 31, 2007 and 2008 and June 30, 2009, our management is of the view that there was no impairment of goodwill and believes that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Our goodwill is allocated as of the relevant balance sheet dates and included, among others, Beijing Shengpeng Real Estate Development Co., Ltd., MCC Finance Corporation Ltd. and Beijing Huachengtong Real Estate Company.

After testing, no impairment of our goodwill was found at the end of each reporting period during the Track Record Period. During the Track Record Period, the value of our intangible assets grew rapidly, which was attributable primarily to the increase in the concession assets related to our engineering and construction business.

Investments in Associates

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our investments in associates were RMB504 million, RMB607 million, RMB923 million and RMB1,098 million, respectively, which represented 2.6%, 1.9%, 2.3% and 2.4% of our non-current assets, respectively. For details of our investments in associates, see Note 13 to "Appendix I — Accountant's Report" to this document.

Deferred Income Tax Assets and Liabilities

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our deferred income tax assets were RMB1,232 million, RMB988 million, RMB1,580 million and RMB1,695 million, respectively, and our deferred income tax liabilities were RMB536 million, RMB1,045 million, RMB605 million and RMB629 million, respectively. For details of our deferred income tax assets and liabilities, see Note 30 to "Appendix I — Accountant's Report" to this document.

Our deferred income tax assets as of December 31, 2006, 2007 and 2008 and June 30, 2009 arose primarily from the deductible temporary difference between the provision for retirement and other supplemental benefit obligation and provision for impairment of assets. Our deferred income tax liabilities as of December 31, 2006, 2007 and 2008 arose primarily from the taxable temporary difference between the changes of fair value of available-for-sale financial assets and welfare payable. These differences are expected to be extinguished when relevant assets or liabilities are written-off or reversed, which will reverse deferred income tax assets.

Provision for Impairment of Assets

We have formulated policies on the provision for impairment of assets on the basis of our business and assets. Based on the principle of prudence, we reviewed our provisions for impairment of various assets and have made provisions as we deem appropriate as of the relevant balance sheet dates during the Track Record Period. The following table shows our provision for impairment of assets as of the balance sheet dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Trade receivables	3,125	2,787	2,199	2,529
Other receivables	1,925	105	566	638
Inventories	75	205	728	178
Investment properties	13	13	1	1
Fixed assets	77	65	32	32
Available-for-sale financial assets	71	51	48	20
Total	**5,286**	**3,226**	**3,574**	**3,398**

Our provision for impairment of assets included primarily account receivables, other receivables and inventories. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the total amount of these three items were RMB5,125 million, RMB3,097 million, RMB3,493 million and RMB3,345 million, respectively, which represented 97.0%, 96.0%, 97.7% and 98.4% of our provision for impairment of assets, respectively. The changes in provision for impairment of assets were attributable primarily to changes in the balances and prices of assets and changes in the aging structure. The increase in the provision for impairment of inventories from December 31, 2007 to December 31, 2008 was due primarily to the increase in the provision for impairment of inventories of Huludao Nonferrous Metals Group Co., Ltd. As of June 30, 2009, our impairment of trade receivables and other receivables increased by 14.5% as compared to December 31, 2008 primarily due to the increase in our trade receivables and other receivables mainly as a result of the growth of our business.

The following table shows the impact of provision for impairment on our profits for the periods indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Provision for impairment of trade and other receivables	477	516	407	404
(Reversal of)/provision for impairment on inventories	(16)	131	644	(7)
Provision for impairment of investment property	10	—	—	—
Provision for impairment of property, plant and equipment	33	5	—	—
Impairment loss for available-for-sale financial assets	2	—	2	—
Total	**506**	**652**	**1,053**	**397**

INDEBTEDNESS

Borrowings

Our borrowings as of December 31, 2006, 2007 and 2008 and June 30 and July 31, 2009 for the purpose of calculating the indebtedness of our Company are as follows:

	As of December 31,			As of June 30,	As of July 31,
	2006	2007	2008	2009	2009
	(RMB million)				(unaudited)
Non-current					
Long-term bank borrowings	5,078	5,959	11,497	23,353	24,566
Secured[(1)]	4,867	4,560	5,780	7,493	8,190
Unsecured	211	1,399	5,717	15,860	16,376

	As of December 31,			As of June 30,	As of July 31,
	2006	2007	2008	2009	2009
	(RMB million)				(unaudited)
Other long-term borrowings	17	16	7,221	7,092	7,092
Secured(1)	4	1	3,500	3,500	3,500
Unsecured	13	15	221	92	92
Debentures	—	—	3,500	3,500	3,500
Total non-current borrowings	5,095	5,975	18,718	30,445	31,658
Current					
Short-term bank borrowings	16,325	28,628	33,233	40,250	39,213
Secured(1)	6,314	9,318	11,598	13,684	13,138
Unsecured	10,011	19,310	21,635	26,566	26,075
Other short-term borrowings	1,925	4,815	3,507	750	749
Secured(1)	—	3,013	1	701	700
Unsecured	—	1,802	6	49	49
Debentures	1,925	—	3,500	—	—
Current portion of long-term bank borrowings	785	1,451	1,981	1,645	1,556
Secured(1)	785	1,251	1,404	1,302	1,273
Unsecured	—	200	577	343	283
Current portion of other long-term borrowings					
Secured(1)	3	—	—	—	—
Total current borrowings	19,038	34,894	38,721	42,645	41,518
Total borrowings	**24,133**	**40,869**	**57,439**	**73,090**	**73,176**

(1) Secured borrowings were secured by our property, plant and equipment, land use rights, properties under development and guarantees provided by certain related parties.

Our short-term borrowings included primarily credit borrowings, guarantee borrowings and mortgage borrowings from commercial banks and other financial institutions. As of December 31, 2006, 2007 and 2008 and June 30 and July 31, 2009, our short-term borrowings were RMB18,250 million, RMB33,443 million, RMB36,740 million, RMB41,000 million and RMB39,962 million, respectively, which represented 75.6%, 81.8%, 64.0%, 56.1% and 54.6%, respectively, of our total borrowings. As of the same balance sheet dates, credit borrowings represented 65.4%, 63.1%, 68.4%, 64.9% and 65.4% of our short-term borrowings, respectively, and total guarantee borrowings and mortgage borrowings represented 34.6%, 36.9%, 31.6%, 35.1% and 34.6% of our short-term borrowings, respectively.

Our long-term borrowings included primarily credit borrowings, guarantee borrowings and mortgage borrowings. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our long-term borrowings were RMB5,883 million, RMB7,426 million, RMB20,699 million and RMB32,090 million, respectively, which represented 6.7%, 5.5%, 12.7% and 18.2% of our total liabilities, respectively. As of July 31, 2009, our long-term borrowings were RMB33,214 million. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our total non-current borrowings were RMB5,095 million, RMB5,975 million, RMB18,718 million and RMB30,445 million, respectively, which represented 37.2%, 39.8%, 71.3% and 80.5% of our non-current liabilities, respectively. As of July 31, 2009, our non-current borrowings were RMB31,658 million.

During the period from 2006 to 2008, the growth of our long-term borrowings was generally in line with the growth of non-current assets. The increase in long-term borrowings from December 31, 2008 to June 30, 2009 was attributable primarily to our increase in long-term debt products in order to facilitate our investment projects with a longer term of investment horizon.

In 2008, our subsidiary MCC Real Estate Co., Ltd. obtained a loan of RMB3.5 billion from Zhonghai Trust Co., Ltd. for the funding of the Hexi southwest area project in Nanjing. Due to certain special circumstances relating to the project, the land could not be pledged to obtain a secured loan from the banks. As a result, MCC Real Estate Co., Ltd. obtained a loan from Zhonghai Trust Co., Ltd., which had a higher interest rate than the bank loans with collaterals. We maintain good long-term relationship with the major commercial banks in China, which have provided us with high credit lines. MCC Real Estate Co., Ltd. obtained such loan primarily because of the special circumstances relating to that particular project. We therefore believe that such loan does not reveal negatively on our overall ability to obtain bank loans at relatively lower interest costs.

As of December 31, 2006, 2007 and 2008 and June 30 and July 31, 2009, the weighted average effective interest rates per annum of our RMB-denominated bank borrowings were 5.0%, 6.2%, 6.3%, 5.3% and 5.3%, respectively, and the weighted average effective interest rates per annum of our other RMB borrowings were 4.0%, 5.5%, 7.5%, 7.8% and 7.8%, respectively.

The maturity profile of our interest-bearing borrowings as of December 31, 2006, 2007 and 2008, June 30 and July 31, 2009 is as follows:

	As of December 31,			As of June 30,	As of July 31,
	2006	2007	2008	2009	2009
	(RMB million)				(unaudited)
Within one year	19,038	34,894	38,721	42,645	41,518
One to two years	1,495	3,054	7,020	9,539	10,061
Two to five years	2,973	1,901	7,048	14,100	14,477
Wholly repayable within five years	23,506	39,849	52,789	66,284	66,056
More than five years	627	1,020	4,650	6,806	7,120
Total	**24,133**	**40,869**	**57,439**	**73,090**	**73,176**

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our gearing ratio was 91.5%, 86.3%, 88.2% and 89.6%, respectively. Gearing ratio is derived by dividing total interest-bearing bank and other borrowings by total interest-bearing bank and other borrowings and shareholders' equity. As of the date of this document, all guarantees previously provided by the Parent Group to our Company have been released or withdrawn. The Company's PRC legal advisor, Jia Yuan Law Firm, has confirmed that the above-mentioned third party loans (excluding debentures) included in the Company's other borrowings are legal and effective under the PRC laws and regulations.

Financial Guarantees

The following table shows the outstanding financial guarantees provided by our Company and our subsidiaries as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2006	2007	2008	2009	2009
	(RMB million)				(unaudited)
Outstanding guarantees	2,135	2,681	2,534	1,958	1,946

The following table summarizes our financial guarantees outstanding as of June 30 and July 31, 2009:

Guarantor	Obligor	Type of Liability	Type of Guarantee	Amount Guaranteed as of June 30, 2009	Amount Guaranteed as of July 31, 2009
				(RMB million)	(RMB million)
MCC	China Nonferrous Metals Mining Group Co., Ltd.	Joint liability	Loan guarantee	813	813
MCC Jingtang Construction Corporation Limited	Beijing Heng Xin Feng Commercial and Trade Co., Ltd.	Joint liability	Loan guarantee	400	400
MCC Jingtang Construction Corporation Limited	Tanggang Luan County Sijiaying Iron Ore Co., Ltd.	Joint liability	Loan guarantee	151	151
MCC Capital Engineering & Research Incorporation Limited	MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Joint liability	Loan guarantee	130	130
MCC Jingtang Construction Corporation Limited	Xi'an Sanjiao Aviation Technology Co., Ltd.	Joint liability	Loan guarantee	125	125
Tianjin MCC20 Construction Co., Ltd.	Tianjin Iron and Steel Co., Ltd.	Joint liability	Loan guarantee	90	90
Huludao Zinc Industry Co., Ltd.	Kezhou Mineral Resources Development Co., Ltd.	Joint liability	Loan guarantee	54	54
MCC	Haicheng International Corporation	Joint liability	Loan guarantee	50	50
MCC Jingtang Construction Corporation Limited	Tangshan Ganglu Iron and Steel Co., Ltd.	Joint liability	Loan guarantee	50	50
MCC	China International Water and Electric Corp.	Joint liability	Loan guarantee	37	25
Huludao Zinc Industry Co., Ltd.	Jinzhou Jincheng Papermaking Co., Ltd.	Joint liability	Loan guarantee	30	30
North China Metallurgical Construction Co., Ltd.	Handan Iron and Steel Group	Joint liability	Loan guarantee	29	29

Our Company or certain of our subsidiaries act as the guarantor in respect of these financial guarantees. In general, our relationships with the obligors whose obligations are guaranteed by us fall into one of the following three categories: (i) the obligors are our affiliates, such as in the case of our financial guarantee for Tanggang Luan County Sijiaying Iron Ore Co., Ltd. ("Tanggang") and MCC (Xiangtan) Heavy Industrial Equipment Co., Ltd. ("MCC Xiangtan"); (ii) the obligors have provided guarantees for us separately in another transaction, such as in the case of our financial guarantee for China Nonferrous Metals Mining Co., Ltd., which, in turn, provided guarantee for us in a separate transaction; and (iii) the obligors are our customers, such as in the case of our financial guarantee for Handan Iron and Steel Group. We entered into these guarantee relationships in order to promote business cooperation among affiliates, to obtain more loans beyond our credit facility lines and to facilitate our customers' business development. We believe that these financial guarantees do not constitute any material risk to our business since the total amount of financial guarantees outstanding as of June 30, 2009 was RMB1,958 million, accounting for only 1.1% of our total assets. As of July 31, 2009, our total amount of financial guarantees outstanding is RMB1,946 million.

Our subsidiary MCC Jingtang Construction Corporation Limited ("Jingtang") has provided a guarantee of RMB151 million for Tanggang. As Jingtang holds an equity interest of approximately 14% in Tanggang, Tanggang is an investee company of our non-wholly owned subsidiary. We provided the financial guarantee for Tanggang primarily to promote our business development, and the amount involved was not material. Tangsteel, which is our connected person, holds an equity interest of approximately 32% in Tanggang. As a result, Tanggang is an associate of our connected person and such financial guarantee constituted a continuing connected transaction. Given that the guaranteed amount is only RMB151 million and each of the percentage ratios (other than the profit ratio) under the Hong Kong Listing Rules on an annual basis is less than 0.1%, such financial guarantee falls within the *de minimis* threshold, as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules, and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements.

Our subsidiary MCC Capital Engineering & Research Incorporation Limited ("MCC Capital") has provided a guarantee of RMB130 million for MCC Xiangtan. As MCC Capital holds an equity interest of approximately 51% in MCC Xiangtan, MCC Xiangtan is a subsidiary of our non-wholly owned subsidiary. We provided the financial guarantee for MCC Xiangtan primarily to promote our business development, and the amount involved was not material. Hunan Xiangtan Iron and Steel Group holds an equity interest of approximately 49% in MCC Xiangtan and is a substantial shareholder of our subsidiary and therefore constitutes our connected person under the Hong Kong Listing Rules. As a result, MCC Xiangtan is an associate of our connected person and such financial guarantee constituted a continuing connected transaction. Given that the guaranteed amount is only RMB130 million and each of the percentage ratios (other than the profit ratio) under the Hong Kong Listing Rules on an annual basis is less than 0.1%, such financial guarantee falls within the *de minimis* threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements.

Consistent with general bank loan financing practices in China, we entered into financial guarantees with certain third parties which also provided guarantees for us in separate transactions as a means to address the respective financing needs of our Company and such third parties and to meet the requirements of banks on guarantees by creditworthy third-party guarantors. There is no equity ownership or other similar economic interests between our Company and such third-party guarantors.

Contingencies

The following table shows our contingent liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2006	2007	2008	2009	2009
	(RMB million)				(unaudited)
Pending lawsuits/arbitrations	58	77	188	217	214
Total	**58**	**77**	**188**	**217**	**214**

We were involved in a number of legal proceedings and claims against either our Company or a subsidiary of our Company in the ordinary course of business. The provisions for legal proceedings and claims were approximately RMB16 million as of June 30, 2009, based on the best estimates of our management. See "Business — Legal Proceedings and Compliance."

COMMITMENTS

Capital commitments

Our capital commitments as of the dates indicated below are as follows:

	As of December 31,			As of June 30,	As of July 31,
	2006	2007	2008	2009	2009
	(RMB million)				(unaudited)
Contracted but not yet incurred:					
Property, plant and equipment	12,873	11,406	35,468	35,734	34,946
Land use rights	—	55	—	388	—
Mining rights	—	—	5,445	5,434	5,409
Intangible assets	—	3,190	1,736	1,312	1,252
Total	**12,873**	**14,651**	**42,649**	**42,868**	**41,607**

Our significant capital commitments as of June 30, 2009 are summarized as follows:

Project	Expected Total Investments (RMB million)	Amount Invested (RMB million)	Capital Commitments (RMB million)
Aynak copper mine, Afghanistan	29,859	805	29,054
Ramu nickel laterite mine, Papua New Guinea	10,300	4,301	5,999
Guangxi Mawu Highway BOT project	4,368	3,056	1,312
Yingkou pilot test base	2,736	2,492	244
Cold rolled non-grain oriented silicon steel	1,789	3	1,786
New 2,000 ton ultra-pure polysilicon high-tech industrialization project	1,100	130	970
Wuxi Xidong Waste Incineration Power Generation Project	980	6	974
20,000 ton forged steel rolls manufacturing and heat treatment processing project	967	654	313
Office building of ACRE Coking & Refractory Engineering Consulting Corporation, MCC	736	208	528
Copper smelting technology upgrading project	604	284	320
Technology and industrial park research and pilot test base	573	250	323
Others	1,605	559	1,046
Total	**55,618**	**12,749**	**42,868**

Investment commitments

We had the following investment commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Commitment for the acquisition of investment	1,395	128	2,529	1,025

As of December 31, 2008, we had internally approved the acquisition of an equity interest of 20% in Sino Iron Holdings Pty Ltd. for approximately US$370 million in connection with our Western Australian Sino iron ore mine project. For more information on the project, see "Business — Resources Development — Resources Development Projects — Overseas Resources Development Projects — Western Australian Sino Iron Ore Mine, Australia."

Operating leases commitments

We lease certain buildings under operating lease arrangements. The terms of the leases generally require us to pay security deposits. Our future minimum operating lease payments under non-cancelable operating leases as of the dates indicated are set forth below:

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB million)			
Within one year	14	24	4	6
In the second to fifth year, inclusive	20	3	11	14
Beyond five years	28	27	27	26
Total	**62**	**54**	**42**	**46**

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2009, being the date of our latest audited consolidated financial statements as contained in the Accountant's Report included in Appendix I to this document, we did not have any material off-balance sheet arrangements except for the financial guarantees, contingent liabilities and commitments disclosed above.

MARKET RISKS

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates and foreign exchange rates, credit risk, inflation risk and changes in costs of raw materials. We manage our exposure to these and other market risks through regular operating and financial activities.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our restricted cash, cash and cash equivalents, trade and other receivables and borrowings. Restricted cash, cash and cash equivalents, trade and other receivables and borrowings at variable rates expose us to cash flow interest-rate risk, and those at fixed rates expose us to fair value interest-rate risk. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our fixed rate restricted cash was approximately nil, RMB109 million, RMB208 million and RMB418 million, respectively; our fixed rate cash and cash equivalents were approximately RMB162 million, RMB401 million, RMB486 million and RMB511 million, respectively; and our fixed rate borrowings were approximately RMB21,045 million, RMB32,445 million, RMB20,904 million and RMB29,785 million, respectively.

To mitigate the impact of interest rate fluctuations, we continually assess and monitor the exposure to interest rate risk and entered into fixed rate borrowings arrangements.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, if the interest rates on our RMB borrowings had been 27, 54, 54 and 54 basis points higher, respectively, with all other variables held constant, which was considered reasonably possible at each of the dates of the balance sheets by management, profit after income tax for the years would have been RMB4 million, RMB26 million, RMB82 million and RMB128 million lower, respectively, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties, and there would have been no changes in other components of equity.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, if the interest rates on our U.S. dollar borrowings had been 50 basis points higher with all other variables held constant, which was considered reasonably possible at each of the dates of the balance sheets by management, profit after income tax for the years would have been RMB2 million, RMB1 million, RMB5 million and RMB13 million lower, respectively, mainly as a result of higher interest expenses on bank borrowings and the amounts due to related parties, and there would have been no changes in other components of equity.

Foreign Exchange Risk

The functional currency of a majority of the entities of our Company is RMB and most of the transactions are settled in RMB. However, there were also foreign currency demonstrated transactions arising from our foreign operations and purchases of machinery and equipment from overseas suppliers. RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

Our exposure to foreign exchange risk relates primarily to our trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in U.S. dollars as of December 31, 2006, 2007 and 2008 and June 30, 2009.

To mitigate the impact of exchange rate fluctuations, we continually assess and monitor the exposure to foreign exchange risk. During the Track Record Period, however, management did not consider it was necessary to enter into any hedging transactions in order to reduce the exposure to foreign exchange risk, because the exposure, after netting off the assets and liabilities subject to foreign exchange risk is not significant.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, if RMB had strengthened by 5.0% against U.S. dollar, with all other variables held constant, which was considered reasonably possible at each of the dates by management, the profit after tax for each of the years ended 31 December 2006 and 2007 would have been approximately RMB39 million and RMB111 million lower respectively, and the profit after tax for the year ended 31 December 2008 and the six months ended 30 June 2009 would have been approximately RMB250 million and RMB175 million higher, mainly as a result of foreign exchange losses/gains on translation of U.S. dollar-denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings, and there would have been no changes in other components of equity.

Credit Risk

The carrying amounts of cash and cash equivalents, restricted cash, held-to-maturity financial assets, trade and other receivables (except for prepayment to suppliers and staff advances) represent our largest exposure to credit risk in relation to financial assets.

Substantially all of our cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality.

We have policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and we perform periodic credit evaluations of our customers. Normally we do not require collateral from trade debtors. During the Track Record Period, no single customer accounted for more than 5% of our total revenues.

Inflation Risk

According to the National Bureau of Statistics, the change in the consumer price index in the PRC was 1.5%, 4.8% and 5.9% in 2006, 2007 and 2008, respectively. If inflation continues to rise, it may materially and adversely affect our business.

Liquidity Risk

Our management adopts prudent liquidity risk management and maintain sufficient cash and the availability of funding through an adequate amount of credit facilities. We aim to maintain flexibility in funding by keeping credit lines available. We finance our working capital requirements through a combination of funds generated from operations and bank and other borrowings.

Generally there is no specific credit period granted by the suppliers. The table below analyzes our financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less Than One Year	Between One and Two Years	Between Two and Five Years	Over Five Years
		(RMB million)		
As of June 30, 2009				
Borrowings	46,164	11,416	16,265	7,971
Trade and other payables	52,731	108	27	215
Total	**98,895**	**11,524**	**16,292**	**8,186**

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We forecast that on the bases and assumptions set out in Appendix III to this document and in the absence of unforeseen circumstances, our forecast consolidated profit attributable to equity holders of our Company for the year ending December 31, 2009 is expected to be not less than RMB[●] million.

DISTRIBUTABLE RESERVES

Our Company did not have any available distributable reserve as of June 30, 2009.

PROPERTY VALUE RECONCILIATION

Particulars of our property interests are set out in Appendix IV to this document. Jones Lang LaSalle Sallmanns Limited has valued our property interests as of June 30, 2009. A summary of values and valuation certificates issued by Jones Lang LaSalle Sallmanns Limited is included in Appendix IV to this document.

The table below sets forth the reconciliation of aggregate amounts of property interests from our audited consolidated financial statements as of June 30, 2009 to the valuation amount of our Company's property interests as of June 30, 2009:

	RMB million
Net book value of our property interests as of June 30, 2009	35,294.8
Valuation surplus as of June 30, 2009	7,310.3
Valuation as of June 30, 2009 per "Appendix IV — Property Valuation"	42,605.1

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this document, there has been no material adverse change in our financial position or prospects since June 30, 2009 (being the date to which our Company's latest audited consolidated financial results were prepared) and there is no event since June 30, 2009 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.