Hong Kong Exchanges and Clear Limited, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Information Pack, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Information Pack.

Information Pack of

METALLURGICAL CORPORATION OF CHINA LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

WARNING

This Information Pack is being published as required by The Stock Exchange of Hong Kong Limited (the "HKEx") solely for the purpose of providing information to the public in Hong Kong.

This Information Pack is in draft form. The information contained in it is incomplete and is subject to change which can be material. THE INFORMATION PACK MAY NOT BE UPDATED UNTIL A PROSPECTUS REGISTERED WITH THE REGISTRAR OF COMPANIES IS ISSUED BY METALLURGICAL CORPORATION OF CHINA LTD. (the "Company"), WHICH WILL BE POSTED ON THIS WEBSITE. By viewing this Information Pack, you acknowledge, accept and agree with the Company, any of its sponsors, advisers and/or member of the underwriting syndicate that:

(a) this Information Pack is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this Information Pack;

(b) the posting of the Information Pack or any supplemental, revised or replacement pages thereof on the HKEx website does not give rise to any obligation of the Company, any of its sponsor(s), advisers and/or member of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with any offering;

(c) the contents of the Information Pack or any supplemental, revised or replacement pages thereof may or may not be replicated in full or in part in the actual prospectus;

(d) the Information Pack may be updated or revised by the Company from time to time but each of the Company and its affiliates, advisers, sponsors and members of the underwriting syndicate is under no obligation, legal or otherwise, to update any information contained in this Information Pack;

(e) this Information Pack does not constitute a prospectus, notice, circular, brochure or advertisement or document offering to sell any securities to the public in any jurisdiction, nor is it an invitation or solicitation to the public to make offers to acquire, subscribe for or purchase any securities, nor is it calculated to invite or solicit offers by the public to acquire, subscribe for or purchase any securities;

(f) this Information Pack must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, sponsors, advisers or member of the underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this Information Pack;

(h) neither this Information Pack nor anything contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever;

(i) neither the Company nor any of its affiliates, sponsors, advisers or member of the underwriting syndicate makes any express or implied representation or warranty as to the accuracy or completeness of the information contained in this Information Pack;

(j) each of the Company and any of its affiliates, sponsors, advisers or member of the underwriting syndicate expressly disclaims any and all liabilities on the basis of any information contained in, or omitted from, or any inaccuracies or errors in, this Information Pack;

(k) the Company has not and will not register the securities referred to in this Information Pack under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws of the United States; and

(l) as there may be legal restrictions on the distribution of this Information Pack or dissemination of any information contained in this Information Pack, you agree to inform yourself about and observe any such restrictions applicable to you.

The Information Pack is not for publication or distribution to persons in the United States. Any securities referred to herein have not been and will not be registered under the Securities Act, and may not be offered or sold without registration thereunder or pursuant to an available exemption therefrom.

Neither this Information Pack nor the information contained herein constitutes an offer to sell or the solicitation of an offer to buy any securities in the United States. This Information Pack is not being made and may not be distributed or sent into Canada or Japan.

Any offer or invitation to make an offer for any securities will only be made to the public in Hong Kong after the Company has registered its prospectus. If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on a prospectus of the Company registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

CONTENTS

This Information Pack contains the following information relating to Metallurgical Corporation of China Ltd. extracted from an amended version of the Listing Committee Hearing Proof of the draft document:

- Contents
- Summary
- Definitions
- Glossary
- Forward-Looking Statements
- Risk Factors
- Directors and Parties Involved
- Corporate Information
- Industry Overview
- Regulatory Overview
- History and Reorganization
- Business
- Relationship with the Parent Group and Connected Transactions
- Directors, Supervisors and Senior Management
- Substantial Shareholders
- Share Capital
- Financial Information
- Future Plans
- Appendix I — Accountant's Report
- Appendix III — Profit Forecast
- Appendix IV — Property Valuation
- Appendix V — Independent Technical Review Report
- Appendix VI — Taxation and Foreign Exchange
- Appendix VII — Summary of Principal Legal and Regulatory Provisions
- Appendix VIII — Summary of Articles of Association
- Appendix IX — Statutory and General Information

YOU SHOULD READ THE SECTION HEADED "WARNING" ON THE COVER OF THIS INFORMATION PACK.

SUMMARY

OVERVIEW

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

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

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

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

- We are one of the main Chinese enterprises engaging in resources development overseas. We hold mining interests in various resources development projects designed to develop iron ore, copper, nickel and other metallic mineral resources. We have developed the capabilities to smelt and process zinc, lead and copper. In addition, we also engage in the production of polysilicon.

- We are a large-scale manufacturer of metallurgical equipment in China. We have the capabilities to produce proprietary core metallurgical equipment and perform equipment integration. In addition to supplying products and services to meet the needs of our engineering and construction business, we also provide relevant equipment, components and parts directly for major medium- and large-scale iron and steel enterprises in China, including Baosteel and Anbensteel. Furthermore, we are the largest manufacturer of steel structures in China in terms of total tonnage of output in 2008, according to the China Steel Construction Society. We hold a leadership position in China in the research, design, manufacture and installation of steel structures, and many of our manufacturing and installation technologies have achieved international standards.

- We are one of the central state-owned enterprises approved by the SASAC to engage in property development as a principal business. In the various cities in which we operate our property

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

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

Our businesses consist principally of four business segments as follows:

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

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

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

SUMMARY

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

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

Engineering and Construction

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

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

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

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

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

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

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

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

Resources Development

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

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

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

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

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

Equipment Manufacturing

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

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

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

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

Property Development

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

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

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

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

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

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

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

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

SUMMARY

COMPETITIVE STRENGTHS

We believe our principal competitive strengths include the following:

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

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

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

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

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

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

- We are a leader in technology research and development in China, particularly for specialized technology relating to our businesses.

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

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

SUMMARY

BUSINESS STRATEGIES

Our key business strategies are as follows:

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

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

Selected Historical Consolidated Financial Information

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

SUMMARY

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

	As of December 31,			As of June 30,
	2006	2007	2008	2009
			(RMB million)	
Selected consolidated balance sheet information				
Assets				
Non-current assets	19,657	31,813	39,975	45,270
Current assets	70,986	108,910	130,549	139,413
Total assets	**90,643**	**140,723**	**170,524**	**184,683**
Equity and liabilities				
Total equity	2,254	6,475	7,655	8,505
Equity attributable to equity holders of the Company	*(1,754)*	*2,598*	*2,014*	*2,449*
Non-controlling interests	*4,008*	*3,877*	*5,641*	*6,056*
Non-current liabilities	13,705	15,002	26,262	37,838
Current liabilities	74,684	119,246	136,607	138,340
Total equity and liabilities	**90,643**	**140,723**	**170,524**	**184,683**

SUMMARY

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2006	2007	2008	2008	2009
			(RMB million)	(unaudited)	
Selected consolidated cash flow information					
Cash and cash equivalents at beginning of year/period	**13,007**	**18,517**	**24,281**	**24,281**	**26,094**
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 year/period	**18,517**	**24,281**	**26,094**	**24,278**	**26,946**

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2006		2007		2008		2008		2009	
	Revenue (RMB million)	% of Total (%)	Revenue (RMB million)	% of Total (%)	Revenue (RMB million)	% of Total (%)	Revenue (RMB million) (unaudited)	% of Total (%)	Revenue (RMB million)	% of Total (%)
Segment financial information										
Segment revenue										
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**	

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

PROFIT FORECAST

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

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

SUMMARY

PRE-ESTABLISHMENT DISTRIBUTION AND SPECIAL DIVIDEND

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

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

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

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

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

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

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

Risks Relating to the PRC

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

SUMMARY

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

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in "Glossary" in this documents.

"AME Mineral Economics"	AME Mineral Economics (www.ame.com.au) is a global firm that comprises engineers, economists and scientists specializing in market and technical analyses of the metals, mining and energy industries with almost 40 years of experience. AME publishes information regularly on the metals and mining industry, which is widely used in the industry. AME has research offices in Australia and affiliations in North America, South America, Africa and China
"Anbensteel"	Anben Iron and Steel Group (鞍本鋼鐵集團), which was established as a result of the restructuring of Ansteel and Bensteel, and, except where the context otherwise requires, all of its associates
"Ansteel"	Anshan Iron and Steel Group Corporation (鞍山鋼鐵集團公司) and, except where the context otherwise requires, all of its associates
"Articles of Association" or "Articles"	the articles of association adopted by the Company, a summary of which is set forth in "Appendix VIII — Summary of Articles of Association" in this document
"associates"	companies or persons under the meaning ascribed thereto under the Hong Kong Listing Rules
"Baosteel"	Baosteel Group Corporation (寶鋼集團有限公司) and, except where the context otherwise requires, all of its associates
"Bensteel"	Benxi Iron and Steel Group Co., Ltd. (本溪鋼鐵(集團)有限責任公司) and, except where the context otherwise requires, all of its associates
"Board" or "Board of Directors"	the board of directors of the Company
"Btsteel"	Baotou Iron & Steel (Group) Co., Ltd. (包頭鋼鐵(集團)有限責任公司) and, except where the context otherwise requires, all of its associates
"Business Day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)

DEFINITIONS

"China" or "PRC"	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macau and Taiwan
"China Enterprise Confederation and China Enterprise Directors Association"	the China Enterprise Confederation and China Enterprise Directors Association (中國企業聯合會、中國企業家協會), a non-governmental organization in China formed in 1988 as a result of the merger of the China Enterprise Confederation (中國企業聯合會) and the China Enterprise Directors Association (中國企業家協會)
"China Steel Construction Society"	the China Steel Construction Society (中國鋼結構協會), a national industry association in China established in 1984 for China's steel structure and related steel products industry
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), adopted at the Fifth Session of the Standing Committee of the Eighth NPC on December 29, 1993 and effective July 1, 1994, as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed to it under the Hong Kong Listing Rules
"controlling shareholder"	has the meaning ascribed thereto under the Hong Kong Listing Rules and, unless the context requires otherwise, refers to the Parent
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Directors"	the director(s) of the Company, including all executive, non-executive and independent non-executive directors
"Domestic Shares"	ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each
"Eleventh Five-Year Plan"	the Eleventh Five-Year Plan for National Economic and Social Development (2006-2010) approved by the Tenth NPC in 2006
"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

DEFINITIONS

"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"IAS"	International Accounting Standards and their interpretations
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"), which include IAS
"ISA"	the United States Iran Sanctions Act (P. L. 109-293, September 30, 2006) (formerly the Iran and Libya Sanctions Act of 1996)
"LAT"	Land appreciation tax (土地增值税) as defined in the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例實施細則》)
"Latest Practicable Date"	[•], 2009
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former PRC Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems of the PRC (國家經濟體制改革委員會) on August 27, 1994
"Masteel"	Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司) and, except where the context otherwise requires, all of its associates
"Minarco-MineConsult Report"	the independent technical review report prepared by Minarco-MineConsult and included in "Appendix V — Independent Technical Review Report" to this document
"Ministry of Communications"	the former Ministry of Communications of the PRC (中華人民共和國交通部), the predecessor of the Ministry of Transport
"Ministry of Construction"	the former Ministry of Construction of the PRC (中華人民共和國建設部), the predecessor of the MOHURD

DEFINITIONS

"Ministry of Environmental Protection"	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), formerly the State Administration of Environmental Protection (國家環境保護總局)
"Ministry of Industry and Information Technology"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"Ministry of Transport"	the Ministry of Transport of the PRC (中華人民共和國交通運輸部), formerly the Ministry of Communications
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), formerly the Ministry of Construction
"National Bureau of Statistics"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NPC"	the National People's Congress (全國人民代表大會)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"OFAC"	the United States Treasury Department's Office of Foreign Assets Control
"our Company," "the Company," "MCC," "we" or "us"	Metallurgical Corporation of China Ltd. (中國冶金科工股份有限公司), a joint stock limited company with limited liability incorporated under the laws of the PRC on December 1, 2008 and, except where the context otherwise requires, all of its subsidiaries or, where the context refers to any time prior to its incorporation, the businesses which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it pursuant to the Reorganization
"Pansteel"	Panzhihua Iron & Steel (Group) Corporation (攀枝花鋼鐵(集團)公司) and, except where the context otherwise requires, all of its associates
"Parent"	China Metallurgical Group Corporation (中國冶金科工集團有限公司), a state-owned enterprise incorporated under the laws of the PRC and our controlling shareholder
"Parent Group"	collectively, the Parent and its subsidiaries (excluding the Company and its subsidiaries)

DEFINITIONS

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day's PRC inter-bank foreign exchange rates and with reference to prevailing exchange rates on the world financial markets
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises and its supplementary regulations
"PRC Government"	the government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organizations of such government or, as the context requires, any of them
"Province" or "province"	each being a province or, where the context requires, a provincial-level autonomous region or municipality under the direct supervision of the central government of the PRC
"Reorganization"	the reorganization of the Parent, the particulars of which are described in "History and Reorganization" and "Appendix IX — Statutory and General Information — Reorganization" in this document
"Reorganization Agreement"	the agreement dated December 5, 2008 entered into between the Parent and the Company relating to the Reorganization
"Retained Operations"	the following assets and liabilities that were not transferred to the Company and were retained by the Parent in connection with the Reorganization: (i) operating assets and liabilities that were unrelated to our principal businesses, which primarily include the manufacture and sale of paper and pulp and the operations of certain social and community facilities such as hospitals, schools and hotels; and (ii) certain operating assets and liabilities historically associated with our principal businesses, which mainly represented companies and divisions engaging in minor ancillary construction related services, the details of which are disclosed in "Relationship with the Parent Group and Connected Transactions" in this document
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

DEFINITIONS

"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
"SETC" or "State Economic and Trade Commission"	the former State Economic and Trade Commission of the PRC (中華人民共和國國家經濟貿易委員會)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder"	any holder of our Shares
"Share(s)"	the share(s) of our Company with a nominal value of RMB1.00 per share
"Shasteel"	Jiangsu Shagang Group Company Limited (江蘇沙鋼集團有限公司) and, except where the context otherwise requires, all of its associates
"Shousteel"	Shougang Group (首鋼集團) and, except where the context otherwise requires, all of its associates
"State Administration of Taxation"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"State Administration of Quality Supervision"	the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局)
"State Administration of Work Safety"	the State Administration of Work Safety of the PRC (中華人民共和國國家安全生產監督管理總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"substantial shareholder"	has the meaning ascribed thereto in the Hong Kong Listing Rules
"Supervisors"	the supervisors of our Company
"Supervisory Committee"	the supervisory committee of our Company
"Tangsteel"	Tangshan Iron and Steel Co., Ltd. (唐山鋼鐵集團有限責任公司) and, except where the context otherwise requires, all of its associates
"Tenth Five-Year Plan"	the Tenth Five-Year Plan for National Economic and Social Development (2001-2005) approved by the Ninth NPC in 2001

DEFINITIONS

"Track Record Period"	the period comprising the three years ended December 31, 2008 and the six months ended June 30, 2009
"United States" or "U.S."	the United States of America
"USGS"	the U.S. Geological Survey
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax, which is payable by entities and individuals selling products or providing processing, repairs and replacement services and importing products within China
"WTO"	the World Trade Organization
"Wusteel"	Wuhan Iron and Steel (Group) Corporation (武漢鋼鐵(集團)公司) and, except where the context otherwise requires, all of its associates

Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) included in this document and for which no official English translation exists are unofficial translations for your reference only.

Solely for your convenience, this document contains translations of certain Renminbi amounts into Hong Kong dollars or U.S. dollars, or vice versa, at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any amounts of Hong Kong dollars or U.S. dollars at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, or vice versa, was made at the rate of HK$1.00 to RMB0.8815, the PBOC Rate prevailing on June 30, 2009, and the translation of Renminbi into U.S. dollars, or vice versa, was made at the rate of US$1.00 to RMB6.8302, the noon buying rate in the City of New York for cable transfer as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2009. Further information on exchange rates is set forth in "Appendix VI — Taxation and Foreign Exchange."

For purposes of this document, any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Unless expressly stated or the context otherwise requires, all data in this document are as of the date of this document.

For purposes of this document, unless otherwise specified, all references to our revenue, profit and other financial information include those of all such subsidiaries to the extent that such information has been consolidated or otherwise reflected in "Appendix I — Accountant's Report" to this document.

GLOSSARY

This glossary contains explanations of certain technical terms used in this Information Pack in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"863 Program"	the State High-Tech Development Plan, a technology program funded by the PRC Government. It mainly focuses on advanced technologies and certain key areas set forth in the Outline of the National Mid-Term and Long-Term Science and Technology Development Plan from 2006 to 2020, which was promulgated by the State Council in February 2006, including, but not limited to, biotechnology, information technology, new material technology, advanced manufacturing technology, advanced energy, marine technology, laser technology and spaceflight technology
"apparent consumption"	the sum of total national production output and net imports
"blast furnace"	a vertical furnace with a round cross-section widely used for smelting iron
"BOT"	Build-Operate-Transfer, a business model in which the proprietor grants the rights to a contracted enterprise by concession agreement to undertake the financing, design, construction, operation and maintenance of a project (mainly infrastructure projects), which enterprise can charge users a fee during the concession period to cover its costs of investment, operations and maintenance as well as reasonable returns, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor
"BT"	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in installments pursuant to relevant agreements
"casting"	pouring liquid metal into a mould to form a solid casting part
"China Civil Engineering Zhan Tianyou Award"	a civil engineering award in the PRC recognizing technical innovation, which is assessed once every two years by the China Civil Engineering Society and the Zhan Tianyou Civil Engineering Technology Development Fund Committee; the scope of the award includes buildings and civil construction projects, bridges, infrastructure projects, ports, tunnels and subterranean work, geotechnical work, municipal works and special projects such as maintenance works, hydropower and nuclear power facilities, and towers and masts

GLOSSARY

"coking"	the process of producing coke and coal-based chemical products using coal as a raw material through a series of coke oven, gas purification and refining procedures
"concentrate"	a powdery product containing higher concentrations of minerals resulting from ore grinding, magnetic separation, flotation or other processing techniques, which as a semi-finished product would need to be further processed, such as by smelting, to effect recovery of metal
"construction contracting"	a method of contracting a part or the whole of the project, by which the contractor is not responsible for the entire project and is generally only responsible for the construction work it is engaged to perform
"consulting"	the full process of provision of consulting services, based on independent, scientific and equitable principles, applying multidisciplinary knowledge and experience as well as modern technology and management, for decision-making in investment and technology and implementation of construction and engineering projects by government departments and investors
"continuous casting"	a technique whereby molten steel is directly cast into steel of specific shapes without cooling, which has significant advantages over traditional casting techniques and increases yield and casting quality and saves energy
"converter furnace"	a furnace with a rotary body that is used for making steel or other metals with the heat generated through a chemical reaction instead of external heat
"crude steel"	steel product formed upon the earliest stage of solidification, including intermediary products of steel ingots and continuously cast steel slabs
"deposit" or "mineral deposit"	a body of mineralization containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure
"design"	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardized equipment design) and techno-economic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
"electric furnace"	a furnace that is generally used for smelting, heating or heat-treating steel, steel alloys and non-ferrous metal with high-temperature heat generated by an electric arc

GLOSSARY

"ENR"	Engineering News-Record magazine, a publication that provides news, analyses, commentary and data about the global construction industry
"engineering, procurement and construction," "EPC" or "turnkey contracting"	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
"equipment integration"	the installation and assembly of a series of stand-alone equipment that is capable of operating independently into a set of integrated industrial equipment
"exploration"	activity to prove the location, volume and quality of a mineral occurrence
"exploration right"	the licensed right to prove the location, volume and quality of a mineral occurrence
"GFA"	gross floor area
"grade," "grading" or "ore grade"	any physical or chemical measurement of the characteristics of the material of interest in samples or product. The unit of measurement should be stated when figures are reported
"In Situ Quantities"	estimates of total in ground tons and grades which meet the requirements of the PRC Code or other international codes for reserves but do not meet either NI 43-101 or JORC's recommendations
"indicated mineral resource(s)" or "indicated resource(s)"	the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence
"inferred mineral resource(s)" or "inferred resource(s)"	the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence and is inferred from geological evidence and assumed but not verified geological and/or grade continuity
"iron making"	the process to extract metallic iron from iron-containing minerals (mainly ferriferous oxide), including the blast furnace process, direct reduction process, smelt reduction process and plasma process
"ISO 9001, 14001 and 18001"	standards for quality management systems maintained by the International Organization for Standardization (ISO) and is administered by accreditation and certification bodies
"JORC"	the Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organizations

GLOSSARY

"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves published by the JORC, Australian Institute of Geoscientists and Minerals Council of Australia published in 2004, which contains the minimum standards, recommendations and guidelines for the reporting of exploration results, mineral resources and ore reserves
"Kt"	thousand tons
"leaching"	to dissolve minerals or metals out of ore with chemicals
"Luban Award"	the PRC Construction and Engineering Luban Award (National Excellent Projects), which is the highest award for outstanding quality in engineering work in the construction industry in the PRC under two categories, namely, main contractor and key participants, and is assessed by the China Construction Industry Association annually
"maglev"	magnetic levitation, a technology utilizing the attraction and repelling properties of magnets to float and move vehicles
"measured mineral resource(s)" or "measured resource(s)"	the part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
"Mineable Quantities"	estimates of in ground tons and grades recoverable by mining which do not meet JORC's recommendations
"Mineral Resources"	mineral resources which have been estimated in accordance with the recommendations of the JORC Code
"mineral resources" or "resource(s)"	a concentration or occurrence of a material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction
"mining interest"	for purposes of this document, mining interest includes the exploration right, the mining right and the leasehold right for exploration and mining
"mining right"	the right granted by relevant government authorities to mine mineral resources and obtain mineral products, subject to the legal requirements of mining permits granted
"Mt"	million tons
"non-ferrous metals"	refers to the group of metals other than ferrous metals (iron, manganese and chromium)
"non-JORC"	refers to reporting standards other than the JORC Code for reporting of mineral resources and ore reserves, which include the Chinese Code, the Russian Resource Code and the USGS Code

GLOSSARY

"open pit" or "open pit mining"	mining of a deposit from a pit open to the surface and usually carried out by stripping of overburden materials
"ore"	the portion of a reserve from which a metal or valuable metal can be extracted profitably under current or immediately foreseeable economic conditions
"ore processing"	the process through which physical or chemical properties, such as density, surface reactivity, magnetism and colour, are utilized to separate the useful components of ores from useless stones, which are then concentrated or purified by means of flotation, magnetic selection, electric selection, physical selection, chemical selection, reselection or a combination of these methods
"Ore Reserves"	ore reserves which have been estimated in accordance with the recommendations of the JORC Code
"ore reserve(s)"	the economically mineable part of a measured and/or indicated mineral resource, including diluting materials and allowances for losses which may occur when the material is mined
"overseas contracting"	a method of contracting whereby an international contractor conducts project construction or provides other commercial services for the developer at fees agreed on contract terms upon international bidding or tendering or through other negotiation channels
"owner" or "proprietor"	the person who has ownership rights to a contracted engineering and construction project
"pelletizing"	an important process in the steel making industry to convert ore powder into large pieces whereby ore powder is combined with water and adhesives to produce spheres of appropriate adhesiveness and strength, which are then converted into pellets by drying and thermal treatment followed by oxidized sintering
"pig iron"	the iron material extracted from the sintered ores or other iron ores in the iron smelting process
"probable ore reserve(s)"	the economically mineable part of an indicated resource, and in some circumstances a measured mineral resource, which includes diluting materials and allowances for losses which may occur when the material is mined
"proved ore reserve(s)"	the economically mineable part of a measured mineral resource, which includes diluting materials and allowances for losses which may occur when the material is mined
"Science and Technology Advancement Award"	this award recognizes achievements in various industries involving the development of new products and technologies, promotion of new technology applications, production of advanced technology, reform

	and enhancement of corporate technology, advancement of technology, key construction work, introduction of key equipment research and development, absorption of new foreign technology, or in-house development of innovative technology at the national and provincial levels; recipients of national Science and Technology Advancement Awards are determined by the relevant departments of the State Council annually, while recipients of provincial Science and Technology Advancement Awards are determined by the Departments of Science and Technology in the respective provinces
"shaft"	a vertical excavation from the surface to provide access to an underground mine
"sintering"	a process whereby iron-bearing materials in the form of powder or grains are evenly mixed with a solvent and burned in a sintering machine to produce ores in certain shapes; the sinter so produced is one of the major raw materials used for iron making in a blast furnace
"smelting"	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores
"social welfare housing"	social welfare housing (保障性住房) provided by the government to medium- and low-income households with certain restrictions on the eligibility of applicants, construction standards, selling price or rent standards, including, but not limited to, dually restricted commodity housing (兩限商品住房) (with restrictions on price and size), economically affordable housing (經濟適用住房), policy-based rental housing (政策性租賃住房) and low-rent housing (廉租住房)
"steel making"	the process whereby impurities in pig iron and scrap steel are oxidized and removed to an appropriate degree, followed by the addition of iron alloys, to produce a material with appropriate amounts of carbon and constituent elements of the alloys
"steel rolling"	a process whereby a rolling mill is used to turn billets and slabs into steel products of various kinds
"steel structure"	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas
"Steel Structures Gold Award"	the Steel Structures Gold Award for China's steel structure construction projects, which is the highest award for outstanding

GLOSSARY

	quality of steel structure projects in China under two categories, namely, main contractor and key participants, and is determined by the Steel Structure Committee of the China Construction Metal Structure Association annually
"supervision"	the overall supervision and management of construction project contracts, quality, delivery and cost estimates, among other things, as delegated or instructed by construction enterprises, by supervision enterprises that have been granted certificates of construction supervision qualifications by the relevant authority
"survey"	survey, explore, test and undertake overall assessment on landscape, geology and water for planning, design, implementation, operations and integrated management of a project; provide feasibility assessment and required information on the exploration results for construction; and carry out exploration, design, management and monitoring activities in rock engineering
"ton"	refers to metric tonne
"underground mine"	openings in the earth accessed via shafts and adits (horizontal entrances) below the land surface to extract minerals

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Company that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "may," "plan," "potential," "predict," "project," "propose," "seek," "should," "will," "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- our ability to meet the schedules and production capacity or other targets of the construction and other projects in our engineering and construction business, resources development business, equipment manufacturing business and property development business;
- future developments, trends and conditions of the engineering and construction, resources development, equipment manufacturing and property development markets in China and the world;
- our strategies, plans, objectives and goals, and our ability to execute such strategies and plans and achieve such objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;
- the actions and developments of our competitors;
- certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

Subject to the requirements of the relevant laws, regulations or listing rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRIES IN WHICH WE OPERATE

The current global financial crisis and economic downturn may have a material and adverse effect on our businesses, results of operations and financial condition.

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

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

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

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

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

Moreover, our property development business depends heavily on the performance of the property market in China, particularly, in Beijing, Shanghai, Tianjin, Chongqing, Nanjing and certain other markets where we

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

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

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

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

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

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

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

Our major capital expenditure projects may not be completed as planned, may go beyond our original budgets or schedules, or may not achieve our anticipated economic results or commercial viability.

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

Our planned projects could be delayed or otherwise adversely affected by a number of risks or uncertainties, including, among others, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, and local governments and communities, natural disasters, power and other energy supplies, availability of technical or human resources, any adverse changes in the bilateral relationships between China and the relevant foreign governments, and war or other significant adverse developments in international relationships. In addition, before we commence many of our major capital expenditure projects, in particular, mining and other resources development-related projects, we typically conduct extensive feasibility

studies, which may require significant capital outlays. However, we cannot assure you that each of such planned projects will ultimately be implemented or generate any profits. Moreover, actual costs for our capital expenditure projects may exceed our original budgets as a result of various reasons such as delays in schedule, increases in funding costs due to volatilities in foreign exchange and interest rates, changes in original design, and increases in materials and other supplies or labor costs. In addition, our major capital expenditure projects may not be able to achieve the anticipated economic results and commercial viability due to a variety of factors, including, for example, adverse changes in market conditions, industry downturns, lower-than-expected grade or yield of mineral reserves in respect of our mining projects, low utilization of capacity in respect of our manufacturing facilities, high construction and production costs, and decreased demand and prices for our products and services. If any of our major capital expenditure projects is not completed as planned, goes beyond our original budgets or schedules, or fails to achieve anticipated economic results or commercial viability, our business, results of operations, financial condition and growth prospects could be materially and adversely affected.

Our business and operations require significant capital resources on an ongoing basis. Any failure to obtain sufficient funding may materially and adversely affect our business, financial performance and growth prospects.

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

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

RISK FACTORS

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

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

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

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

Failure to accurately estimate the overall risks or costs of our contracts will lead to cost overruns, lower profitability or even losses on such contracts.

We currently generate, and expect to continue to generate, a substantial portion of our revenues from contracts with a pre-agreed price relating to our engineering and construction business and equipment manufacturing business. The terms of these contracts require us to complete a project for a pre-agreed price and therefore expose us to cost overruns. Cost overruns, whether due to inflation, inefficiency, fluctuations in foreign exchange and interest rates, inaccurate estimates or other factors, result in a lower profit or a loss on a project. As a result, we will only realize profits on these contracts if we successfully estimate our project costs and

avoid cost overruns. Our cost estimates are subject to a number of assumptions, including those about future economic conditions, the cost and availability of labor and materials, subcontractors' performance, facility utilization rates, and the construction and technical standards to be applied for a subject project. However, these assumptions may prove to be inaccurate. In addition, other variations and risks inherent in the performance of contracts with a pre-agreed price such as delays caused by inclement weather, technical issues and any inability to obtain the requisite permits and approvals, may cause our actual overall risks and costs to substantially differ from our original estimates despite any buffer we may have built into our bids for increases in labor, materials and other costs. Some of our construction contracts contain price adjustment clauses, which allow us to reclaim additional costs incurred as a result of unexpected increases in raw material costs. However, we are typically required to bear a portion of the increased cost. We cannot guarantee that we will not encounter cost overruns or delays in our current and future construction projects. If such cost overruns or delays occur, our costs could exceed our budget or we could be required to pay liquidated damages in accordance with the terms of our contracts with a consequent reduction in, or elimination of, any profits on our contracts.

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

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

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

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

Backlog data included in this document represents our estimate of the contract value of work that remains to be completed as of a certain date. See "Business — Backlog." Backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. The contract value of a

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

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

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

Our businesses involve inherent risks and occupational hazards, which could harm our reputation, subject us to liability claims and cause us to incur substantial costs.

Our businesses, in particular, our engineering and construction, resources development and equipment manufacturing businesses, involve inherent risks and occupational hazards. Due to the nature of our businesses, we engage or may engage in certain inherently risky and hazardous activities, including, among others, operations at height or on dangerous terrains, underground excavation and construction, use of heavy machinery, mining, and

handling of flammable and explosive materials, and we are therefore subject to risks associated with these activities, including geological catastrophes, toxic gas and liquid leakages, equipment failures, industrial accidents, fire, explosions and underground water leakages. These risks and hazards have in some cases resulted in personal injury and loss of life, damage to or destruction of properties or production facilities, and pollution and other environmental damage. Any of these consequences, to the extent they are significant, could result in business interruption, possible legal liability and damage to our business reputation and corporate image. In addition, we may also be subject to claims resulting from the subsequent use by our customers or other third parties of the facilities and products we have constructed or produced.

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

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

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

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

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

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

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

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

We are subject to litigation risks.

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

Our operations depend on the availability of an adequate supply of raw materials, including steel in particular, and energy and water supplies at acceptable prices and quality and in a timely manner.

Our successful operations depend on our ability to obtain in a timely manner from suppliers sufficient quantities of raw materials, auxiliary materials, energy and water supplies and other commodities at acceptable prices and quality. We are exposed to the market risk of price fluctuations for certain raw materials and other commodities, such as steel, timber, cement, sand, explosives, waterproofing materials, geotechnical materials, additives and other materials used in our engineering and construction business, resources development business and property development business and steel used in our equipment manufacturing business. The prices and availability of such materials may vary significantly from period to period due to factors such as consumer demand, producer capacity, market conditions and costs of materials. In particular, steel and cement, which are critical to our operations, are subject to substantial pricing cyclicality and periodic shortages in China. Furthermore, if we are not able to pay our raw material suppliers according to the payment schedules in our raw material supply contracts, our

relationships with these suppliers could be materially and adversely affected, which may in turn result in a negative impact on our business operations. Increases in energy prices, including oil fuel and electricity prices, or water prices may also adversely affect our businesses, in particular our resources development business and equipment manufacturing business. In addition, any unavailability of or interruption in electricity, oil fuel or water supply could materially and adversely affect the production or other operations of our resources development business and other businesses.

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

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

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

We have invested and will continue to invest a significant amount of capital and other resources in our mining business, which is subject to operational difficulties and other risks.

We have various overseas mining operations designed to develop such metallic mineral resources as iron ore, copper, nickel, zinc, lead, cobalt and gold in a number of countries and territories, including Afghanistan, Pakistan, Papua New Guinea, Australia and Argentina. In addition, we also engage in mining business in Liaoning,

Inner Mongolia, Sichuan, and Hunan of the PRC. We have invested and will continue to invest a significant amount of capital and other resources in these mining projects. In particular, we intend to further strengthen our resources development capabilities and expand the scale of our resources development business. As part of our growth strategy, we expect that an increasing portion of our revenue and profits will be derived from our mining business for the foreseeable future. As a result, we are exposed to various operational and transportation-related risks associated with our mining projects.

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

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

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

lead to project disruptions or adversely affect our ability to generate profits from our mining projects, which could harm our resource development business and our overall financial condition and profitability.

The operations and future growth of our equipment manufacturing business may be impaired if we experience capacity constraints or if we fail to develop or offer products that meet the evolving needs of our customers.

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

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

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

We are subject to risks associated with property development operations.

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

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

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

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

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

Land prices have increased significantly in China in recent years and may continue to increase in the future. To maintain or grow our business in the future, we will be required to replenish our land bank with suitable sites at reasonable costs for development. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Land supply in China is substantially controlled by the PRC Government and any changes in government policy may lead to a decrease in land supply for our future projects. In addition, the PRC Government regulates the means by which property developers can obtain land for property development. For example, in May 2002 and September 2007, the PRC Government introduced regulations requiring that land use rights for residential or commercial property developments be granted through a tender, auction or listing-for-sale

process. From late 2006 to early 2008, the PRC Government promulgated a number of regulations to strengthen the control of land reserves and increase the land use fees charged for construction land. As a result, we may have difficulty in continuing to acquire sites suitable for our future property developments at acceptable prices, or at all. The PRC Government also regulates the manner in which land is developed, for example, with respect to the schedule of development and the total amount of GFA developed. If the development of a site is not completed pursuant to the terms of the relevant land grant contract, the property developer may be subject to various penalties by the relevant government authorities, up to and including the revocation of the relevant land use rights without full compensation. We cannot guarantee that delays in the completion of a property site or circumstances leading to revocation of land use rights will not arise in the future. In addition, we may have to bear high relocation and resettlement costs to obtain such sites in accordance with compensation formulas set forth under the Regulations on the Administration of Urban Housing Resettlement (《城市房屋拆遷管理條例》) and the applicable local regulations, which may be changed to increase our land acquisition costs substantially. We cannot assure you that we will be able to identify and acquire sufficient and appropriate sites at reasonable prices in the future. Any inability to identify and acquire sufficient and appropriate sites for our land reserves would result in uncertainties in our future development schedules, which in turn would have a material adverse effect on our future growth prospects and profitability.

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

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

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

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

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

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

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

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

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

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

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

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

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

projects. Any of the above factors could lead to project disruptions and losses of personnel and assets, among others, which could harm our international business operations, overall financial condition and profitability.

We are exposed to risks associated with entering into contracts with PRC and foreign governmental entities and other public organizations, and our performance may be significantly affected by government spending on infrastructure and other projects.

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

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

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

We may from time to time subcontract portions of our engineering and construction projects to independent third-party subcontractors. In addition, if we need extra manpower due to a shortage of labor, or in order to accelerate the progress of project work, we may need to subcontract labor services internally, hire short-term temporary workers, or engage independent third-party subcontractors. We also rely on third-party manufacturers or other service providers for production and supply of certain parts, components and services in connection with our resources development, equipment manufacturing and property development operations. Outsourcing to subcontractors and other third parties supplements our capacity, reduces our need to employ a large workforce, including skilled and semi-skilled labor in different specialized areas, and increases our flexibility and cost effectiveness in carrying out contracts. We have established a system with respect to the selection and control of subcontractors in our engineering and construction business, which involves, among others, maintaining a regularly updated list of qualified subcontractors and entering into agreements with them to set forth each party's rights and obligations. In our other businesses, we also endeavor to source products and services from third-party manufacturers and service providers whom we believe are able to meet our quality, delivery schedule and other requirements. Nevertheless, we may not be able to monitor the performance of these subcontractors and other third

parties as directly and efficiently as our own staff. In addition, qualified subcontractors and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified subcontractors and other third parties, our ability to complete projects or other contracts could be impaired. If the amounts we are required to pay to subcontractors and other third parties exceed what we have estimated, especially in the case of customer contracts with a pre-agreed price, we may suffer losses on those contracts. Outsourcing also exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or other third parties. As a result, we may experience a deterioration in quality or late delivery of our construction projects, incur additional costs due to delays or higher prices in sourcing the services, equipment or supplies, or be subject to liability under the relevant contract for the non-performance, delayed performance or sub-standard performance of our sub-contractors or other third parties. Such events could have a material and adverse impact upon our profitability, financial performance and reputation, and may result in litigation or damage claims against us.

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

Any acquisitions or strategic investments we undertake could be difficult to integrate or manage or may not be successful and may negatively impact our results of operations and financial condition.

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

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

RISK FACTORS

Some of our operations are less profitable, and we cannot assure you that we will be able to generate higher levels of profit from such operations in the future.

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

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

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

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

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

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

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

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

to evolving industry trends or changing market conditions. Increased competition may result in price reductions, reduced profit margins and loss of market share.

Any failure to maintain an effective quality control system for our construction, production and other operational activities could have a material adverse effect on our business and operations.

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

We are subject to extensive environmental, safety and health laws and regulations, and our compliance with these laws and regulations may be onerous and costly to us.

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

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

RISK FACTORS

Our operations require certain permits, licenses and certificates, the loss of which could significantly hinder our business and operations, and we are subject to periodic inspections, examinations, inquiries and audits by regulatory authorities.

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

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

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

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

We occupy 51 parcels of land with a total area of 575,808 sq.m. in Baoshan District of the Shanghai Municipality. The land is allocated land. Due to certain historical reasons, Baosteel is the holder of the land as identified in the relevant allocated land certificate. On October 31, 2008, upon the application of the Parent and Baosteel, SASAC issued the Reply Regarding the Disposal of the Land Assets by the Parent and Baosteel to approve

the transfer of the foregoing allocated land to the Parent. Currently, the Parent and Baosteel are in the process of completing the registration procedures to effect the change in the holder of the allocated land certificate. The Parent has leased such allocated land to certain of our subsidiaries. If the Parent cannot obtain the land use rights to such land for any reason, our rights as lessee and occupier of such land may be invalid and the business and operations of certain of our subsidiaries in Shanghai may be adversely affected as a result.

We may have difficulties in monitoring and deploying internal control measures with respect to our business operations in an effective and timely manner because of our large number of operating subsidiaries and their broad range of businesses.

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

As a recently reorganized company, we face challenges in integrating our operations and we cannot assure you that our business integration plans will be successfully implemented.

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

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

We have formulated several initiatives to rationalize, integrate and consolidate the duplicate operations conducted by different subsidiaries to further realize the synergies within our Company following the Reorganization. Our proposed business integration initiatives may not be implemented effectively or on a timely basis or may be adversely affected by legacy labor-related issues as a result of our large number of employees, inability to obtain sufficient financial resources, technical difficulties, constraints in terms of human or other

resources, or for other reasons. Moreover, the implementation of these business integration initiatives may be more costly than originally estimated. Should cost overruns, changes in circumstances, negative reactions from our employees or other similar situations arise, the operational efficiencies and business synergies that these business integration initiatives were intended to achieve, may not materialize. Further, managing internal competition and other business integration issues will present challenges to our management team, financial and management information systems and internal control measures, which will require continuous improvement and development in order for us to operate more effectively and efficiently as an integrated entity. If we are not able to successfully implement our business integration initiatives, our business, financial performance, results of operations and prospects may be adversely affected.

Failure by the Parent to fulfill its obligations to us in connection with the Reorganization may materially and adversely impact our business and operating results.

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

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

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

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

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

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

As a holding company, we are dependent on our subsidiaries for cash distributions. Any decline in the ability of our operating subsidiaries to pay dividends to us would adversely affect our cash flow.

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

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

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

The net profit of our Company for the Pre-establishment Distribution and the Special Dividend in aggregate have been determined based on the audited accounts prepared in accordance with PRC GAAP for the year ended December 31, 2008 and the six months ended June 30, 2009, after giving effect to relevant necessary adjustments. Pursuant to the regulation, agreement and shareholders' meeting resolution referred to above, the Pre-establishment Distribution to be paid to the Parent amounts to approximately RMB3,121 million and the amounts of the Special Dividend to be paid to the Parent and Baosteel are approximately RMB2,110 million and RMB21 million, respectively.

RISK FACTORS

RISKS RELATING TO THE PRC

Changes in China's economic, political and social conditions as well as governmental policies could affect our financial condition and results of operations.

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

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

We are exposed to foreign currency fluctuations.

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

and expanding our resources development operations overseas. We are therefore subject to significant risks associated with foreign currency fluctuations.

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

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

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

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

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

As we are a company incorporated under PRC law and most of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated

laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty.

It may be difficult to enforce any judgments obtained from non-PRC courts against our Company or our Directors, Supervisors or senior executive officers residing in China.

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

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

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

Foreign individual holders of our Shares may become subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our Shares.

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

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

For foreign enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, under the new PRC Enterprise Income Tax Law, which became effective from January 1, 2008, dividends paid by us and the gains

realized by such foreign enterprises upon the sale or other disposition of our Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. Pursuant to the implementation rules to the new PRC Enterprise Income Tax Law, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence.

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

Payment of dividends is subject to restrictions under PRC law.

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

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

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

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

DIRECTORS AND PARTIES INVOLVED

Name	Address	Nationality
DIRECTORS		
Executive Directors		
Wang Weimin (Vice Chairman)	No. 26, 25/F, No. 26, Fuxing Road Haidian District Beijing PRC	Chinese
Shen Heting (President)	No. 5-302, 4/F, Block 7 Fengrun District Tangshan, Hebei Province PRC	Chinese
Non-executive Directors		
Liu Benren (Chairman)	No. 115-4, Block 123, Gangdu Garden Qingshan District Wuhan, Hubei Province PRC	Chinese
Guo Wenqing (Employee Representative Director)	C88 Anwai Avenue Dongcheng District Beijing PRC	Chinese
Independent non-executive Directors		
Jiang Longsheng	No. 1-402, 20/F, Liufangbeili Chaoyang District Beijing PRC	Chinese
Wen Keqin	No. 2-101, Building 2 No. 1 Jia Changwa West Avenue Haidian District Beijing PRC	Chinese
Liu Li	No. 24, Building 6, Linyuan Renmin University of China Haidian District Beijing PRC	Chinese
Chen Yongkuan	No. 8-8122, Building 3 Shengguzhong Road Dongcheng District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED

Name	Address	Nationality
Cheung Yukming	26/F, Flat H, Gold Peace Court Gold Lion Garden, Phase Two Shatin Hong Kong	Chinese (Hong Kong)
SUPERVISORS		
Han Changlin	No. 1-401, 20/F, Block 3, Anhuili Chaoyang District Beijing PRC	Chinese
Peng Haiqing	Room 202, No. 50 1498 Nong, Wenchuan Road Baoshan District Shanghai PRC	Chinese
Shao Jinhui	No. 2102, Building 9, Anyuanbeili Chaoyang District Beijing PRC	Chinese

Our PRC Legal Advisor	Jia Yuan Law Firm F407-408, Ocean Plaza 158 Fuxingmennei Avenue Xicheng District Beijing PRC
Reporting Accountant	PricewaterhouseCoopers *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Property Valuer	Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
Independent Technical Expert	Minarco-MineConsult A2705 TYG Center No. 2 East 3rd Ring Rd North Chaoyang District Beijing 100027, PRC

CORPORATE INFORMATION

Registered office	No. 11 Gaoliangqiao Xiejie Haidian District Beijing, 100081 PRC
Headquarter and principal place of business in the PRC	No. 11 Gaoliangqiao Xiejie Haidian District Beijing, 100081 PRC
Website address	www.mccchina.com.cn
Place of business in Hong Kong	Room 2204-5, 22/F, Chung Kiu Commercial Building 47-51 Shan Tung Street Kowloon Hong Kong

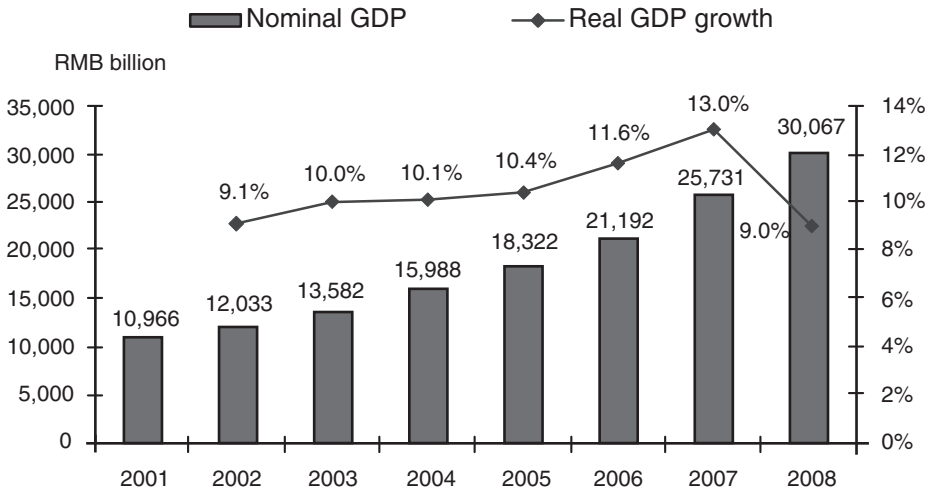
INDUSTRY OVERVIEW

This section contains certain information which has been derived from official and other public sources. Although we have reproduced the data and statistics extracted from such official and other public sources in a reasonably cautious manner, neither we, our affiliates or advisors have independently verified the information directly or indirectly derived from these sources, and such information may not be consistent with other information compiled in or outside of China. We make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

OVERVIEW

China has achieved significant economic growth in the last three decades. Its GDP has grown rapidly since the PRC Government introduced economic reforms and "open-door" policies in 1978. After China's accession to the WTO in 2001, China's economy has entered a new phase of growth and its GDP has grown continuously. In 2008, according to the World Bank, China became the world's third largest economy. China's real GDP recorded a CAGR of 10.5% from 2001 to 2008, according to the PRC National Bureau of Statistics. The following chart shows China's GDP and its growth rate for the periods indicated.

China's Nominal GDP and Real GDP Growth Rate, 2001-2008



Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

China's economic development directly affects the demand for our products and services and therefore our business. The key factors affecting China's economic development include:

- urbanization and industrialization; and
- growth in fixed asset investments.

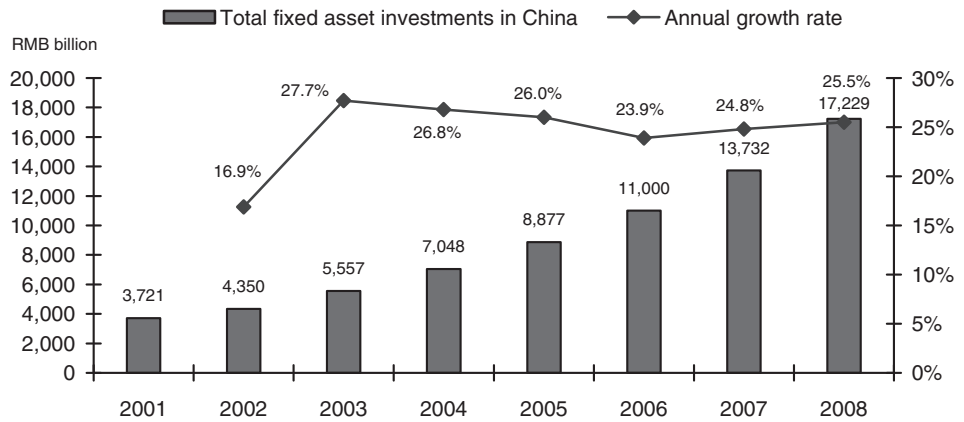
Urbanization and Industrialization

As China's economy grew significantly, China has experienced further increases in urbanization and industrialization. According to the PRC National Bureau of Statistics, China's urbanization rate (i.e., percentage of urban population in the total population) increased from 37.7% in 2001 to 45.7% in 2008. During the same period, China's industrialization rate (i.e., percentage of total GDP attributable to industrial activities) increased from 45.1% to 48.6%.

Growth in Fixed Asset Investments

China's accelerated urbanization and industrialization has led to significant increases in fixed asset investments. According to the PRC National Bureau of Statistics, total fixed asset investments in China grew at a CAGR of 24.5% from 2001 to 2008. The following chart shows the total fixed asset investments in China and their growth rate for the periods indicated.

Total Fixed Asset Investments in China and Growth Rate, 2001-2008



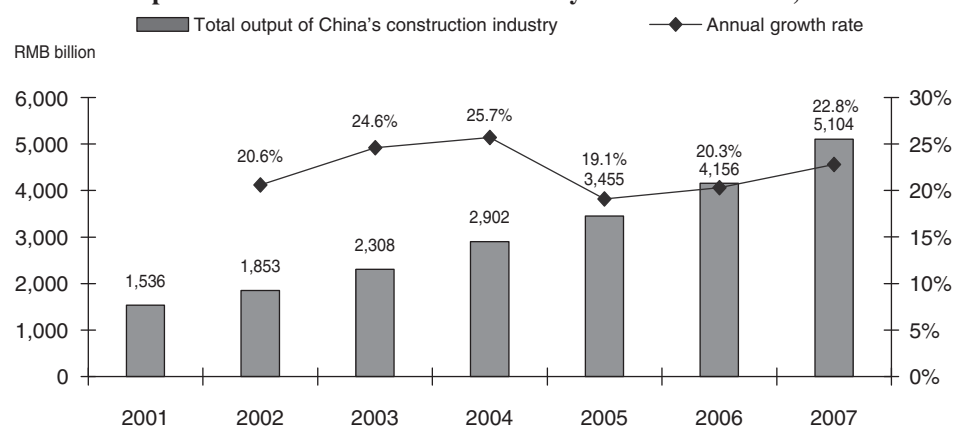
Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

ENGINEERING AND CONSTRUCTION INDUSTRY

Development of the Construction Industry

Driven by the increases in urbanization and industrialization and the growth in fixed asset investments, China's construction industry has experienced continuous growth in recent years. The following chart shows the total output of China's construction industry and its growth rate for the periods indicated.

Total Output of China's Construction Industry and Growth Rate, 2001-2007



Source: China Statistics Yearbook (2008)

The construction industry primarily involves engineering and construction services for building construction, civil and public projects, highway construction, railway construction and hydraulic engineering projects. It can also be categorized into various specialized contracting areas, including cement engineering and

construction, metallurgical engineering and construction, and petrochemical engineering and construction. Driven by the growth in fixed asset investments and the rapid development of the construction industry, the engineering and construction contract services sector in China has continued to grow in recent years.

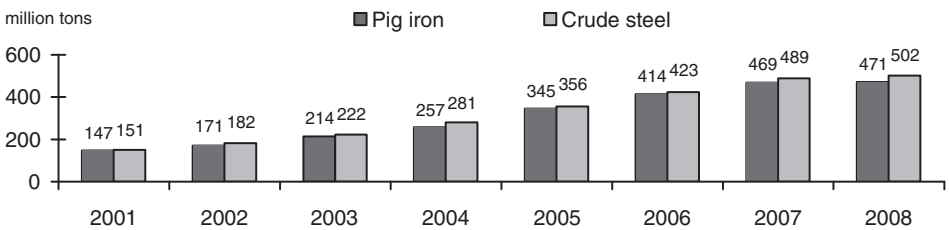
Metallurgical Engineering and Construction

Metallurgical engineering and construction refers to the planning, surveying, consulting, design, construction, installation, testing, supervision and monitoring involved during the course of a metallurgical engineering and construction project. Metallurgical engineering and construction in China includes iron and steel metallurgical engineering and construction and non-ferrous metallurgical engineering and construction.

Iron and steel metallurgical engineering and construction

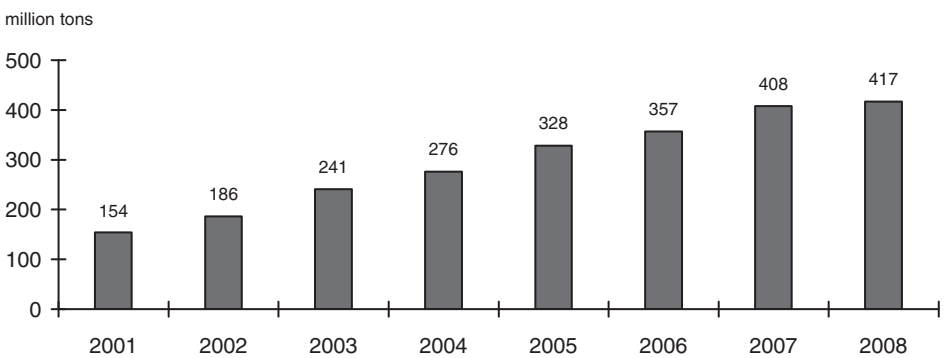
Rapid economic growth in China has led to an increase in demand for iron and steel in recent years. This has promoted the rapid development of China's iron and steel industry, evidenced by a rapid growth in the output and consumption of pig iron and crude steel. The following charts show China's output of pig iron and crude steel and the consumption of steel, respectively, for the periods indicated.

China's Annual Outputs of Pig Iron and Crude Steel, 2001-2008



Source: World Steel Association

China's Apparent Consumption of Steel, 2001-2008

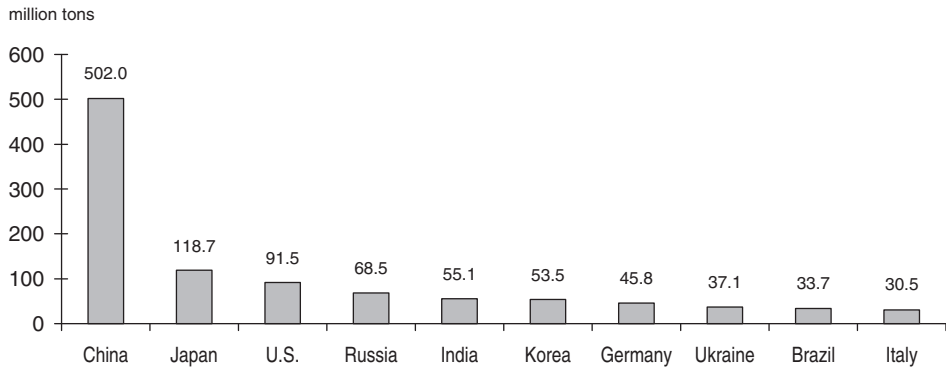


Source: AME Mineral Economics

According to the World Steel Association, China's annual steel output ranked first in the world each year from 1996 to 2008. In 2008, China's crude steel output was 502 million tons, which represented 37.8% of the total crude steel output of the world. The technological upgrades and maintenance of existing production capacities and the addition of new production capacities in China have fueled the steady growth of investments in the iron and steel industry in China. China is also the world's largest consumer of steel. In 2008, China's apparent consumption of

steel was 417 million tons, representing 34.8% of the total apparent consumption worldwide. The following chart shows the steel output of the top 10 steel-producing countries in the world in 2008.

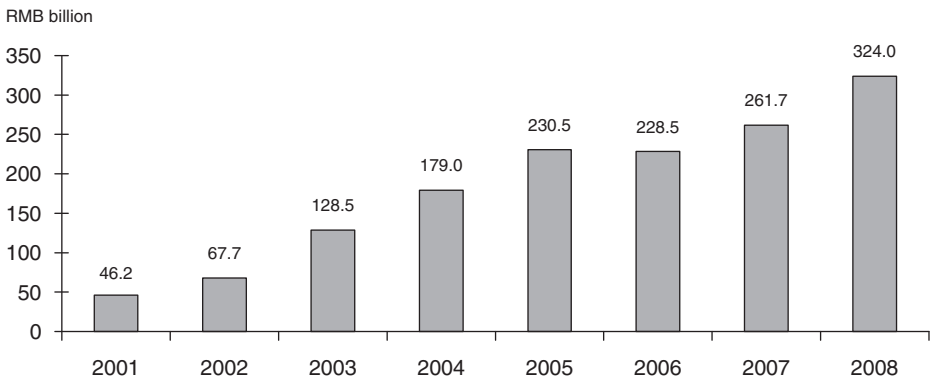
Crude Steel Output of the Top 10 Steel-Producing Countries in the World in 2008



Source: World Steel Association

The rapid growth of China's iron and steel industry has led to steady growth in investments in that industry, presenting significant development opportunities for the iron and steel metallurgical engineering and construction industry. In 2008, total fixed asset investments in the ferrous metallurgy and rolling processing industry in China amounted to RMB324.0 billion, which represented a more than six-fold increase as compared to 2001. The following chart shows total fixed asset investments in the ferrous metallurgy and rolling processing industry in China for the periods indicated.

Total Fixed Asset Investments(1) in China's Ferrous Metallurgy and Rolling Processing Industry, 2001-2008



Sources: China Statistics Yearbook (2002-2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

(1) Due to changes in statistical measures in China Statistics Yearbook since 2004, the 2001-2003 data covers the entire country while the 2004-2008 data covers urban areas only.

The PRC Government's iron and steel industry development policy and invigoration plan

While China's iron and steel output has grown continuously, China's iron and steel industry is facing a time of strategic transformation. The needs of China's economic growth can no longer be met by an underdeveloped iron

and steel industry that is highly fragmented, has a low proportion of high value-added and technically advanced products, and operates on a highly energy consuming, low efficiency and unsophisticated model.

In 2005, China promulgated the Policy on the Development of the Iron and Steel Industry (the "Policy"). According to the Policy, the goals for the future development of China's iron and steel industry would consist of enhancing the industry's overall technical capabilities, promoting its structural change, improving its geographic distribution, developing an economy that promotes recycling, reducing materials and energy consumption, emphasizing environmental protection, enhancing the overall competitiveness of enterprises, upgrading the industry, and developing the industry into an internationally competitive one that will meet the basic needs of national economic and social development in terms of product quantity, quality and variety.

Since the second half of 2008, the ramifications of the global financial crisis have materially impacted the iron and steel industry in China, resulting in significant decreases in demand and prices, difficulties in operations among enterprises and losses incurred across the industry. The iron and steel industry has faced unprecedented challenges in maintaining its steady development. In January 2009, the State Council approved the Plan on the Overhaul and Invigoration of the Iron and Steel Industry (the "Plan"), which aims to speed up the phasing out of obsolete capacity in China's iron and steel industry, avoid unhealthy competition within the industry, and promote the positive development of the industry. Based on the Policy, the Plan further emphasizes the acceleration of the overhaul and invigoration of China's iron and steel industry and the need to strengthen the industry by controlling total capacity, phasing out obsolete capacity, jointly implementing restructurings, upgrading technologies, and optimizing the geographical distribution of the industry. The key contents of the Plan include:

A. Stringent control over iron and steel production and speeding up of obsolete capacity elimination

There will be a stringent control over the addition of new production capacity. No iron and steel project that merely aims to add and expand production capacity will be approved and supported by the PRC Government. The elimination of obsolete capacity must be a prerequisite of all projects. By the end of 2010, China expects to phase out 53.4 million tons of capacity of blast furnaces of 300 m^3 or below and 3.2 million tons of capacity of converter furnaces and electric furnaces with capacity of 20 tons or below. By the end of 2011, China expects to phase out blast furnaces of 400 m^3 or below and converter furnaces and electric furnaces of 30 tons or below, thus eliminating 72.0 million tons of obsolete iron production capacity and 25.0 million tons of obsolete steel production capacity. For regions in which the phasing-out policy is implemented and large iron and steel plants are constructed, as well as in other regions meeting specified conditions, the standard of phasing out obsolete capacity must be elevated to cover blast furnaces of 1,000 m^3 or below and corresponding steel production capacity.

B. Promoting corporate restructuring and increasing industry concentration

Large-scale enterprises such as Baosteel, Anbensteel and Wusteel will be further leveraged, so as to promote the completion of substantial restructurings of Anbensteel, Guangdong Steel Group, Guangxi Steel Group, Hebei Steel Group and Shandong Steel Group to achieve the unified management of production, supply and distribution as well as personnel and assets within their respective groups; facilitate cross-region reorganizations among Anbensteel, Pansteel and Dongbei Special Steel (東北特鋼), and among Baosteel, Btsteel and Ningbo Iron & Steel (寧波鋼鐵); and facilitate intra-region reorganizations among Tianjin Pipe (天津鋼管), Tiantie (天鐵), Tiansteel and Tianjin Metallurgical Company (天津冶金公司) and among Taiyuan Iron & Steel (太鋼) and iron and steel enterprises within its province. By 2011, China aims to establish several large-scale iron and steel enterprises with production capacity of over 50 million tons and possessing strong international competitiveness, such as Baosteel, Anbensteel and Wusteel, and several large-scale iron and steel enterprises with production capacity of 10 million to 30 million tons.

C. Enhancing efforts to upgrade technologies and promote technological advancement

Key support will be provided for implementing specific projects for technology upgrades and advancement of China's iron and steel industry, promoting the use of reinforced steel bars and resource-saving technology, developing an economy that promotes recycling, advancing energy saving and emissions reduction technology such as high-temperature and high-pressure coke dry quenching, residual heat recovery and flue gas desulfurization, and enhancing the technologies that utilize low-grade iron ores that are difficult to smelt.

D. Optimization of geographical distribution of the iron and steel industry and coordination of overall industry development

The adjustment of geographical distribution of China's iron and steel industry will be accelerated under the premise of reducing or at most maintaining the existing production capacity. First, the construction of coastal iron and steel bases shall be commenced by facilitating the construction of superior iron and steel bases such as Caofeidian, Zhanjiang Port, Fangcheng Port, Rizhao Port and Ningbo Port in a timely manner. Second, the relocation of urban steel plants will be facilitated in order to reduce urban pollution. Third, the construction of iron and steel projects specified in the Special Plan on Post-Wenchuan Earthquake Reconstruction Productivity Distribution and Industrial Adjustment (《汶川地震災後重建生產力布局和產業調整專項規劃》) shall be duly implemented in order to support the economy of the earthquake-affected region.

E. Adjusting the steel product structure and enhancing product quality

Steel for high-speed railways, high-strength steel for automobiles, high-end steel for electric power, tool and die steel, special large forgings and other key types of steel will be further developed. Qualified enterprises and research entities will be given support to develop technology such as extra-thick steel plates and high-pressure boiler tubes for million kWh thermal power and nuclear power and high magnetic induction and low iron loss oriented silicon steel for transformers of 250,000 kVA above. Through enhancing accreditation standards and policy guidance, steel quality will be raised up to the highest international standards. Adjustments to relevant design regulations will be made with a view to phase out hot-rolling steel bars of 335MPa or below. The use of steel bars of 400MPa or above will be further promoted for upgrading and advancement of construction steel.

Meanwhile, various policies and measures will be introduced in China to ensure the implementation of the Plan, which include increased investment in technology advancement and upgrades, optimizing the phasing-out mechanism for obsolete production capacities, improving corporate reorganization policies, enhancing the standard on the use of steel in construction projects and improving and revising, as appropriate, the Policy.

These measures under the Plan show the determination of the PRC Government to promote the transformation and upgrading of China's iron and steel industry, in addition to directing the future development of the iron and steel metallurgical construction industry in the PRC. Under the macro-control policy, China's total iron and steel production is expected to stabilize gradually. The adjustment in the geographic distribution of the iron and steel industry, the upgrading of technologies and products, the renovation and expansion of large enterprises, the adoption of energy-saving and emissions reduction and other new technologies, and the elimination of obsolete production capacity are expected to fuel the demand for large-scale investments in the industry and engineering and construction projects, presenting new development opportunities for China's metallurgical engineering and construction industry. On the other hand, the adjustment in the industry's product structure also poses challenges to China's metallurgical engineering and construction industry. Those metallurgical engineering and construction enterprises that are weak in research and development and apply obsolete technologies may be eliminated under these governmental policies while those that have core technologies, equipment manufacturing capabilities,

research and development and rapid industrialization capabilities, and large established customer bases are expected to benefit from such policies.

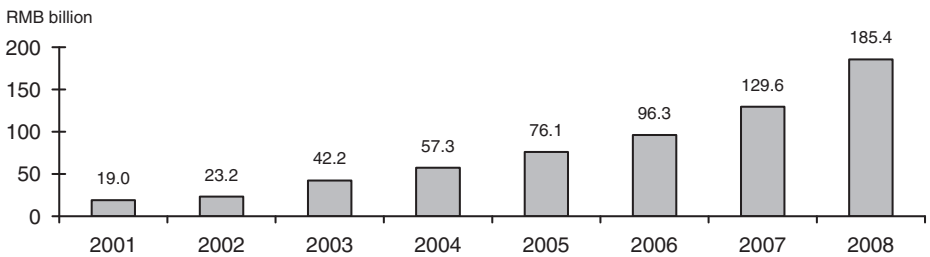
In the first quarter of 2009, China's iron and steel industry began increasing production as a direct result of the central government's stimulus plan. In April 2009, the Ministry of Industry and Information Technology issued the Urgent Circular on the Control of Excessive Increase of the Iron and Steel Output (the "Circular") to emphasize the implementation of the Plan. The Circular points out a number of issues faced by China's iron and steel industry, including the decline in iron and steel exports, decreased product prices and the losses suffered by a significant number of iron and steel enterprises in the first quarter of 2009 and provides further guidelines for the iron and steel industry to control the growth of production capacity, especially in respect of obsolete facilities, reduce iron imports and improve the cost structure of iron and steel companies by focusing on implementing effective technologies and corporate management.

Non-ferrous metallurgical engineering and construction

In recent years, through domestic research and development as well as the assimilation of foreign advanced technologies, China has made significant advancement in developing non-ferrous metallurgical technology and equipment as well as in domestically producing key non-ferrous metallurgical equipment and materials.

The non-ferrous metals industry is expected to evolve toward resources consolidation and production chain integration. This will be primarily evidenced by the enhancement in the technological capabilities and expansion of competitive enterprises, the improvement in the structure of mining enterprises, and enhancements in the development and utilization of mineral resources, all of which will promote the development of the non-ferrous metallurgy sector. The following chart shows China's fixed asset investments in the non-ferrous metallurgy and rolling processing industry for the periods indicated.

Total Fixed Asset Investments(1) in China's Non-ferrous Metallurgy and Rolling Processing Industry, 2001-2008



Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

(1) Due to changes in statistical measures in China Statistics Yearbook since 2004, the 2001-2003 data covers the entire country while the 2004-2008 data covers urban areas only.

In February 2009, the State Council approved in principle a plan for the overhaul and invigoration of China's non-ferrous metal industry, which aims to promote the restructuring, enhancement and upgrading of the industry by focusing on the control of total capacity, phasing out of obsolete capacity, technology upgrades and reorganization of enterprises. This plan sets forth in more detail the aims to stabilize and grow the domestic market; change the product structure to meet the needs of the power, transportation, construction, machinery, light and other industries; support the export of high value-added processed products involving advanced technology; implement strict control over the total capacity and accelerate the phasing out of obsolete capacity; enhance the efforts in technology upgrades and research to promote technological advancement; develop widely used advanced technologies and

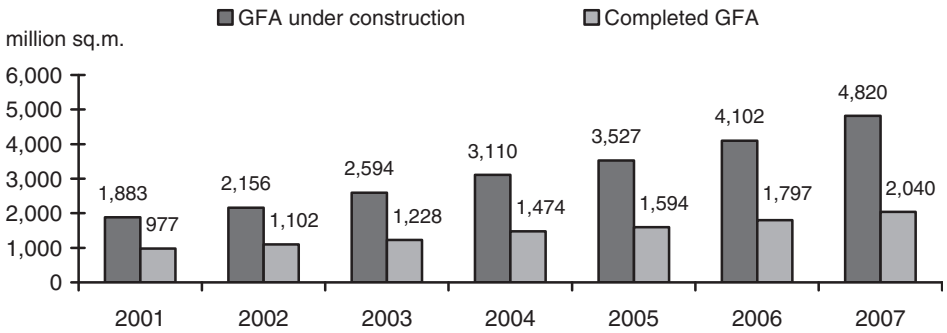
enhance the level of equipment processes and key materials processing capability; promote reorganization of enterprises, improve the geographic distribution of the industry, strengthen corporate management and safety control, and enhance the competitiveness of the industry; fully utilize domestic and overseas resources and enhance the capacity to protect resources; and accelerate the construction of a non-ferrous metal recycling system covering the entire society, develop economic recycling and enhance the efficiency of resources utilization. The introduction of this plan is expected to promote the development of China's non-ferrous metals industry.

Non-metallurgical Engineering and Construction

Building construction

The development of the building construction sector is closely related to China's overall economic growth, industrialization, urbanization and the development of China's property industry. In recent years, the promotion of urbanization, the construction of new rural villages and the implementation of the PRC Government's strategy to develop the western regions of China, among other factors, have promoted the development of building construction industry. The following chart shows the total GFA under construction and the total GFA completed by construction enterprises in China for the periods indicated.

Total GFA Under Construction and Total GFA Completed by Construction Enterprises in China, 2001-2007



Source: China Statistics Yearbook (2008)

Transportation infrastructure construction

As a key component of fixed asset investments, total investments in transportation infrastructure in China have continued to grow in recent years. During the first three years of the Eleventh Five-Year Plan period, the total investment on highway and waterway transportation infrastructure was RMB2.2 trillion, which exceeded that of the Tenth Five-Year Plan period, representing 75% of the total planned investment for the Eleventh Five-Year Plan period.

Since the second half of 2008, China's economic growth has slowed down primarily as a result of the impact of the global financial crisis and economic downturn. In November 2008, the State Council introduced ten measures to stimulate domestic demand and promote economic growth. Among these is a measure to "accelerate the construction of railways, highways, airports and other major infrastructure, with focuses on construction of certain dedicated passenger railways, coal railways and rail networks in Western China, the completion of the expressway networks, the arrangement of construction of airport hubs in Central and Western China and feeder airports, and the speeding up of the improvement of urban power grids." The introduction of this policy is expected to further promote the development of China's transportation infrastructure construction industry.

Highway construction

Highway construction is a key area of development of China's transportation infrastructure. Under the Development Plan on Highway and Waterway Transportation during the Eleventh Five-Year Plan period issued by the Ministry of Transport, by the end of the Eleventh Five-Year Plan period (2010), the total length of China's highways is targeted to reach 2.3 million kilometers, of which the total length of China's expressways is expected to reach 65,000 kilometers. The annual highway capacity is targeted to reach 24 billion passenger-times and 16 billion tons of goods, representing CAGRs of 7.1% and 3.6%, respectively.

According to the National Expressway Network Plan (《國家高速公路網規劃》) promulgated by the Ministry of Transport in 2005, the total length of China's expressways is expected to reach 100,000 kilometers and the national expressway network is expected to be substantially completed by 2020. The total investment required to complete the plan is estimated to be RMB2.2 trillion.

Urban rail transit construction

Urban rail transit, known as the "aorta of urban transportation," is a key component of the urban public transportation system. Since Phase I of Beijing Subway was completed in October 1969 and commenced trial operations in January 1971, urban rail transit has been developing in China for about four decades. Major cities in China, including Beijing, Shanghai and Shenzhen, have already established urban rail transit systems. The PRC Government has in recent years approved construction of urban rail transit systems in Qingdao, Hangzhou, Chengdu and Shenyang, for which the construction will commence or has commenced.

Compared to other forms of transportation, urban rail transit can avoid traffic jam and utilize spaces efficiently, provides greater capacity, is faster and causes less pollution. With the acceleration of China's urbanization and growing urban population, demand for urban rail transit is expected to grow significantly.

Airport construction

According to the Eleventh Five-Year Plan for China's Civil Aviation Development (《中國民用航空發展第十一個五年規劃》), the number of civilian airports in China is expected to reach approximately 190 by 2010, including three regional hub airports, eight large airports, 40 medium-sized airports and 140 small airports. During the Eleventh Five-Year Plan period, 37 airports will be renovated and expanded, 25 will expand certain terminals, nine will expand flight areas, and 40 new airports will be built. According to the National Civilian Airport Layout Planning, China is expected to have 244 civilian airports by 2020, 97 more than in 2006, forming northern, eastern, central-southern, southwestern and northwestern regional airport clusters. Based on preliminary estimates, a total investment of RMB450 billion will be required to complete these projects, including RMB140 billion required by the end of the Eleventh Five-Year Plan period.

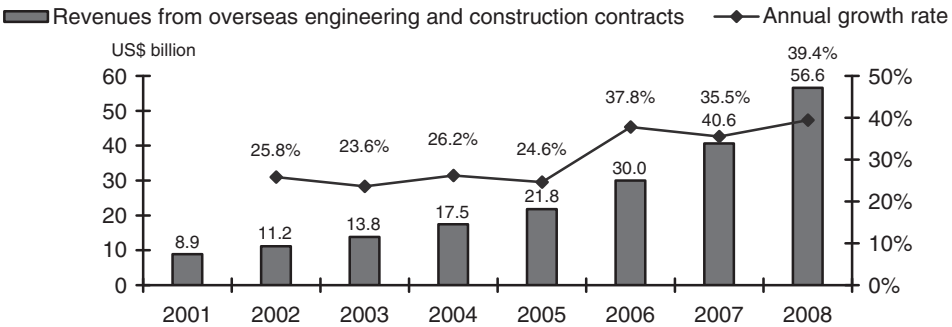
Overseas Engineering and Construction

Overseas engineering and construction is a form of trade in services. In recent years, China's overseas engineering and construction business has grown rapidly driven primarily by rapid globalization, China's accession into the WTO and China's rapid advancement in engineering and construction technology.

INDUSTRY OVERVIEW

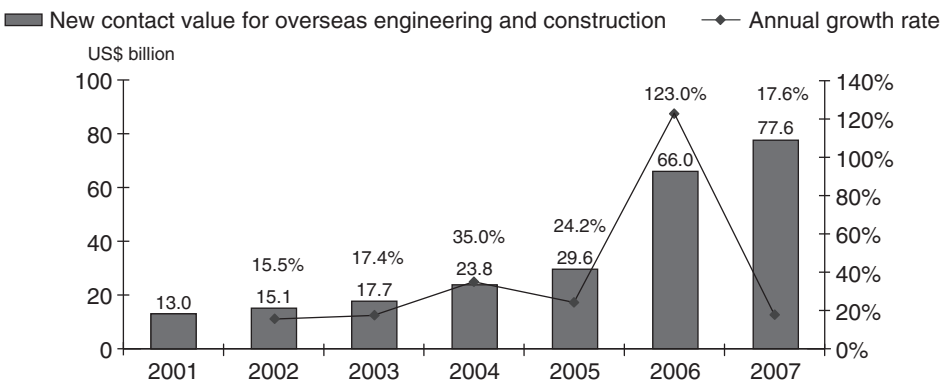
According to the National Bureau of Statistics, China generated US$56.6 billion in revenues in 2008 from overseas engineering and construction works completed, representing an increase of approximately 536% from 2001. The total new contract value amounted to US$77.6 billion in 2007, representing an increase of almost 500% from 2001. According to the National Bureau of Statistics, China's accumulated revenue from completed overseas engineering and construction work and its accumulated overseas engineering and construction contracts value from 1976 to 2007 were US$206.5 billion and US$329.5 billion, respectively. The following charts show China's revenues from overseas engineering and construction and new contract value, respectively, for the periods indicated.

China's Revenues from Overseas Engineering and Construction and Growth Rate, 2001-2008



Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

China's New Contract Value of Overseas Engineering and Construction and Growth Rate, 2001-2007



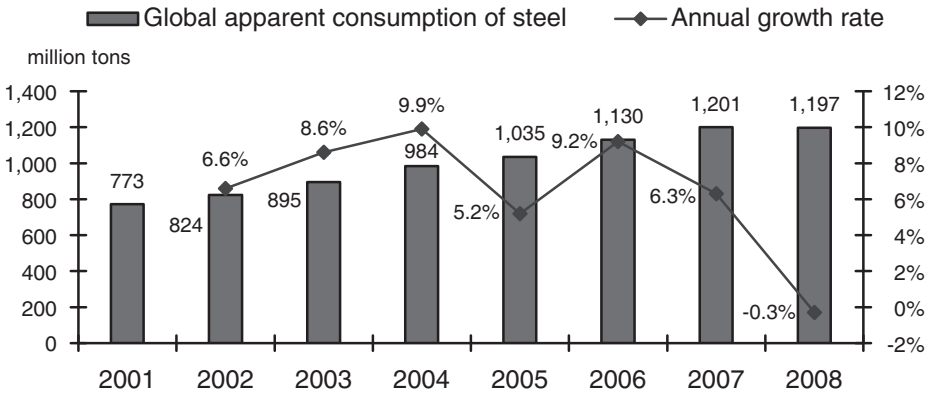
Source: China Statistics Yearbook (2008)

INDUSTRY OVERVIEW

International metallurgical engineering and construction

In general, the steady growth of the world economy in recent years has contributed to the demand for steel in many countries, especially in the emerging economies. From 2001 to 2007, the world consumption of steel grew rapidly. In 2007, the world apparent consumption of steel reached 1.2 billion tons, which represented an increase of 55% as compared to 2001. In 2008, mainly as a result of the global financial crisis and economic downturn, the world apparent consumption of steel recorded a slight 0.3% decease as compared to 2007, which was the first decrease since 2001. The following chart shows the global apparent consumption of steel and its growth rate for the periods indicated.

Global Apparent Consumption of Steel and Growth Rate, 2001-2008

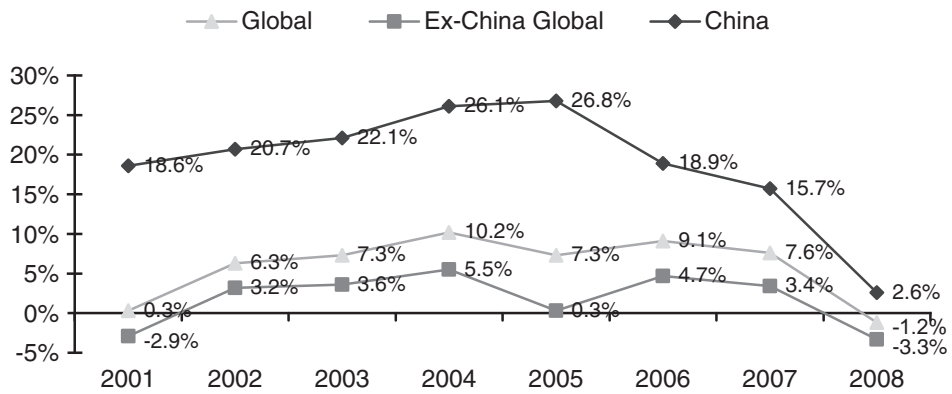


Source: AME Mineral Economics

The world's demand for steel has driven a steady growth in steel production in numerous countries. In particular, various emerging markets have experienced rapid growth in steel production. According to the World Steel Association, the world total crude steel output was 1,345 million tons in 2007, representing 7.6% growth over 2006, the fifth consecutive year of annual growth of over 7%. In 2007, the total crude steel output of 27 European countries was 210 million tons, representing 1.4% growth over 2006; in North America, it was 133 million tons and 0.7% growth; in Asia, 756 million tons and 11.8% growth; in the Commonwealth of Independent States, 124 million tons and 3.6% growth; and in South America, 48 million tons and 6.4% growth.

Since 2008, similar to the world consumption of steel, the world crude steel production recorded the first decrease in recent years primarily as a result of the impact of the global financial crisis. In 2008, world crude steel production was 1,330 million tons, representing a 1.2% decrease as compared to 2007. Although the growth in China's crude steel production slowed down in 2008, it still maintained a 2.6% growth rate and reached 502 million tons. The following chart shows the growth rate of crude steel output in China and the rest of the world for the periods indicated.

Growth Rate of Crude Steel Output, 2001-2008



Source: World Steel Association

RESOURCES DEVELOPMENT INDUSTRY

The resources development industry primarily includes the exploration, mining, processing, smelting and further processing of metallic and nonmetallic mineral resources. Our resources development business primarily focuses on base metals, including iron ore, nickel, copper, zinc and lead.

Iron Ore

Iron is primarily used to make steel. It is also used in the form of cast iron and forged iron. Iron and its compounds are also used to make magnets, pigments (ink, blueprinting paper and blush) and abrasives (rouge).

INDUSTRY OVERVIEW

Iron ore resources are mainly concentrated in countries such as Russia, Australia, Ukraine, Brazil and China. According to the most recent Mineral Product Summary issued by the United States Geological Survey (the "USGS"), the world's iron ore reserves as of December 31, 2008 amounted to 150 billion tons, which contained 73 billion tons of iron content. The iron ore reserve base was 350 billion tons, with 160 billion tons of iron content. The following table shows the iron reserves of major countries with iron resources as of December 31, 2008.

Distribution of Iron Reserves by Country

Country	Iron Reserves[1] (billion tons)	Iron Reserves[1] (%)	Iron Reserve Base[2] (billion tons)	Iron Reserve Base[2] (%)
Top five countries in reserves:				
Russia	14.0	19.2	31.0	19.4
Australia	10.0	13.7	28.0	17.5
Ukraine	9.0	12.3	20.0	12.5
Brazil	8.9	12.2	17.0	10.6
China	7.0	9.6	15.0	9.4
Other countries	24.1	33.0	49.0	30.6
Total	73.0	100.0	160.0	100.0

Source: USGS (January 2009)

(1) As defined by USGS, the reserve data in the table above refers to the part of the reserve base which could be economically extracted or produced at the time of determination.

(2) As defined by USGS, the reserve base data in the table above refers to the part of an identified resource that meets specified minimum physical and chemical criteria related to current mining and production practices, including those for grade, quality, thickness and depth.

Iron ore is the most important basic raw material used in the manufacture of steel. In recent years, as demand for iron and steel products has increased as a result of the development of the global economy, in particular the PRC economy, the demand for iron ore has grown steadily, which in turn has led to a continuous increase in the price of iron ore in the international markets. This has also stimulated, to a certain degree, the growth in the exploration and supply of iron ore. Recently, as a result of the weakened global economic conditions triggered by the financial crisis, demand for iron and steel has weakened, exerting to a certain extent downward pressure on the price of iron ore. The following table shows the production, consumption and price of iron ore globally between 2001 and 2008.

Global Iron Ore Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (million tons)	1,056	1,113	1,219	1,356	1,548	1,815	1,990	2,211	11.1%
Consumption (million tons)	1,052	1,109	1,213	1,355	1,548	1,815	1,990	2,211	11.2%
Ave annual nominal cash price (US$/t) — Fines	28.52	27.83	30.34	35.99	61.72	73.45	80.42	144.66	26.1%

Source: AME Mineral Economics

INDUSTRY OVERVIEW

The significant growth of steel output in China has driven the continued growth in demand for iron ore. Investments in the mining of iron ore in China have also increased in recent years. According to AME Mineral Economics, China's raw iron ore output has increased at a CAGR of 20.9% from 2001 to 2008. However, there remains a shortage of iron ore supply in China, and import of iron ore has steadily increased over this period. The following table shows China's output and consumption between 2001 and 2008.

China's Iron Ore Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (million tons)	218	231	261	310	426	588	683	824	20.9%
Consumption (million tons)	311	343	409	518	701	914	1,066	1,268	22.2%

Source: AME Mineral Economics

Nickel

Nickel is used primarily as an additive in making stainless steel, super heat-resistant alloys and various nickel-copper alloys. The super heat-resistant alloys and nickel-copper alloys are used in industrial applications that require resistance to corrosion and heat. Nickel is also used as the plating material for steel and plastics. As a result, nickel is broadly used in the food and beverage, medical and pharmaceutical, household products (such as kitchen cabinets), transportation and construction industries.

The world's nickel resources are mainly located in Australia, New Caledonia, Russia, Cuba and Canada, among other countries. According to a recent Mineral Product Summary issued by the USGS, as of December 31, 2008, the world's nickel reserves amounted to 70 million tons and the nickel reserve base was 150 million tons. The following table shows the nickel reserves of major countries with nickel resources as of December 31, 2008.

Distribution of Nickel Reserves by Country

Country	Nickel Reserves		Nickel Reserve Base	
	(million tons)	(%)	(million tons)	(%)
China	1.1	1.6	7.6	5.1
Top five countries in reserves:				
Australia	26.0	37.1	29.0	19.3
New Caledonia	7.1	10.1	15.0	10.0
Russia	6.6	9.4	9.2	6.1
Cuba	5.6	8.0	23.0	15.3
Canada	4.9	7.0	15.0	10.0
Other countries	19.8	28.3	58.8	39.2
Total	70.0	100.0	150.0	100.0

Source: USGS (January 2009)

INDUSTRY OVERVIEW

The global economic growth has fueled demand for stainless steel, resulting in a significant increase in demand for nickel, especially in China, Europe and Japan. Meanwhile, the supply of nickel sulfide is quite limited, resulting in a significant increase in the price of nickel in recent years. Faced with the steadily rising nickel price, nickel producers have resorted to mining nickel laterite with low mining values to increase output in recent years. Stainless steel producers also tended to use more substitutes of nickel. In addition, as a result of the downturn in the global economy, demand for stainless steel products has weakened, which has begun to exert downward pressure on the price of nickel. The following table shows the production, consumption and price of the refined nickel globally between 2001 and 2008.

Global Refined Nickel Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	1,164	1,187	1,216	1,254	1,284	1,367	1,459	1,387	2.5%
Consumption (thousand tons)	1,106	1,177	1,221	1,248	1,261	1,396	1,328	1,274	2.0%
Average annual nominal cash price (US$/t)	5,948	6,712	9,640	13,852	14,733	24,287	37,184	21,104	19.8%

Source: AME Mineral Economics

According to AME Mineral Economics, China's nickel output has grown rapidly in recent years in response to increasing domestic demand. The consumption of nickel has been growing rapidly and the demand has been partly met by imports. The following table shows China's output and consumption of refined nickel between 2001 and 2008.

China's Refined Nickel Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	53	57	67	77	96	152	222	207	21.5%
Consumption (thousand tons)	83	94	125	150	189	255	330	357	23.2%

Source: AME Mineral Economics

Copper

Copper is highly thermal-conductive, chemically stable, tensile, weldable, cost-efficient to recycle, anti-corrosive, plastic and ductile. Pure copper can be made into fine brass wire and thin copper foil. Copper can form alloys with zinc, tin, lead, manganese, cobalt, nickel, aluminum and iron and is primarily used in electronics, light industry, machinery, construction and national defense.

INDUSTRY OVERVIEW

Copper resources are mainly located in Chile, Peru, Mexico, Indonesia and the U.S. Among these countries, Chile has the most copper resources in the world, with 160 million tons of copper reserves, as of December 31, 2008, according to the USGS. As of December 31, 2008, the world's copper ore reserves amounted to 550 million tons and the copper ore reserve base was 1 billion tons. The following table shows the copper reserves of major countries with copper resources as of December 31, 2008.

Global Distribution of Copper Reserves by Country

Country	Copper Reserves		Copper Reserve Base	
	(million tons)	(%)	(million tons)	(%)
China	30.0	5.5	63.0	6.3
Top five countries in reserves:				
Chile	160.0	29.1	360.0	36.0
Peru	60.0	10.9	120.0	12.0
Mexico	38.0	6.9	40.0	4.0
Indonesia	36.0	6.5	38.0	3.8
U.S.	35.0	6.4	70.0	7.0
Other countries	221.0	40.2	372.0	37.2
Total	550.0	100.0	1,000.0	100.0

Source: USGS (January 2009)

In recent years, the demand for copper has been growing due to the booming global economy. Meanwhile, the output growth of refined copper is quite limited, resulting in a significant increase in the price of copper in recent years. Faced with the rapidly rising copper price, substitutes of copper have been increasingly used. This, coupled with the weakened global economic conditions since 2008, has had a negative impact on the price of copper in 2009. The following table shows the production, consumption and price of refined copper globally between 2001 and 2008.

Global Refined Copper Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	15,287	15,037	15,273	15,928	16,571	17,296	17,944	18,125	2.5%
Consumption (thousand tons)	14,700	15,079	15,539	16,800	16,758	17,151	17,848	17,983	2.9%
Average annual nominal cash price (US$/t)	1,874	1,819	2,035	3,188	3,966	6,730	7,298	6,922	20.5%

Source: AME Mineral Economics

From 2001 to 2008, China's consumption of copper grew at a CAGR of 11.0%, while the output growth of refined copper slightly outpaced the consumption growth at a CAGR of 14.0%. In recent years, China has relied on imports of refined copper to satisfy the demand in the domestic market. The following table shows China's output and consumption of refined copper between 2001 and 2008.

China's Refined Copper Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	1,513	1,608	1,831	2,222	2,544	3,003	3,491	3,791	14.0%
Consumption (thousand tons)	2,357	2,775	3,097	3,381	3,652	3,604	4,562	4,900	11.0%

Source: AME Mineral Economics

Zinc

Zinc is the third most commonly used non-ferrous metal, after copper and aluminum. Zinc is primarily used in the coating industry. Zinc can form alloys with many other non-ferrous metals, including zinc-aluminum alloys and zinc-copper alloys, which are widely used in casting. Composed of zinc, copper, tin and lead, brass is used in machinery manufacturing. Zinc plates containing small amounts of lead and cadmium can be made into cathodes of zinc-manganese dry batteries, printed zinc plates, powder-etched photoengraving printing plates and glue-based printing plates.

According to the USGS, as of December 31, 2008, global zinc reserves amounted to 180 million tons, with a reserve base of 480 million tons. Zinc reserves in Australia, China, Peru, the U.S. and Kazakhstan accounted for 67.2% of global reserves, and 70.8% of the global reserve base. The following table shows the zinc reserves of major countries with zinc resources as of December 31, 2008.

Global Distribution of Zinc Ore Reserves by Countries

Country	Zinc Reserves		Zinc Reserve Base	
	(million tons)	(%)	(million tons)	(%)
Top five countries in reserves:				
Australia	42	23.3	100	20.8
China	33	18.3	92	19.2
Peru	18	10.0	23	4.8
U.S.	14	7.8	90	18.8
Kazakhstan	14	7.8	35	7.3
Other countries	59	32.8	140	29.2
Total	180	100.0	480	100.0

Source: USGS (January 2009)

Prior to 2003, there was a surplus in the global zinc market. However, due to the rapid growth of the consumption of iron and steel products in Asia, especially in China, and other emerging markets, demand for zinc-coated steel has grown significantly in recent years, resulting in a rapid increase in demand for zinc. Since 2003, the surplus in the zinc market has gradually turned into a shortage, driving up zinc prices in the international market in recent years. Meanwhile, due to the growth in demand for and price of zinc, zinc producers worldwide have increased their investments in zinc exploration and mining, and some new and expansion projects have already commenced production. Therefore, global zinc output continued to increase from 2001 to 2008, except for a slight decrease in output in 2005. However, since 2008, the supply of zinc has exceeded its demand, which, coupled with the impact of the economic downturn, led to a decrease in the price of zinc in 2008. The following table shows the production, consumption and price of refined zinc globally between 2001 and 2008.

Global Refined Zinc Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	9,268	9,725	9,840	10,393	10,243	10,699	11,449	11,868	3.6%
Consumption (thousand tons)	8,917	9,373	9,839	10,654	10,616	10,981	11,316	11,616	3.8%
Average annual nominal cash price (US$/t) — Fines	886	778	829	1,047	1,389	3,272	3,250	1,868	11.2%

Source: AME Mineral Economics

China has rich zinc resources and has the second largest zinc ore reserves in the world. As one of the largest zinc producers in the world, China plays a critical role in the global zinc industry. The following table shows China's output and consumption of refined zinc between 2001 and 2008.

China's Refined Zinc Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	2,038	2,155	2,319	2,720	2,776	3,163	3,743	3,927	9.8%
Consumption (thousand tons)	1,500	1,750	2,155	2,690	3,041	3,115	3,597	3,919	14.7%

Source: AME Mineral Economics

Lead

Lead is mainly used to produce lead-based storage batteries. Lead alloys can be used for typecasts and soldering tins. Lead is also used in radiation or x-ray protective equipment.

INDUSTRY OVERVIEW

Lead resources are mainly located in Australia, China, U.S., Kazakhstan and Peru. According to the USGS, as of December 31, 2008, the world's lead reserves amounted to 79 million tons and the lead reserve base was 170 million tons. The following table shows the lead reserves of major countries with lead resources as of December 31, 2008.

Global Distribution of Lead Reserves by Country

Country	Lead Reserves (million tons)	Lead Reserves (%)	Lead Reserve Base (million tons)	Lead Reserve Base (%)
Top five countries in reserves:				
Australia	24.0	30.4	59.0	34.7
China	11.0	13.9	36.0	21.2
U.S.	7.7	9.7	19.0	11.2
Kazakhstan	5.0	6.3	7.0	4.1
Peru	3.5	4.4	4.0	2.4
Other countries	27.8	35.2	45.0	26.5
Total	79.0	100.0	170.0	100.0

Source: USGS (January 2009)

Driven by Asia's, in particular China's, industrialization, especially the significant growth in automobile consumption, the demand for lead has grown significantly, resulting in an increase in the price of lead in the international market in recent years. Meanwhile, the growth in demand and the increase in price has prompted lead producers to further increase investments in exploration and mining of lead in recent years, and a number of new projects and expansion projects have already been completed and production has commenced, resulting in an increase in lead output. However, in 2008, the supply of lead has gradually exceeded its demand, which, coupled with the impact of the economic downturn, resulted in a decrease in the price of lead. The following table shows the production output, consumption and average price of refined lead globally between 2001 and 2008.

Global Refined Lead Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons)	6,028	6,125	6,787	6,999	7,637	7,925	8,135	8,730	5.4%
Consumption (thousand tons)	6,840	6,635	6,844	7,296	7,801	8,062	8,147	8,582	3.3%
Average annual nominal cash price (US$/t) — Fines	476	452	516	888	976	1,287	2,596	2,075	23.4%

Source: AME Mineral Economics

Currently, China is the largest producer and consumer of lead in the world. The industrialization process in China has contributed to a significant increase in demand for lead in recent years. Furthermore, China has increased investments in lead smelting and mining in recent years, resulting in a significant increase in its lead smelting capacity. The following table shows China's output and consumption of refined lead between 2001 and 2008.

China's Refined Lead Market

	2001	2002	2003	2004	2005	2006	2007	2008	CAGR
Production (thousand tons) . .	1,172	1,325	1,564	1,934	2,391	2,715	2,788	3,149	15.2%
Consumption (thousand tons)	700	965	1,183	1,510	1,973	2,213	2,573	3,052	23.4%

Source: AME Mineral Economics

Major Characteristics of China's Mineral Resources

Large and Comprehensive Resource Base

China is rich in minerals and has a large base of identified mineral resources and reserves. China's mineral base includes a broad spectrum of key minerals including coal, iron, copper, aluminum, lead, molybdenum, titanium, tin and zinc.

Low Per Capita Resources and Shortages in Certain Mineral Resources

Although China is rich in mineral resources, China's large population results in low per capita amounts of mineral resources. China has significant shortages in diamonds, platinum and chromium.

Broad Range of Ore Quality

China has both high-quality mineral ores and low-quality ores with complicated compositions. China's high quality mineral resources include tungsten, tin, rare earth elements, molybdenum, antimony, talcum, magnesium and graphite. China's resources of iron, manganese, aluminum, copper and phosphorus are often low-grade ores with complicated mineralogies that are difficult to process.

Large Proportion of Identified Resources and Reserves with Low Geological Value

Among China's total identified resources and reserves, the proportion of reserves and reserve base is relatively low. The amount of economically mineable resources and reserves is also relatively low as compared to the amount of resources and reserves that have a low level of economic mineability or have undefined economic value. In addition, the amounts of indicated resources and reserves and inferred resources and reserves are relatively high as compared to the amount of measured resources and reserves.

Good Prospects for Identifying Additional Mineral Resources Through Exploration

China has significant potential for locating additional oil, natural gas, gold and copper resources. The underlying and surrounding areas of existing mines and the western regions of China have significant exploration potential.

INDUSTRY OVERVIEW

EQUIPMENT MANUFACTURING INDUSTRY

The equipment manufacturing industry supplies a variety of technical equipment to meet the needs of all areas of national economic development and national security. Equipment manufacturing products include machinery and electronics products. The equipment manufacturing industry is generally classified into seven major groups, namely, the metal products manufacturing industry, general equipment manufacturing industry, specialized equipment manufacturing industry, transportation equipment manufacturing industry, electric equipment and material manufacturing industry, electronics and communication equipment industry, and instrument-and-meter manufacturing and office machinery manufacturing industry. These seven groups are further classified into 185 sub-groups. The equipment manufacturing industry is a strategic industry for other areas of the national economy as well as for national defense and is an important indicator of a country's overall economic strength and capabilities in science and technology.

The acceleration of China's industrialization has led to the upgrading and invigoration of China's equipment manufacturing industry, resulting in growing demand for products of the equipment manufacturing industry. Growth of domestic demand has also become the primary driving force behind the development of the equipment manufacturing industry. There are various infrastructure and other key projects aiming to support and further the national economic development. These show the need for China's equipment manufacturing industry to provide major technical equipment with increased technological standards.

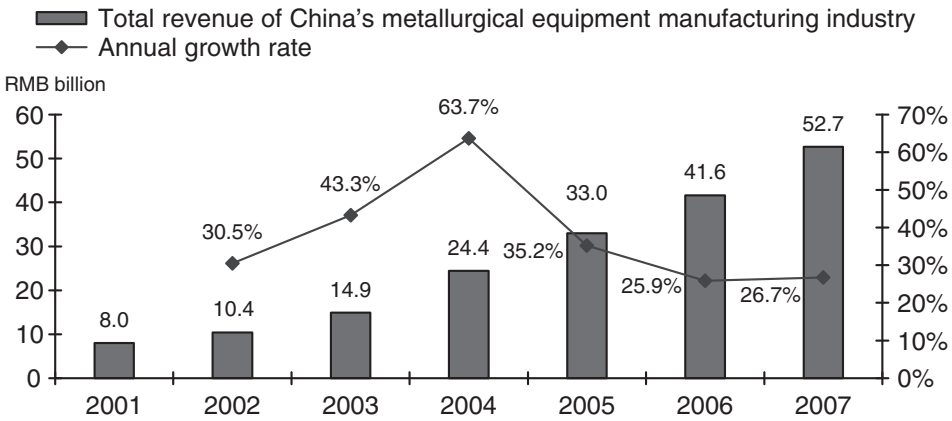
Our equipment manufacturing products primarily comprise specialized metallurgical equipment and steel structures.

Specialized Metallurgical Equipment

Specialized metallurgical equipment refers to both specialized equipment for metal smelting, rolling and casting and integrated equipment sets, including pelletizing equipment, sintering equipment, coking equipment, iron smelting equipment, steel smelting equipment, metal rolling machinery, general metallurgical casting equipment and specialized metal equipment parts.

In recent years, with the rapid growth of China's metallurgical industry, China's demand for specialized metallurgical equipment has continued to grow, resulting in a steady increase in the output of specialized metallurgical equipment. The following chart shows the total revenue of China's metallurgical equipment manufacturing industry and its growth rate for the periods indicated.

Total Revenue of China's Metallurgical Equipment Manufacturing Industry and Growth Rate, 2001-2007



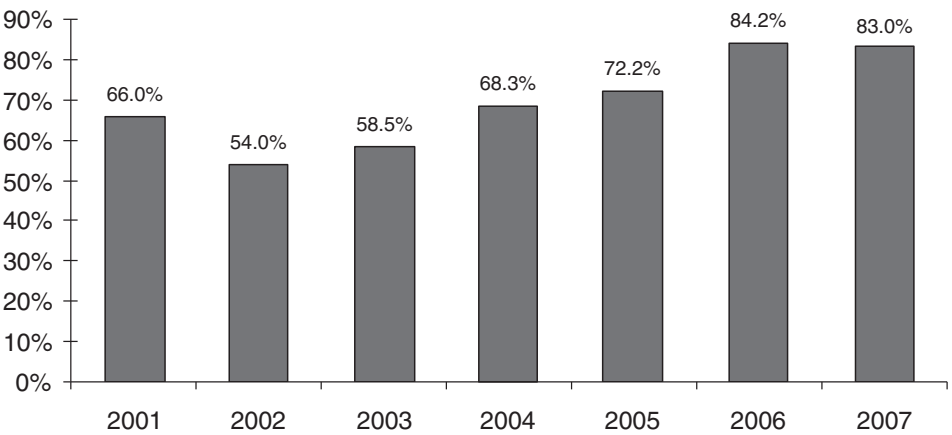
Source: China Heavy Machinery Industry Yearbook (2007-2008)

The supply of advanced large-scale integrated metallurgy equipment used in China was once monopolized by internationally renowned heavy equipment manufacturers. After China's accession into the WTO, notwithstanding the accompanying significant downward adjustment of import duties, domestic heavy equipment manufacturers have increased their market share in the domestic market and enhanced their ability to design and manufacture integrated equipment.

The Opinions on Accelerating the Invigoration of the Equipment Manufacturing Industry (《國務院關於加快振興裝備製造業的若干意見》) promulgated by the State Council on June 23, 2006 provides guidelines on how to reduce the dependence on imports for 16 types of major technical equipment, including major integrated metallurgical equipment. This is expected to further promote the development of China's equipment manufacturing industry, including the development of specialized metallurgical equipment manufacturing, and its capability of innovation.

The following chart shows the market shares in China held by domestic producers for the periods indicated.

Market Shares of Domestic Metallurgical Equipment Manufacturers in China, 2001-2007



Source: China Heavy Machinery Industry Yearbook (2007-2008)

The growth of China's specialized metallurgical equipment manufacturing industry primarily benefits from the following two factors:

Overall growth of China's iron and steel industry driving the demand for specialized metallurgical equipment

From 2001 to 2008, China's crude steel output grew at a CAGR of 18.7%. The rapid growth in production capacity of the iron and steel industry has fueled the demand for specialized metallurgical equipment. In 2008, the growth of China's crude steel output has slowed down due to the adverse global and domestic economic conditions. However, according to China's iron and steel industry policy and its plan for the overhaul and invigoration of China's equipment manufacturing industry promulgated by the State Council in early 2009, policies requiring adjustment of the industry structure and geographic distribution of enterprises, enhancing the technological standards of the iron and steel industry, and eliminating the obsolete production capacity are expected to drive the growth of the iron and steel industry, thus increasing the demand for technologically advanced specialized metallurgical equipment.

The PRC Government's industrial policies facilitating the growth of China's specialized metallurgical equipment manufacturing industry

During the period in which China's iron and steel industry and metallurgy industry underwent large-scale construction of production facilities, the demand for specialized metallurgical equipment was largely met through imports due to the limited domestic manufacturing capabilities and technological limitations. In recent years, with the iron and steel industry growing rapidly, the PRC Government has encouraged the domestic manufacturing of specialized metallurgical equipment.

The Eleventh Five-Year Plan of Researching and Developing Major Equipment and Industrial Technologies provides that the research of eight types of major technological equipment in the energy, materials and machinery manufacturing industries should be based on the major national projects, including "researching and manufacturing the key large-scale manufacturing equipment of wide thin strip steel and wide thick strip steel: large-scale integrated wide strip steel cold-hot rolling equipment (including wide strip steel hot-and-direct rolling equipment, and template and thickness control technologies); continuous cold rolling template and thickness control technologies, strip steel continuous annealing equipment, stretching and straightening technologies and equipment; and large-scale key equipment manufacturing medium plate." As for the manufacturing of specialized non-ferrous metallic metallurgical equipment, the PRC Government has taken actions to promote the application of advanced technologies, strengthened the development of new technologies and new techniques, facilitated the commercialization of advanced new technologies, accelerated the elimination of obsolete technologies and techniques, and enhanced the quality and profitability of the non-ferrous metals industry.

In February 2009, the State Council approved in principle the Plan on the Overhaul and Invigoration of the Equipment Manufacturing Industry (the "Plan") in an effort to facilitate the adjustment and upgrading of the industry structure and to enhance the overall competitiveness of China's equipment manufacturing industry. According to the Plan, in order to accelerate the invigoration of the equipment manufacturing industry, localization of major technical equipment must be carried out on a large scale through the development of China's key projects. Also, innovation must be enhanced through increased investments in technological improvements, with a view to significantly improving basic component manufacturing and basic technological standards. Furthermore, corporate mergers and restructuring as well as upgrading of products must be accelerated, with a view to facilitating optimization and upgrading of the industry structure and enhancing the overall competitiveness of the industry. The

adoption of the Plan has reinforced the PRC Government's resolution to further develop China's equipment manufacturing industry and to transform China into a leading equipment manufacturer.

In light of supportive government policies and in order to increase their competitiveness to meet market needs, metallurgical equipment manufacturers in China have increasingly focused on developing new technologies and processes, researching and developing high value-added products, and expanding into overseas markets. China's specialized metallurgical equipment manufacturing industry is expected to migrate from low-end to high-end production, to replace imports with independent domestic innovations, and to enhance the industrialization of core technologies.

Steel Structures

Steel structures refer to various types of structures that are composed of steel and connected by welding or fastening pieces, and are primarily used in industrial and civil engineering, railway and expressway bridges, power plant frame structures, power transmission and transformation towers, radio and television broadcasting towers, offshore petroleum platforms, petroleum and gas pipelines, public works construction and national defense and military applications.

Steel structures are lightweight, strong and seismic-resistant, suitable for industrial production, and require relatively short construction and installation periods. As compared to steel-concrete structures, steel structures have advantages not only in height, scale and weight, but also in energy conservation, environmental protection and recyclability, meeting the requirements of sustainable development. As a result, steel structures are widely used in the construction industry. In general, steel structures are categorized into high-standing high-rise steel structures, residential steel structures, plant-facility steel structures, large-span spatial steel structures and bridge steel structures.

As steel structures have been widely used in the construction industry, the steel structure manufacturing industry has grown significantly. As China's construction industry continues to grow, the steel structure manufacturing market is expected to enter a phase of rapid development.

PROPERTY DEVELOPMENT INDUSTRY

Overview

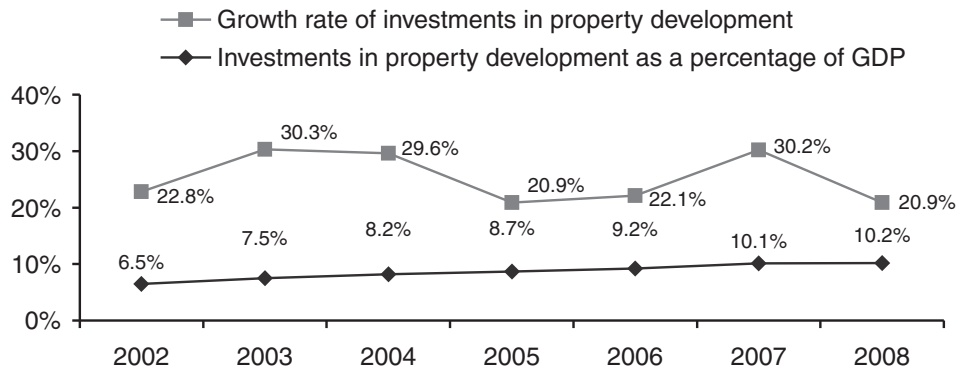
The property development industry is closely linked to many other industries and is a core driver of the general economy. Since China implemented the housing reform in 1998 to abolish the welfare-oriented public housing distribution system, China's property development industry has experienced significant growth.

China is in the development stage of industrialization and rapid urbanization. The steady growth in the overall economy and the increase in the level of per capita income and rapid urbanization have fueled the housing demand. Moreover, the continous rise in living standards has driven the need for housing improvements. These forces have driven the rapid growth in China's property development market for more than a decade and are the factors required for the continuing growth of the property development industry.

Continued Growth in Investments in Property Development

From 2002 to 2008, property development investments continued to grow in China. Investments in property development grew at an average rate of approximately 25% each year from 2002 to 2004. Affected by the PRC Government's macroeconomic control measures, the growth of property development investments began to slow down in 2005. From 2006 to 2007, property development investments resumed their upward trend. Recently, due to the changes in global and Chinese economic conditions, investments in property developments have slowed down, with the growth rate declining to 20.9% in 2008. The following chart shows the growth rate of property development investments and their percentage of China's GDP for the periods indicated.

Growth Rate of Investments in Property Development in China and Their Percentage of China's GDP, 2002-2008

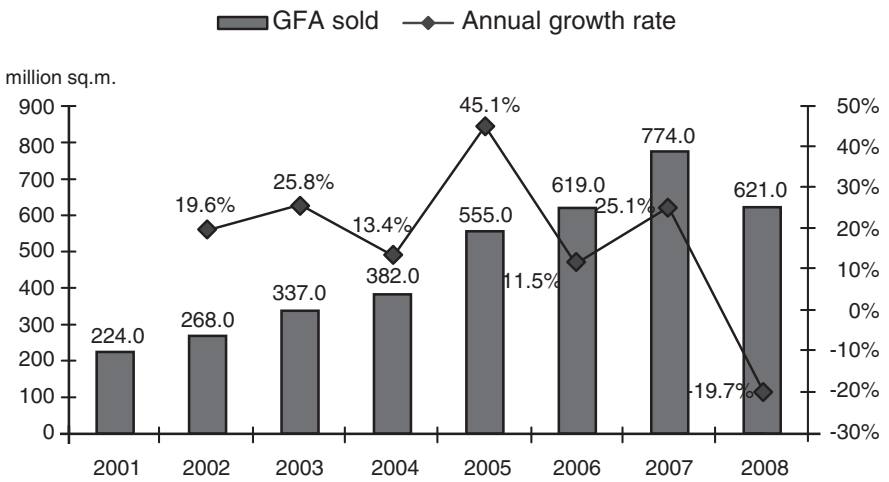


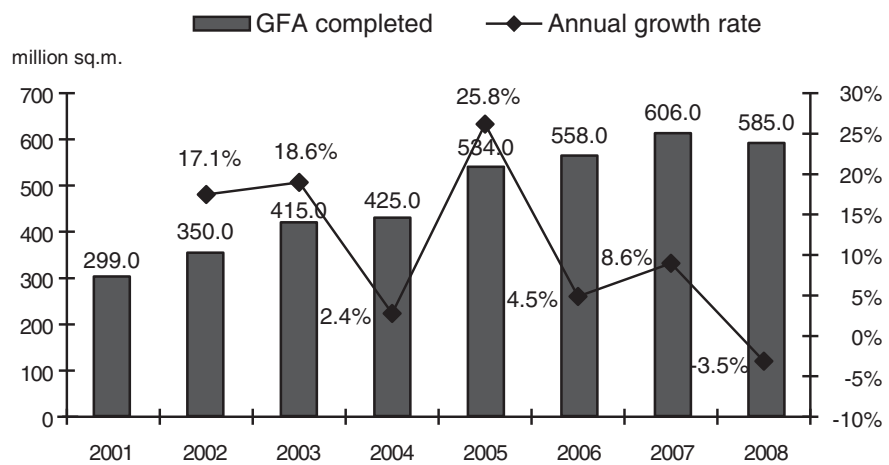
Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

Contemporaneous Growth of Construction and Sales of Commodity Properties

With the Chinese economy experiencing continuous growth and its urbanization rate increasing, the nationwide GFA of commodity properties sold and sales revenue grew steadily from 1999 to 2007. Before 2004, the GFA of commodity properties completed had been higher than the GFA sold. Since 2005, the GFA sold has outpaced GFA completed, demonstrating the growing demand with the supply slightly lagging behind demand. As a result of the changes in global and Chinese economic conditions, both total GFA sold and total GFA completed decreased in 2008, with total GFA sold decreasing at a faster pace than total GFA completed. However, total GFA sold still remained higher than total GFA completed in 2008. The following charts show the GFA sold and the GFA completed of commodity properties in China and their growth rates for the periods indicated.

GFA Sold and GFA Completed of Commodity Properties in China, 2001-2008



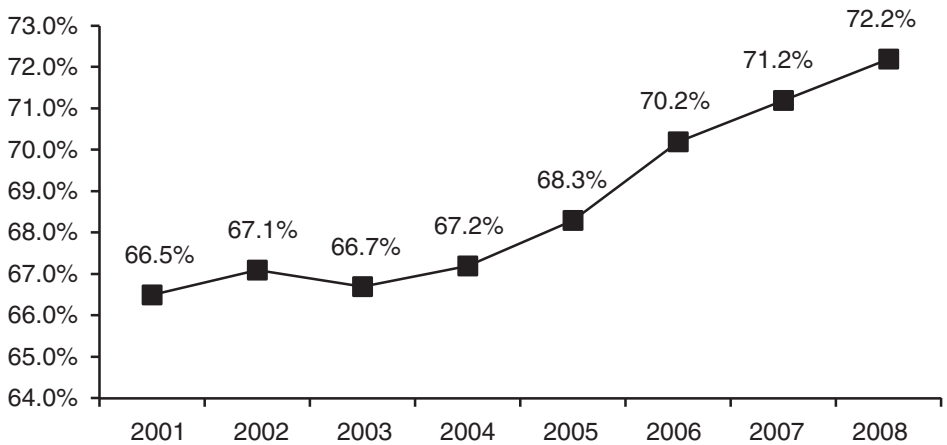


Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

Dominance and Slightly Increasing Proportional Share of Residential Properties in Total Investments in Property Development

Since 2000, investments in residential property development have consistently accounted for a significant portion of China's total investments in property development. Since 2004, the growth rate of investments in commodity residential properties has consistently exceeded the growth rate of investments in overall property development. The structure of property development investment has improved, with the investment focus further shifted toward residential properties. According to the National Bureau of Statistics, China's total investments in residential property development were approximately RMB1.36 trillion in 2006, accounting for 70.2% of overall investment in property development, which represented a slight increase over the previous year. This was the first time that such percentage exceeded 70%, and it has since continued to rise. In 2008, total investments in residential property developments reached 72.2% of overall investment in property development. The following chart shows the investments in residential property development as a percentage of investments in overall property development in China for the periods indicated.

Investments in Residential Property Development as a Percentage of Investments in Overall Property Development in China, 2001-2008



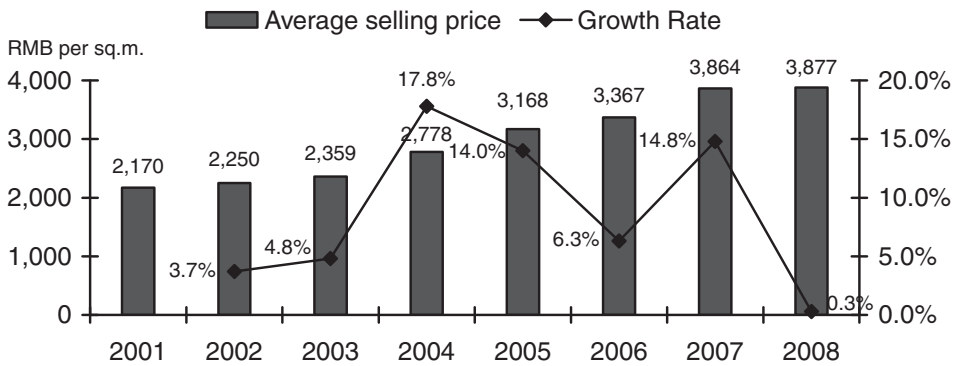
Sources: China Statistics Yearbook (2008); Statistical Communique of the PRC on the 2008 National Economic and Social Development

Commodity Property Prices Continuing to Increase from 2001 to 2008

Since 2004, the PRC Government has adopted a series of measures to discourage speculations in the residential property market, increase the supply of social welfare housing and control the overall price increases in China's property market, such as the Notice on Ensuring the Stabilization of the Prices of Residential Properties (《關於切實穩定住房價格的通知》) promulgated by the General Office of the State Council on March 26, 2006 to stabilize the prices of residential properties, the Six Measures to Promote the Healthy Growth of the Property Development Industry (《促進房地產業健康發展的六項措施》) (the "Six Measures") promulgated by the State Council on May 17, 2006, and Forwarding the Notice of the Opinions of the Ministry of Construction and Other Government Branches on Adjusting the Supply Structure of Residential Housing and Stabilizing the Housing Prices (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》) promulgated by the General Office of the State Council on May 24, 2006 to implement the Six Measures and regulate the sizes of residential units, the quantities of small residential units and the mortgage payments of residential properties and to protect the interests of low-income families.

According to the National Bureau of Statistics, the average selling price of commodity properties in China increased continuously from 2001 to 2008. Property prices began to increase significantly and the rate of increase peaked in 2004. In 2007, the average selling price of commodity properties in China was RMB3,864 per sq.m., which represented an annual increase of 14.8%. As a result of the changes in global and Chinese macroeconomic conditions, the growth rate of the average selling price of commodity properties in China has begun to slow down significantly in 2008. The following chart shows the average selling price of commodity properties and its growth rate for the periods indicated.

Average Selling Price of China's Commodity Residential Properties and Growth Rate, 2001-2008



Sources: China Statistics Yearbook (2008); National Bureau of Statistics, Real Estate Market Operation Conditions in 2008

PRC Government's Investment Plan for Social Welfare Housing Unveiled in Late 2008

In late 2008, the MOHURD unveiled a RMB900 billion social welfare housing investment plan in an effort to foster domestic demand to cope with the current economic crisis and to safeguard housing for medium- and low-income residents. According to the plan, two million units of low-rent housing and four million units of social welfare housing will be added in the three-year period following the announcement of the plan. Meanwhile, over one million housing units located in forestry, agricultural and mining areas will be renovated. Investments are expected to be RMB900 billion in aggregate, or an average of RMB300 billion per year during the period.

PRC Government's Macroeconomic Regulation of Property Development

Since 2003, the PRC Government has implemented certain measures to control conditions leading to local and structural overheating in the property development industry. Since April 2002, the State Council and other relevant authorities have issued a series of rules and notices to strengthen the management of state-owned land assets and rectify and regulate the property and land market. Since 2008, with the influence of the changes in global economic conditions, the PRC Government has also introduced certain new regulatory policies aiming to maintain the stability of the property market. The key regulatory measures are set out below:

- Since July 1, 2002, land for property development purposes may be granted only through public tender, auction or listing-for-sale; procedures and legal liabilities were specified in connection with transferring various kinds of lands for property development purposes through public tender, auction or listing-for-sale, thus standardizing the land supply activities;
- On April 26, 2004, the State Council issued the Circular on Adjusting the Capital Funds Requirement for Fixed Assets Investment Projects of Selected Industries (《國務院關於調整部分行業固定資產投資項目資本金比例的通知》) to raise the capital funds requirement for cement,

electrolytic aluminum and property development (other than economically affordable housing) industries from 20% to no less than 35%;

- On August 30, 2004, the CBRC promulgated the Guidelines on the Risk Management of Commercial Banks Property Loans (《商業銀行房地產貸款風險管理指引》), which required commercial banks to strictly control and prohibit construction contractors from advancing funds to property development projects, required property developers to have own funding of no less than 35% of the total investments for a project, and required monthly payment by property buyers to be not more than 50% of their monthly income;
- On March 17, 2005, the PBOC increased the mortgage interest rates for individual residential housing;
- On June 1, 2005, the State Administration of Taxation imposed a business tax of 5% on sales of properties within two years of purchase by individuals;
- The CBRC requires property developers to obtain all "four certificates" (namely, the land use right certificate, the construction land planning permit, the construction work planning permit and the construction work commencement permit) before obtaining loans for property development. In addition, the borrowing property developers must have development qualifications of at least level two and have a project capital ratio of at least 35%;
- With regard to the integrated administration of taxation of the property industry, the State Administration of Taxation proposed to replace the "voluntary payment" of LAT and individual income taxes by mandatory collection;
- In July 2006, the State Council and nine ministries adopted macroeconomic control measures, including the Six Measures and the Opinions on Adjusting Residential Housing Supply Structure and Stabilizing Residential Housing Prices (《關於調整住房供應結構穩定住房價格的意見》) to adjust the structure of the property industry with regard to prices, taxation, construction design and planning, including imposing a business tax on sales of properties within five years of purchase;
- On July 14, 2006, the Ministry of Construction promulgated the Several Opinions on Implementing the Structural Ratio Requirement for New Residential Properties (《關於落實新建住房結構比例要求的若干意見》) to clarify the size ratio in new residential buildings: among the total GFA of new commodity residential buildings approved and constructed in each city each year, at least 70% of the residential units must have a GFA of less than 90 sq.m.;
- On July 26, 2006, the State Administration of Taxation issued the Notice on Collecting Individual Income Taxes on the Incomes from Individuals' Transfer of Used Property (《徵收個人二手房轉讓所得稅通知》), imposing mandatory tax on the incomes from transferring used property;
- On December 28, 2006, the State Administration of Taxation issued the Notice on the Relevant Issues Concerning the Management of Settling Land Appreciation Tax with Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》), requiring the settlement of LAT by each property development project since February 2007;
- In August 2007, the State Council promulgated the State Council's Opinions on Resolving the Low-income Households' Housing Difficulties (《國務院關於解決城市低收入家庭住房困難的若干意見》), emphasizing the need to redouble efforts to provide low-rent housing and social welfare housing;
- In September 2007, the PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (《關於加強商業性房地產信貸管理的通知》) to further

strengthen the administration of property development loans, land reserve loans, residential housing consumption loans and commercial properties mortgage loans;

- In January 2008, the State Council promulgated the Notice on Promoting the Efficient and Collective Land Usage (《關於促進節約集約用地的通知》) to promote the economic use of land. The key provisions include: land that has been idle for two years becomes revocable without compensation under the law and such land shall be assigned to new uses; collection of 20% of the land grant or allocation amount as a land idleness fee on land that has been idle for one to two years; all provinces, autonomous regions and municipalities shall submit a special report to the State Council on the status of unused land by June 2008; land for operational uses, including industrial, commercial, tourism, entertainment and commodity residential properties (including ancillary land for office, scientific research and training uses), as well as land which has two or more intended users, is required to be transferred through public tender, auction or listing-for-sale procedures;
- On October 17, 2008, the State Council held an executive meeting, proposing that more efforts were required to develop social welfare housing and to lower housing-related business taxes;
- On November 12, 2008, the MOHURD unveiled a RMB900 billion social welfare affordable housing investment plan. According to the plan, two million units of low-rent housing and four million units of social welfare housing will be built in the next three years. Meanwhile, over one million housing units in shanty towns built in forested, agricultural and mining areas will be renovated. Investments are expected to be RMB900 billion in aggregate, or an average of RMB300 billion per year in the next three years;
- On November 27, 2008, the NDRC indicated that RMB280 billion out of the RMB4 trillion stimulus plan will be earmarked for social welfare housing projects;
- On December 22, 2008, the PBOC announced that the floor of commercial mortgage interest rates for individual residential housing would be lowered to 70% of the benchmark lending rate. The minimum down payment ratio requirement was adjusted to 20% of the total purchase price, and the interest rate on housing fund loans was also lowered;
- On December 23, 2008, the PBOC lowered the benchmark lending rate for the fifth time in 2008. The rate was lowered by a total of 216 basis points during 2008;
- On December 29, 2008, the MOF and the State Administration of Taxation jointly promulgated the Notice on the Business Tax Policies on Housing Transfers by Individuals (《關於個人住房轉讓營業税政策的通知》), shortening the holding period applicable to the transfer of ordinary housing by individuals in 2009 from five years to two years, beyond which such transfer will be exempted from business tax; and
- In May 2009, the State Council promulgated the Notice on Adjusting the Capital Funds Requirement for Fixed Assets Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), adjusting the capital funds requirement for social welfare housing and ordinary commodity residential property projects to no less than 20% and for other property development projects to 30%.

REGULATIONS ON ENGINEERING AND CONSTRUCTION

Principal Regulatory Authorities

The NDRC and the local development and reform commissions are responsible for administering the planning, review and approvals of fixed assets investment construction projects.

The MOHURD and the local administrative authorities for construction are responsible for the administration of the requirements and qualifications of entities in the construction industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards, and the supervision and administration of industry quality standards.

The MOFCOM and the local administrative authorities for commerce are responsible for the supervision and administration of the qualifications and project bidding of, and the establishment of any overseas company through outbound investments by, enterprises engaging in overseas contract construction projects, as well as foreign investments in the construction industry.

The Ministry of Transport and the local administrative authorities for transportation are responsible for administering highways and waterways construction markets, and implementing unified leadership and multi-level oversight for the administration of highways and waterways construction projects.

The State Administration of Work Safety and the local administrative authorities for work safety are responsible for the supervision and administration of work safety of construction projects in China.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the administration of environmental protection of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of the qualifications of entities that conduct evaluation of the environmental impact of contraction projects, and the inspection of environmental protection facilities of construction projects.

The State Administration of Quality Supervision and the local administrative authorities for quality supervision, inspection and quarantine are responsible for the supervision of product quality and safety, the administration of product quality and safety-related matters, including mandatory inspection, risk monitoring and control, the monitoring and selective examination and exemption from examination by the state, and the administration of production permits for industrial products.

Principal Regulations

Enterprises engaged in engineering and construction activities are subject to a series of laws and regulations promulgated by the PRC Government, including the Construction Law of the PRC (《中華人民共和國建築法》), the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Regulations on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》), the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》), the Rules on Administration of Foreign-Invested Construction Enterprises (《外商投資建築業企業管理規定》), the Measures on Administration of Tenders for the Design of Construction Projects (《建築工程設計招標投標管理辦法》), the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), and the Guidance Opinions on Fostering and Developing EPC Contracting and Project Management Enterprises (《關於培育發展工程總承包和工程項目管理企業的指導意見》). These laws and regulations set forth the qualifications for such businesses as consultancy, survey and design, construction, and supervision in the contract

project construction industry, invitation for and tendering bids for construction projects and the quality of construction projects.

Qualifications Requirements

Under the Construction Law of the PRC and other relevant laws and regulations, enterprises engaged in consultancy, survey and design, construction, supervision, EPC contracting and environmental impact assessment businesses related to construction projects shall engage in construction activities limited to the scope set out in their qualifications.

Qualifications for Project Consultancy

Pursuant to the Methods to Determine the Qualifications of Project Consultancy Entities (《工程諮詢單位資格認定辦法》), entities engaged in project consultancy shall obtain the project consultancy qualification certificate issued by the NDRC in accordance with the laws and regulations and conduct the relevant project consultancy businesses in accordance with the certificate. The professional qualifications for project consultancy entities are categorized into 31 specialties, their scope of services includes eight items and the qualifications are classified into Class A, Class B and Class C.

Qualifications for Survey and Design Enterprises

Pursuant to the Regulations on the Administration of Qualifications of the Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》), enterprises engaged in construction project survey and design in China shall obtain the qualifications certificate for construction project survey and design and shall engage in construction project survey and design activities within the scope permitted by their qualifications.

Project survey qualifications are classified into comprehensive qualifications, specialty project survey qualifications and project survey labor qualifications. There is only Class A category for comprehensive qualifications. Specialty project survey qualifications are classified into Class A and Class B, and based on the nature and technical characteristics of the relevant construction projects, there may be Class C category for certain specialties. There is no classification for project survey labor qualifications. Any enterprise that has obtained the comprehensive qualifications may undertake all types (other than survey related to marine construction projects) and classes of construction project survey business. Any enterprise that has obtained the specialty project survey qualifications may undertake project survey business commensurate with the class and specialty of such qualifications. Any enterprise that has obtained the project survey labor qualifications may undertake project survey-related labor services such as ground construction administration, drilling projects and pit sinking projects.

Project design qualifications are classified into comprehensive project design qualifications, industry-specific project design qualifications, specialty project design qualifications and specialized project design qualifications. There is only Class A category for comprehensive project design qualifications. Industry-specific project design qualifications, specialty project design qualifications and specialized project design qualifications are each classified into Class A and Class B. Based on the nature and technical characteristics of the relevant construction projects, there may be Class C category for certain industry-specific, specialty and specialized project design qualifications, and Class D category for specialized construction project qualifications. An enterprise which has obtained comprehensive project design qualifications may undertake the design business for construction projects in any industry and of any class. An enterprises which has obtained industry-specific project design qualifications may undertake the project design business in accordance with the Class of the qualifications as well as the related specialty and specialized project design businesses (other than those requiring integrated design and

construction qualifications) in the same industry and of the same class. An enterprise which has obtained specialty project design qualifications may undertake the project design business within the relevant specialty commensurate with the Class of the qualifications as well as the related specialized project design business (other than those requiring integrated design and construction qualifications) of the same class. An enterprise which has obtained the specialized project design qualifications may undertake the specialized project design business in accordance with the Class of the qualifications.

Qualifications for General Construction Contractors and General Specialty Contractors

Pursuant to the Regulations on Administration of Qualifications of Construction Enterprises, qualifications for construction enterprises are divided into three groups, namely general construction contracting, specialty contracting and labor subcontracting. Each group is divided into various categories of qualifications according to the nature and technical characteristics of the relevant construction projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

An enterprise which has obtained the general construction contracting qualifications may undertake general construction contracting projects. A general construction contracting enterprise may undertake the construction of each specialty project in its general construction contracting project, or subcontract any specialty projects or labor works to specialty contracting enterprises or labor subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained the specialty contracting qualifications can undertake specialty construction projects subcontracted by the general construction contractor and those contracted out by a construction entity in accordance with the relevant regulations. A specialty contracting enterprise may undertake the construction of all of its specialty projects or subcontract any labor works to labor service subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained the labor subcontracting qualifications can provide labor services subcontracted by the general construction contractor or specialty contractor.

Qualifications for Project Supervision Enterprises

Pursuant to such regulations as the Regulations on the Administration of Qualifications of Project Supervision Enterprises (《工程監理企業資質管理規定》) and the Opinions for the Implementation of the Regulations on the Administration of Qualifications of Project Supervision Enterprises (《工程監理企業資質管理規定實施意見》), qualifications for project supervision enterprises are classified into general qualifications, specialty qualifications and firm qualifications. There is no classification for general qualifications. Specialty qualifications are divided into Class A and Class B, and there may be a Class C category for the specialty qualifications for building construction, irrigation and hydro-electricity works, highway and municipal public utilities projects. Furthermore, based on the nature and technical characteristics of the related projects, specialty qualifications are classified into different project types, and among them, the supervisions for smelting projects include five types, including iron and steel smelting and continuous casting projects, steel rolling projects, auxiliary smelting projects, non-ferrous smelting projects and building materials projects.

Qualifications for EPC Contracting

Pursuant to such regulations as the Guidance Opinions on Fostering and Developing EPC Contracting and Project Management Enterprises (《關於培育發展工程總承包和工程項目管理企業的指導意見》) (建市[2003]30號文)) issued by the Ministry of Construction, engineering companies with comprehensive

functions of design, procurement and construction (construction management) may undertake EPC contracting businesses within the scope of the projects permitted by the classes of its survey and design, and general construction contracting qualifications. Project survey, design and construction enterprises may also form a consortium to undertake a joint EPC contracting for a project.

Qualifications for Environmental Impact Assessment

Pursuant to the Regulations on the Administration of Qualifications for Assessment of Environmental Impact of Construction Projects (《建設項目環境影響評價資質管理辦法》), an organization entrusted to provide technical services for assessment of the environmental impact of construction projects must obtain the Certificate of Qualifications for Assessment of Environmental Impact of Construction Projects (《建設項目環境影響評價資質證書》) and may then provide technical services for environmental impact assessment within the qualifications class and evaluation scope stipulated in such certificate. The environmental impact assessment qualifications are divided into Class A and Class B.

Project Tenders and Bidding

A variety of regulations such as the Construction Law of the PRC, the Tender Law of the PRC and the Measures on Administration of Tenders for the Design of Construction Projects set forth the procedures of the invitation for and tendering bids for survey, design, construction and supervision of construction projects and certain related matters.

Pursuant to the Construction Law of the PRC, the invitations for bids and tenders for the outsourcing and contracting of a construction project shall comply with principles of transparency, impartiality and equal competition, and the contracting party shall be selected based on merits.

Pursuant to the Tender Law of the PRC, an invitation for tender is required for the following construction projects (including the survey, design, construction and supervision of and the procurement of important equipment and materials related to such projects): large-scale infrastructure, public utilities and other projects that relate to general public interests and public security; projects that utilize in whole or in part the investment of the state-owned fund or financed by the PRC Government; and projects financed with loan or financial aids from such entities as international organizations and foreign governments. The tender and bidding process includes five phases: invitation for tender, bid submission, bid opening, bid evaluation, and bid granting.

Invitations for tender are categorized as public tender and tender by invitation. Any of the key state projects confirmed by the development and planning department of the State Council, and the key local projects confirmed by the government of a province, autonomous region or municipality, that is not suitable for public tender may be tendered by invitation, subject to the approval of the development and planning department of the State Council or the government of the relevant province, autonomous region or municipality.

A bidder shall have the capability to undertake the project subject to the tender; if any PRC regulations or the documents of the invitation for tender set forth any qualification conditions for the bidder, the bidder shall meet the required qualification.

Bid opening shall be made at the same time as the deadline for the submission of bid documents that is fixed in the documentation of the invitation for bids; the venue for the bid opening shall be fixed in advance in the documents of the invitation for tender.

The bid evaluation committee established by the bid inviter in accordance with the laws and regulations will be responsible for evaluating the bids. The winning bidder will be determined by the bid inviter based on the written

bid evaluation report and recommendation of the bid evaluation committee. The bid inviter may also authorize the bid evaluation committee to determine the winning bidder.

When the winning bidder is selected, the bid inviter shall issue a bid winning notice to the winning bidder and notify all other bidders failing to win the bid of the tender results. The bid winning notice is legally binding for both the bid inviter and the winning bidder.

Construction Project Quality Controls

The Regulations on the Administration of Quality Control of Construction Project provide that the entities that develop the project or undertake surveying, design, construction or project supervision are responsible for the quality of a project according to the laws. All construction activities must be conducted in strict compliance with basic construction procedures and by adhering to the principle of surveying first, then designing and later constructing. When the entity to develop the project receives the completion report for the construction project, it shall organize all the entities that have undertaken design, construction, project supervision and other works for the project to conduct a completion inspection. In addition, the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察質量管理辦法》) further provide that a project survey enterprise shall conduct the survey in accordance with the laws and regulations regarding the quality of construction projects, the mandatory standards for project construction and the relevant survey contract and shall be responsible for the quality of its survey.

Under the Provisional Measures for the Administration of Retention Funds for the Warranty of Construction Projects (《建設工程質量保證金管理暫行辦法》), the project owner shall specify the portion to be withheld from the amounts payable as retention funds to cover the costs required for the maintenance and repairs of any defects by the contractor during the warranty period. Upon the completion of the construction project, the project owner shall make timely payment of the balance of the contract price to the contractor and withhold the retention funds according to the relevant contract. With respect to any construction project which is wholly or partially funded by investments of the PRC Government, an amount of approximately 5% of the contract price shall be withheld as retention funds.

Work Safety and Environmental Protection related to Construction Projects

Work Safety

With respect to the administration of work safety in the process of project contracting, in addition to the Construction Law of the PRC, China has promulgated various laws and regulations, including, among others, the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations on Work Safety Permits (《安全生產許可證條列》), the Regulations on the Administration of Construction Safety (《建設工程安全生產管理條例》), and the Regulations on Administration of Construction Enterprises' Work Safety Permit (《建築施工企業安全生產許可證管理規定》) to regulate the administration of the work safety of construction projects. Under the foregoing laws and regulations, construction enterprises shall establish a work safety management organization or provide personnel dedicated for work safety management. The PRC Government implements the work safety permit system for construction enterprises. Without obtaining the work safety permit, a construction enterprise may not engage in construction activities. The entities to develop the project or undertake surveying, design, construction, project supervision or other work safety-related activities must comply with the provisions of the work safety laws and regulations, ensure the work safety of the construction project and assume responsibilities for the work safety in accordance with the laws and regulations.

In addition, the Provisional Measures for the Supervision and Administration of Work Safety of Central State-owned Enterprises (《中央企業安全生產監督管理暫行辦法》) provide that an enterprise owned by the central government shall adopt rules to establish a work safety leader responsibility system that focuses mainly on the responsibilities of the primary senior managers in charge of such an enterprise and shall also be subject to the supervision and administration of the work safety supervision and administration bodies at the national level, of the province, autonomous region or municipality, and city or prefecture where the enterprise is located as well as within the industry of the enterprise.

Environmental Protection

With respect to the environmental protection in the process of project contracting, according to such laws and regulations as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Law of the PRC on the Prevention of the Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Regulations on the Administration of the Completion Check for Acceptance of the Environmental Protection Facilities of Construction Projects (《建設項目環境保護設施竣工驗收管理規定》), the construction of any project that causes pollution to the environment must comply with the PRC Government's regulations on the environment protection relating to construction projects. The PRC Government has implemented a mechanism for the evaluation of the environmental impact of construction projects. A construction entity shall adopt measures to control environmental pollutions and damages caused by dust, waste gas, sewages, solid waste, noises and vibrations at the construction site in accordance with the environmental protection and work safety laws and regulations.

Penalties for an entity that has violated the environmental protection laws are determined based on the extent of the pollution caused and the seriousness of the particular violations. Such penalties include warning, fines, remedial actions to be taken within the fixed time period, suspension of business, and closure. An incompliant entity shall also pay damages to other entities for the losses they incurred due to the pollution. For any significant environmental pollution accident resulting from violations of the Environmental Protection Law of the PRC and causing such serious consequences as major losses of public and private assets or casualties, the perpetrator shall bear criminal liability in accordance with the laws and regulations.

Operating Permits for Overseas Project Contracting and Foreign Labor Services

Under the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), the Regulations on the Administration of Overseas Project Contracting (《對外承包工程管理條例》) and related laws and regulations, entities that undertake overseas project contracting or foreign labor services shall have appropriate credentials or qualifications. An operational qualification permit system has been implemented for overseas project contracting business. All the entities engaged in overseas project contracting business shall apply for the foreign economic cooperative qualifications from the MOFCOM. For large-size business enterprises, design institutes, enterprises engaged in foreign trade, production enterprises with self-conducted import and export businesses, and large-scale pilot state enterprise groups that have certain specific qualifications or meet certain specified standards, the MOFCOM will issue them a PRC Certificate of Qualification for Overseas Project Contracting (《中華人民共和國對外承包工程經營資格證書》).

Pursuant to such laws and regulations as the Foreign Trade Law of the PRC and the Administrative Measures for Foreign Cooperative Labor Services Qualifications (《對外劳務合作經營資格管理辦法》), enterprises that engage in foreign labor services shall obtain the relevant permit from the MOFCOM and acquire foreign labor

services qualifications as required under the laws. They may not undertake any foreign labor service activities until they obtain the foreign labor services qualification certificate of the PRC.

REGULATIONS ON RESOURCES DEVELOPMENT

Principal Regulatory Authorities

The NDRC and the local development and reform commissions are responsible for formulation and organization of the implementation of China's major economic and social development strategies, annual plans and other medium and long term plans and review examination and approval of such matters as major construction projects, major foreign investment projects, major investments in overseas resources development projects, and investment projects funded by a large amount of foreign currencies. The National Energy Bureau under the NDRC is responsible for the approval and examination of the energy investment projects as provided in the plans of the PRC Government and with a scale permitted under its annual plan.

The MOFCOM and the local administrative authorities for commerce are responsible for the formulation of administrative measures and specific policies regarding overseas investments and the review and approval of the establishment of enterprises (other than financial enterprises) through overseas investments by domestic enterprises.

The Ministry of Land and Resources and the local administrative authorities for land and resources are responsible for the protection and appropriate use of such natural resources as land, mineral and marine resources, the administration of mineral resources development, the administration of the approval and registration and certificate issuance regarding mining rights, and the approval and registration of transfer of such rights, formulation and organization of the implementation of the policies on overseas cooperative exploration and development of mineral resources, and the review and approval of the regions of mineral resources for overseas cooperation.

The State Administration of Work Safety and the local supervision and administrative authorities for work safety are responsible for the supervision and administration of work safety in the industrial, mining, commercial and trade industries, the administration of entry permits for non-coal mining and dangerous chemical products production enterprises, the administration of issuance of the occupational health and safety permits, the supervision and examination of the simultaneous design, construction, and operation and use of both the safety facilities for newly constructed, re-constructed or expanded projects and the principal part of such projects.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the establishment of a fundamental system on comprehensive environmental protection, the coordination, supervision and administration regarding major environmental issues, the supervision and administration of environmental pollution prevention, the guidance, coordination and supervision of ecological protection, the prevention and control of environmental pollution and destruction from its original sources, the implementation of the filings and registration system for waste discharge and the system for the simultaneous design, construction, and operation and use of the environmental protection facilities of construction projects, and the review and approval of the evaluation documents for major development and construction areas and project environmental impact in accordance with the governmental regulations.

Principal Regulations

The principal regulations in the resources development industry include: the PRC Law of Mineral Resources (《中華人民共和國礦產資源法》), the Interim Measures for the Supervision and Administration of Mineral Resources (《礦產資源監督管理暫行辦法》), the Implementation Rules of the PRC Law of Mineral Resources

(《中華人民共和國礦產資源法實施細則》), the Administrative Regulation on the Collection of Compensatory Fees for Mineral Resources (《礦產資源補償費徵收管理規定》), the Administrative Measures for Mineral Resources Exploration Area and Segment Registration (《礦產資源勘查區塊登記管理辦法》), the Administrative Measures for Mineral Resources Exploitation Registration (《礦產資源開採登記管理辦法》), the Administrative Measures for the Transfer of Exploration and Mining Rights (《探礦權採礦權轉讓管理辦法》), and the Interim Administrative Measures of Approving Outbound Investment Projects (《境外投資項目核准暫行管理辦法》), among others. These laws and regulations regulate the exploration, mining and management of mineral resources as well as investments in overseas mining rights.

Qualifications Requirements

Under the PRC Law of Mineral Resources, all mineral resources are state-owned. The state ownership of the mineral resources on the surface of the earth or underground remains unchanged regardless of the variations in the ownership or land use rights to the land to which such mineral resources are attached. Any enterprise planning to engage in the exploration and mining of mineral resources must apply separately for exploration and mining rights, obtain such exploration and mining rights with relevant governmental approvals and complete the required registrations in accordance with applicable laws. Any entity that engages in the exploration and mining of mineral resources must comply with the relevant qualification requirements.

Pursuant to the Administrative Measures for Mineral Resources Exploration Area and Segment Registration, the State shall implement a system of uniform area and segment registration for mineral resources exploration. Entities engaged in mineral resource exploration shall apply to the relevant administrative department for exploration permits, pay the requisite usage fees for the relevant exploration rights and the appraised prices for the exploration rights and thus become the holder of exploration rights.

According to the Administrative Measures for Mineral Resources Exploitation Registration, entities engaged in mineral resource mining shall, before becoming the holder of mining rights, complete the registration and approval formalities with the State Council's administrative department for geological minerals, apply for mining permits, and pay the usage fees and prices for the relevant mining rights. Prior to applying for mining rights, the mining rights applicant shall, based on the officially approved geological exploration reserve report, apply to the relevant registration and administrative authority for mining rights registration for the designation of the scope of the mining area.

In addition, under various PRC regulations regarding the resources development industry, the qualifications related to the prospecting of the quantity of resources and reserves in resources development include qualifications for geological prospecting, qualifications for mining rights appraisal entities, professional qualifications for mining rights appraisers, qualifications for mineral reserves appraisal entities and professional qualifications for mineral reserves appraisers.

Mineral Resources-Related Overhaul, Mining, Work Safety and Environmental Protection

According to the Notice of the State Council to Overhaul the Mining Industry Order and Safeguard the State Ownership over Mineral Resources (《國務院關於整頓礦業秩序維護國家對礦產資源所有權的通知》), the Notice of the State Council on the Forwarding of the Notice on Further Overhauling the Administrative Order of Mineral Resources (《國務院辦公廳轉發國土資源部＜關於進一步治理整頓礦產資源管理秩序的意見＞的通知》) issued by the Ministry of Land and Resources and certain other PRC governmental agencies, the Notice of the State Council Regarding the Overhaul and Standardization of Mineral Resources Development Order (《國務院關於全面整頓和規範礦產資源開發秩序的通知》), and the Notice of the State Council on the

Forwarding of the Opinions on Further Consolidating Mineral Resources Development (《國務院辦公廳轉發國土資源部等部門＜對礦產資源開發進行整合的意見＞的通知》) issued by the Ministry of Land and Resources and certain other PRC governmental agencies, the PRC Government requires a stringent administration of mineral exploration rights, mining rights, mineral resources prospecting and entry permit for mineral resources exploration.

According to the PRC Law of Mineral Resources, the Implementation Rules for the PRC Law of Mineral Resources and the Administrative Measures for Mineral Resources Mining Registration, among others, for mineral resources mining, one must adopt appropriate mining sequences and methods and ore processing techniques. The resource recovery ratio, ore dilution ratio and ore selection recovery ratio shall meet the designed requirements. In the meantime, to undertake mineral resource mining, one must comply with national labor safety and health regulations and possess the conditions necessary to ensure work safety, and it must also abide by the relevant environmental protection laws to prevent pollution to the environment.

With respect to the administration for the work safety of mine construction and mining of mineral resources, the Law of Safety of Mines of the PRC (《中華人民共和國礦山安全法》), the Work Safety Law of the PRC, the Implementation Rules for the Law of Safety of Mines of the PRC (《中華人民共和國礦山安全法實施條例》) and the Regulations on Work Safety Permits provide that a mine construction project shall demonstrate its safety conditions and be evaluated for its safety in accordance with the relevant regulations. In addition, an inspection test of the safety facilities shall be carried out after the completion of the project but before the commencement of production. Only after such inspection test is passed will the production commence. In the meantime, China has implemented a work safety permit system. Without obtaining the work safety permit, an enterprise may not engage in production activity.

As for environmental protection, under the Water Pollution Prevention Law of the PRC (《中華人民共和國水污染防治法》), the Forestry Law of the PRC (《中華人民共和國森林法》), the PRC Law of Mineral Resources, the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention Law of the PRC (《中華人民共和國大氣污染防治法》), the Grasslands Law of the PRC (《中華人民共和國草原法》), the Regulations on Land Re-cultivation (《土地復墾規定》), the Implementation Rules for the PRC Law of Mineral Resources and the Regulations on the Administration of the Collection and Use of Waste Discharge Fees (《排污費徵收使用管理條例》), entities engaged in mineral resources mining shall implement measures to protect the ecological environment. For example, if mining activities result in damages to farmland, grassland or forest, entities engaged in such mineral resources mining shall undertake measures such as re-cultivation, planting trees and grasses, to restore the mining site to its original condition within a prescribed time. Meanwhile, under the PRC Law on the Promotion of Clean Production (《中華人民共和國清潔生產促進法》), the Environmental Impact Evaluation Law of the PRC, the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and the PRC Law on the Promotion of Circulatory Economy (《中華人民共和國循環經濟促進法》) for the exploration and mining of mineral resources, one shall adopt such surveying and exploration methods and technologies that are beneficial for reasonable use of resources, environmental protection and pollution prevention exploration and mining, thus improving efficiency in resources exploitation.

Foreign Mineral Resource Development

According to the Interim Administrative Measures for Approving Outbound Investment Projects (《境外投資項目核准暫行管理辦法》), the State administers the review and approvals of outbound investments in mining exploitation and other resources development projects. Of all such projects, those with the Chinese party's investment of less than US$30 million shall be reviewed and approved by the relevant provincial development and

reform department; those with the Chinese party's investment of between US$30 million and US$200 million shall be reviewed and approved by the NDRC; and for those with the Chinese party's investment of US$200 million or more, the NDRC shall submit such projects to the State Council for approval after condulting its preliminary review.

In addition to the general PRC regulations on overseas investment, an entity shall also need to comply with the Notice of the Ministry of Commerce and the Ministry of Land and Resources Regarding the On-line Registration for Overseas Mineral Resources Development (《商務部、國土資源部關於實行境外礦產資源開發網上備案的通知》) and certain other special regulations related to overseas mineral resources development.

Entry Permit of the Mineral Resources Industry

With respect to mineral resources development, China has enacted such regulations as the Entry Conditions for the Copper Smelting Industry (《銅冶煉行業准入條件》), and the Entry Conditions for the Lead and Zinc Industry (《鉛鋅行業准入條件》), the Entry Conditions for the Aluminum Industry (《鋁行業准入條件》) and the Notice of the NDRC on Strengthening the Administration of the Entry to the Lead and Zinc Smelting Industry (《國家發展改革委關於加強鉛鋅治煉行業准入管理工作的通知》), which separately set forth the entry conditions for copper, lead and zinc, aluminum and other resources development industries that relate to such fields as techniques and equipment, energy consumption, overall resource exploitation, environmental protection, work safety and occupational hazards. For any new construction, re-construction or expansion project that fails to meet the entry conditions, the relevant administrative departments for investment shall not accept the filings of such project, no financial institutions shall provide credit lines, the relevant land administration departments shall not process the related land supply formalities, and environmental protection departments shall not approve the related environment impact assessment report, and the relevant power departments shall cease the power supply.

REGULATIONS ON EQUIPMENT MANUFACTURING

Principal Regulatory Authorities

The NDRC and the local development and reform commissions are responsible for, among other things, coordinating the resolution of major issues related to the popularization and application of significant technological equipments.

In addition to the review and approval of the establishment of enterprises overseas with outbound investments by domestic companies, the MOFCOM and the local administrative authorities for commerce are also responsible for formulating and organizing the implementation of the trade policies regarding the import and export of complete sets of equipment.

The Ministry of Industry and Information Technology assumes the organizational and coordination responsibility for the invigoration of the PRC equipment manufacturing industry. It formulates the plans and policies regarding the development and independent innovation of major technologic equipment, coordinates the implementation of major specialty projects by relying on key national engineering and construction projects, promotes the domestic production of significant technological equipment, and provides guidance for the digestion and innovation of imported major technological equipment. It also assumes the organizational and coordination functions for the popularization and application of major model projects, new products, new technologies, new equipment and new materials.

The State Administration of Quality Supervision is responsible for the supervision of product quality and safety, the administration of the product quality and safety related matters, including mandatory inspection, risk

monitoring and control, the monitoring and selective examination, and the administration of production permits for industrial products.

Under the State Administration of Quality Supervision, there is the Specialty Equipment Supervision Bureau which is responsible for the monitoring and supervision of safety of relevant specialty equipment, the supervision and examination of design, manufacturing, integration, renovation, maintenance, use, testing and checkup, and import and export of specialty equipment, the investigation and settlement of specialty equipment related accidents and the related data collection and analysis, the supervision and administration of the qualifications of the institutes and personnel responsible for test, inspection and operation of specialty equipment, and the supervision and inspection of the implementation of the energy saving standards for specialty equipment with high level energy consumption.

The State Administration of Work Safety and the local supervision and administrative authorities for work safety are responsible for the supervision and administration of work safety in industrial, mining, commercial and trade industries.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the establishment of a basic system of comprehensive environmental protection, the coordination, supervision and administration regarding major environmental issues, and the supervision and administration of environmental pollution prevention.

Principal Regulations

The principal laws and regulations relating to equipment manufacturing include, among others, the Work Safety Law of the PRC, the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Measures for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), the Interim Measures for the Administration of Qualifications for the Specialized Designs of Light Steel Structure for Buildings (《輕型房屋鋼結構工程設計專項資質管理暫行辦法》), the Regulations on Supervision of the Safety of Specialty Equipment (《特種設備安全監察條例》), the Regulations on Supervision of the Quality and Safety of Specialty Equipment (《特種設備質量監督與安全監察規定》), the Measures for the Supervision and Administration of Operating Personnel for Specialty Equipment (《特種設備作業人員監督管理辦法》), and the Guidelines and Manuals on Industrialized Technologies for Steel Structure Residential Buildings (《鋼結構住宅建築產業化技術導則》). These rules and regulations govern the qualifications, quality and safety management for equipment manufacturing operations, as well as the credentials for specialized designs of light steel building structure and the development of steel structure architectures.

Qualifications Requirements

Pursuant to the Measures for the Administration of Production License for Industrial Products and the Implementation Rules for the Measures for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》), China has implemented a production permit system for key industrial products. Under the Regulations on Supervision of the Safety of Specialty Equipment and the Regulations on Supervision of the Quality and Safety of Specialty Equipment, boilers, pressure vessels, elevators, cranes and other specialty equipment may be manufactured only after the relevant manufacturer has obtained the permission from the State Council's supervisory and administrative department of specialty equipment safety. With respect to the specialty equipment not subject to the production permit administrative system, a safety approval system shall be implemented.

Quality Supervision and Work Safety Administration

Under the Work Safety Law of the PRC, a production entity shall satisfy the work safety conditions set forth in the relevant laws and regulations as well as national or industrial standards. No entity that fails to satisfy such work safety conditions may engage in any production activity.

Pursuant to the Product Quality Law of the PRC, the State has implemented enterprises' quality system and product quality certification mechanisms. The certificating agency will issue a quality system certificate and a product quality certificate once the certification procedure is satisfactorily completed by an enterprise.

The Regulations on Supervision of the Quality and Safety of Specialty Equipment and the Regulations on Supervision of the Safety of Specialty Equipment provide that any entity using a specialty equipment shall be responsible for the safety during its use and operation of the specialty equipment and it shall only use the specialty equipment with the production permit or the safety approval certificate.

REGULATIONS ON PROPERTY DEVELOPMENT

Principal Regulatory Authorities

The principal regulatory authorities of the PRC Government for the supervision and administration of property development include the development and reform commissions, the administrative authority for land and resources, the administrative authority for construction, the administrative authority for planning and the administrative authority for housing at each level.

The NDRC and the local development and reform commissions are responsible for the review and approval of the fixed assets investment projects, including property development.

The Ministry of Land and Resources and the local administrative authorities for land and resources are responsible for the formulation and implementation of the land development and use standards, the supervision and administration of the supply of urban and rural construction land, government land reserve, and the development of efficient and intensive use of the land, and the regulation of the sale, leasing, contribution as capital and transfer of land.

The MOHURD and the local administrative authorities of construction, planning and housing are responsible for safeguarding the supply of housing for low income households, promoting the reform of housing system, regulating the order of housing construction and urban and rural development. They also assume the responsibility for regulating the order of and supervising and administering the property market, formulating the regulatory policies for the property market, promulgating and supervising the implementation of rules and regulations on property development, and administering urban and rural planning.

The MOHURD and the Ministry of Land and Resources divide the responsibility for the administration of the property industry in accordance with the relevant rules of the State Council.

Principal Regulations

The principal laws and regulations on property development include the PRC City Property Administration Law (《中華人民共和國城市房地產管理法》), the Construction Law of the PRC, the Law on Land Administration of the PRC (《中華人民共和國土地管理法》), the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), the Interim Regulations on the Sale and Transfer of the State-owned Land Use Rights in Cities and Townships of the PRC (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), the Regulations on the Administration of Urban Property Development and Operations

(《城市房地產開發經營管理條例》), the Regulations on the Administration of Quality Control of Construction Project, the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》), the Regulations on the Administration of Property Development Qualifications (《房地產開發企業資質管理規定》), the Administrative Measures for the Sale of Commercial Residential Properties (《商品房銷售管理辦法》), the Interim Measures for the Approval of Enterprises' Investment Projects (《企業投資項目核准暫行辦法》), the Regulations on the Assignment of State-owned Construction Land Use Rights through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》), the Administrative Measures for the Pre-approval of Construction Land (《建設項目用地預審管理辦法》) and the Administrative Measure for the Pre-Sale of Urban Commercial Residential Properties (《城市商品房預售管理辦法》). These laws and regulations set forth rules on property development enterprises' qualifications, land acquisitions, planning and design, development and construction, and marketing and sales.

Qualifications Requirements

Pursuant to the Regulations on the Administration of Qualifications of the Property Development Enterprises, a property development enterprise shall apply for the classification of its qualifications, and an enterprise may not engage in property development operations without a qualifications classification certificate for property development. According to such regulation, based on their specific conditions, property development enterprises are subject to four classes of qualifications classification: the first class, the second class, the third class and the fourth class. Enterprises with different classes of qualifications shall conduct their respective property development businesses within the stipulated business scope and may not undertake any assignment that is reserved for higher qualifications classes.

Pursuant to the Regulations on the Administration of Urban Property Development and Operations, the administrative authority for property development will determine the class of qualifications of a property developer and issue qualifications certificates of the corresponding class based on the developer's assets, technicians and operating performance.

Administration of Property Development

Land Acquisition

Under the Law on Land Administration and the Regulations on the Assignment of State-Owned Construction Land Use Rights through Bidding, Auction and Listing, with an exception of the land use rights of the land for government offices, military facilities, urban infrastructural facilities and public facilities, which may be obtained through allocation, land to be used for industrial (including warehousing and storage, but excluding mining), commercial, tourism, entertainment and commercial residential housing purposes shall be transferred through bidding, auction or listing. The land development entity which has obtained the state-owned land use rights through grant or other compensatory fee-paying methods must pay such compensatory land use fees as the premium for obtaining land use rights as well as other fees before using such land.

Under the Administrative Measures on Economically Affordable Housing (《經濟適用住房管理辦法》), land for the construction of economically affordable housing will be supplied through allocation. Economically affordable housing refers to the residential housing for which the PRC Government provides favorable policy, and which are subject to various restrictions in terms of size and price constructed in accordance with reasonable standards and supplied to urban households with low income or housing difficulties.

Planning and Design

According to the PRC City Property Administration Law, property development must be in strict compliance with the requirements of the relevant urban plan and design. A property development project, land use rights of which have been obtained through grant, must be developed in accordance with such terms as the usage and the deadlines for commencement and development of the land that are stipulated in the relevant land use rights grant agreement.

Under the Law of Urban and Rural Planning of the PRC, after its execution of the land use rights grant agreement for state-owned land, the land development entity shall apply for the construction land planning permit and the construction work planning permit in accordance with the relevant laws and regulations. Failing to obtain the construction work planning permit or develop the land in compliance with the requirements set forth in such permit will result in such administrative penalties as suspension of construction, rectification within a stipulated time period, demolishment of structures before a stipulated deadline, confiscation of tangible assets or illegal income, or fine that the relevant administrative authority for urban and rural planning shall impose based on the particular nature of non-compliance.

Property Development and Construction

In accordance with such regulations as the Administrative Rules on the Development and Operation of Urban Property and the Administrative Measures for Construction Permits of Building Projects, development and construction of any real estate project by a property development enterprise shall comply with all relevant laws and regulations, the quality requirements for the project construction, safety standards and technical criteria for the survey, design and construction of the construction project as well as relevant contractual terms. Furthermore, before the commencement of the property development project, the construction work commencement permit shall be obtained as required under applicable laws. Once the property development construction project is completed, it can only be utilized after inspection and meeting qualification for delivery, and no project that has not been so inspected or is determined to be unqualified upon such inspection may be utilized.

Marketing and Sales

Under such regulations as the Administrative Rules on the Development and Operation of Urban Property, the Administrative Measures for the Sale of Commercial Residential Properties and the Administrative Measure for the Pre-Sale of Urban Commercial Residential Properties, property developers may sell commercial residential housing through pre-sale, but shall first apply to local administrative authority for property development for the registration of such pre-sale and to obtain a commercial residential housing pre-sale permit. For qualified completed commercial residential housing, the property developer may file relevant proof documents with the local administrative authority for property development and obtain a commercial residential housing sales permit.

Development and Construction of Social Welfare Housing

China has, from time to time, adopted various laws and regulations, including the Notice of the State Council on Forwarding the Opinions of the Ministry of Construction and Certain Other Departments Regarding the Adjustments of Housing Supply Structure and the Stabilization of Housing Prices (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》), the State Council's Opinions on Resolving the Low-Income Households' Housing Difficulties (《國務院關於解決城市低收入家庭住房困難的若干意見》), the Measures to Safeguard Low-Rent Housing (《廉租住房保障辦法》), and the Administrative Measures on Economically Affordable Housing, that provide

for a variety of measures such as supply of allocated land, tax reduction and exemption, multiple channels for securing funds for low-rent housing to increase the construction of economically affordable housing and low-rent housing, increase housing supply from a variety of sources, increase the ability to secure housing and to promptly address the basic housing needs of low-income households.

REGULATIONS ON OUR OVERSEAS OPERATIONS

During the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the relevant overseas regulations in all material respects and have obtained the relevant permits and certificates that are material to our business operations in those foreign countries and territories where we operated.

HISTORY AND REORGANIZATION

OUR HISTORY

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

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

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

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

OUR REORGANIZATION

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

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

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

The Reorganization mainly included the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RETAINED OPERATIONS

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

HISTORY AND REORGANIZATION

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

APPROVALS FOR REORGANIZATION

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

BUSINESS

OVERVIEW

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

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

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

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

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

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

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

Our four principal businesses are as follows:

Engineering and Construction

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

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

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

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

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

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

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

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

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

Resources Development

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

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

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

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

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

Equipment Manufacturing

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

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

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

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

Property Development

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

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

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

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

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

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

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

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

COMPETITIVE STRENGTHS

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

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

We have the longest history of operations in the area of construction for the metallurgical industry in China. Since the late 1940s when we were involved in the resumption of Ansteel's production, we have participated in the planning, design or construction of the primary production facilities for substantially all of the medium- and large-scale iron and steel enterprises in China, including Baosteel, Anbensteel, Wusteel, Btsteel, Pansteel, Masteel, Taisteel and Shasteel. We have been involved in many important milestone projects in the development of the iron and steel industry in China and are also a leading company in the area of construction for the non-ferrous metallurgical industry in China. By leveraging our broad geographic presence, extensive industry chain, experience and technological capabilities, we have captured the largest market share in metallurgical engineering and construction in China.

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

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

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

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

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

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

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

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

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

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

BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have long been committed to the metallurgical engineering and construction business and have developed various domestically and internationally leading metallurgical processes and core technologies in sintering, pelletizing, coking, iron making, and steel making and continuous casting, among other areas. These have helped us seize the market opportunities and promote the domestic production of metallurgical equipment. For example, in 2008, we have independently developed a proprietary Φ600mm large bloom four-machine four-strand continuous casting machine, which was the first bloom caster developed, designed, produced and integrated in China. This filled the gap in the domestic metallurgical equipment product offerings and ended China's reliance on imports for such equipment. The product has also reached an internationally advanced level.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate culture of pursuing excellence and our widely recognized "MCC" brand

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

Experienced and strong management team

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

Distinguished team of experts, professional technicians and other skilled talents

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

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

BUSINESS

BUSINESS STRATEGIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUR BUSINESSES

Our businesses consist principally of four business segments as follows:

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

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

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

BUSINESS

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

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

ENGINEERING AND CONSTRUCTION

Overview

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

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

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

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

Representative Domestic Projects

Metallurgical Engineering and Construction

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

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

Completed Projects

Iron and Steel Enterprise	Description	Representative Project	Completion Date	Project/Award Details
Baosteel	Baosteel was the first large-scale iron and steel enterprise in China established after the opening up of the PRC that had imported advanced technologies from overseas. Since the 1980s, we have been involved in the design and construction of all phases of Baosteel's projects. Phase I was mainly designed by foreign enterprises. Phase II was designed jointly by Chinese and foreign enterprises. Phase III was designed and constructed by us. In 2007, Baosteel established a steel production capacity of 30 million tons per year, which made it one of the largest iron and steel companies in China and the first enterprise in China in the iron and steel industry to become a Fortune Global 500 company. Baosteel has become the research and development base for new technologies, processes and materials in China's iron and steel industry.	Phase I	Sept. 1985	• Special Award for the National Science and Technology Advancement Award for 1988; National High Quality Gold Award for 1985-87
		Phase II 2,050 mm hot rolling project	Dec. 1987	• Luban Award for 1990
		Phase III 1,420 mm cold strip rolling project	Dec. 1997	• Luban Award for 2000
		Phase III 4,350 m^3 #3 blast furnace	Sept. 1994	• Luban Award for 1997
		Baosteel 1,800 mm cold strip rolling project	Feb. 2005	• Luban Award for 2007 • China Construction Steel Structures Gold Award for 2006

Iron and Steel Enterprise	Description	Representative Project	Completion Date	Project/Award Details
Ansteel	Ansteel was the earliest large-scale iron and steel enterprise to resume production after the foundation of the PRC. We have been engaged in the construction of Ansteel's facilities since it resumed operations in 1949 and have provided services for the development and expansion of Ansteel at various stages. To date, Ansteel has developed an overall production capacity consisting of 16 million tons of iron, 16 million tons of steel and 15 million tons of steel materials. Ansteel is one of the iron and steel enterprises in China with the capability to produce steel plate for automobile exterior and the world's largest container steel plate supplier.	New cold steel rolling #2 1,780 mm production line	May 2003	• First-class Award for National Science and Technology Advancement Award for 2006 • National High Quality Silver Award for 2005
		300,000 m^3 dry-type blast furnace gas holder	Dec. 2005	• China's first proprietary large-scale gas holder
		New #1 and #2 3,800 m^3 blast furnaces in Bayuquan, Yingkou	Apr. 2009	• Adopted highly productive and environment friendly blast furnace smelting technology and processes and various internationally advanced technologies
		Yingkou Bayuquan Port iron and steel 2.55 million ton coking project	Apr. 2009	• Adopted independently developed proprietary technologies, of which the coke dry quenching and coal gas purification single unit treatment capabilities are currently regarded as the most advanced in China
Wusteel	Wusteel was the first large-scale iron and steel enterprise to be established after the foundation of the PRC. In recent years, through alliances and reorganization, Wusteel has become a large-scale iron and steel enterprise with production capacity of nearly 30 million tons per year. Since 1955, we have been engaged in Wusteel's construction at every stage. As various milestone projects have been completed and have commenced operation, Wusteel has become an important production base of cold rolling silicon steel pieces, structural steel used for automobiles and high performance projects as well as an internationally recognized large-scale iron and steel enterprise.	1,700 mm steel rolling project	Dec. 1978	• The largest and advanced cold thin plate rolling project in China in the 1970s
		New #3 3,200 m^3 large blast furnace	Oct. 1991	• Luban Award for 1993
		700,000 ton high speed wire mill relocation project	Oct. 1996	• Luban Award for 1999
		New #1 coke oven sizing 7.63 m with 70 holes	Mar. 2008	• One of the key projects under the eleventh five-year plan of Wusteel • One of the then largest coking furnaces in Asia with internationally leading technology

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

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

Projects Under Construction

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

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

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

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

Non-metallurgical Engineering and Construction

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

BUSINESS

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

Completed Projects

(1) Building construction projects

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

(2) Transportation infrastructure projects

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

(3) Other projects

Project	Completion Date	Description
Guangzhou Likeng household waste incineration power plant	Oct. 2005	• The first household waste incineration power plant in Guangzhou, with a treatment capacity of 1,040 tons a day • A capacity to generate 21,000 kilowatt by waste incineration
Wugang Beihu waste water and drainage recycling project	Dec. 2007	• The largest waste water recovery project for China's steel industry, with a waster water treatment capacity of 8,000 m^3/h

Projects Under Construction

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

(1) Building construction projects

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

(2) Transportation infrastructure projects

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

(3) Other projects

Project	Commencement Date	Expected Completion Date	Description	As of June 30, 2009 Contract Value	Recognized Income	Estimated Backlog
				(RMB million)		
Anhui Caolou iron mine shaft construction and underground equipment installment project	July 2004	Dec. 2009	• Shaft construction and installation of underground equipment • Iron ore production capacity of 2 million tons per year	238.0	228.2	9.8
Dexin Electronic Factory production facility, power facility, offices and other constructions project	Sept. 2007	Oct. 2009	• Production facility with a GFA of 58,263 sq.m. • Power facility with a GFA of 17,551 sq.m.	220.3	168.5	51.8

Representative Overseas Projects

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

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

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

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

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

Completed Projects

Project	Completion Date	Description
Vietnam Haiphong water supply and environment 1A project	Feb. 2002	• The water supply project mainly comprised construction and renovation of a water plant and a pumping station; construction of a 27 km water tunnel; installation of water meters and drinking water supplying facilities to more than 40,000 households • Sponsored by the World Bank
Brazil GA #2 blast furnace project	Oct. 2007	• The first time that a Chinese enterprise bid for and supplied similar equipment to the South American region, and the largest export contract of complete equipment sets of ferrous metallurgy technology by a Chinese enterprise; the project was completed by us by way of an EP contract

Project	Completion Date	Description
Kuwait Olympic Council of Asia office building project	Jan. 2008	• Consisted of two tower buildings and a podium building constructed entirely using steel structures • The first steel structure building constructed by a Chinese enterprise in the Middle East under an EPC contract • First construction in the Middle East using steel structures designed, manufactured and installed in accordance with the Chinese standards, representing a breakthrough of large-scale export of Chinese steel structure products to the Middle East market
Bangladesh Mohakhali overpass project	Nov. 2004	• The first overpass in Dhaka featuring the world's then most recent design of overpasses, with high technical standards and level of difficulty of construction; we completed the project in a timely manner with scientific construction management and of first-class work quality

Projects Under Construction

Project	Commencement Date	Expected Completion Date	Description	As of June 30, 2009		
				Contract Value[(1)]	Recognized Income[(1)]	Estimated Backlog[(1)]
				(US$ million)		
Western Australian Sino iron ore mine project	Jan. 2007	Jan. 2010	• Expected to produce final products including 24 million tons of iron ore concentrates per year, 6 million tons of pellets per year and ancillary equipment • Contracted in the form of an EPC contract	1,840.7	617.7	1,223.0
Papua New Guinea Ramu nickel laterite project	Apr. 2007	Dec. 2009	• Construction of surface mining facilities, ore pulp transportation pipes and high-pressure acidic wet smelting facilities and ancillary equipment • Expected annual production of 58,000 tons of intermediate products of nickel and cobalt sulphides • Contracted in the form of an EPC contract	1,022.3	569.2	453.1
Coke oven project in Wakayama, Sumitomo, Japan	June 2006	Oct. 2009	• Uses the 2 × 65 holes, 6 m coke oven designed by us, the first time coking technology was exported from China to Japan • Contracted in the form of an EP contract	48.7	47.7	1.0
40,000-seat stadium in Oran, Algeria	Dec. 2008	June 2011	• A 9-track comprehensive stadium with a capacity of 40,000 persons with an outdoor parking lot with 290 parking spaces and an outdoor activity area	143.1[(1)]	2.5[(1)]	140.6[(1)]

Project	Commencement Date	Expected Completion Date	Description	As of June 30, 2009 Contract Value[1]	Recognized Income[1]	Estimated Backlog[1]
				(US$ million)		
Universal Studios Singapore at Resorts World at Sentosa	Oct. 2008	Dec. 2009	• A key component of the newly built amusement facility of Resorts World at Sentosa in Singapore • Contracted in the form of a PC contract	487.1	176.3	310.8[1]
5,000-unit residential housing construction project in Zawiyah, Libya	Nov. 2008	Apr. 2011	• A large-scale housing project in the western region of Libya developed by the Libyan government and approved by the General People's Committee of Libya	777.4	88.5	688.9[1]

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

Other Major Contracts

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

Domestic contracts

Project Owner	Project	Project/Contract Details
Yili Iron and Steel Co., Ltd.	• Steel smelting and steel rolling system (Phase I) technology upgrading project	• EPC contract value: RMB1,008.9 million • Signing date: Aug. 2008
Minmetals Yingkou Medium Plate Co., Ltd.	• Construction and installation for the wide and heavy plate upgrading and renovation project	• Contract value: RMB1,749 million • Signing date: Mar. 2007
	• Supply of domestic equipment for the wide and thick plate upgrading and renovation project	• Contract value: RMB1,360.9 million • Signing date: Mar. 2007
Lianyuan Iron and Steel Group Co., Ltd.	• Refinery and high-efficiency continuous casting technology upgrading project	• EPC contract value: RMB1,530.0 million • Signing date: Nov. 2007
	• Blast furnace upgrading project for product structure adjustment	• EPC contract value: RMB1,282.9 million • Signing date: May 2007
Xinyu Iron and Steel Co., Ltd.	• Construction of two new 2,500 m^3 blast furnaces	• EPC contract value: RMB1,507.0 million • Signing date: June 2007
Shougang Qiangang Co., Ltd.	• Cold rolling continuous annealing lines (SCAL1 - SCAL4) project	• EPC contract value: RMB1,332.4 million • Signing date: June 2008
Tangshan Bainite Steel (Group) Co., Ltd. . .	• 1,450 mm cold rolling project	• EPC contract value: RMB1,150.0 million • Signing date: Mar. 2007

Project Owner	Project	Project/Contract Details
Chengde Xinxin Vanadium and Titanium Co., Ltd.	• Supply of equipment for the #3 and #4 blast furnaces project	• Contract value: RMB1,110.0 million • Signing date: Mar. 2007
Tangshan Ganglu Iron and Steel Co., Ltd.	• BT project for the 1,250 mm hot-rolled thin strip production line with an annual output of two million tons	• Contract value: RMB1,720.0 million • Signing date: Apr. 2007
Hebei Jinxi Steel Stock Co., Ltd.	• 2.2 million ton coking BT project	• EPC contract value: RMB1,340.0 million • Signing date: May 2008
Wuhan Real Estate Group	• Renovation of surface road, transportation, underpass and bridge project for Hankou section of the second ring road of Wuhan	• Contract value: RMB3,506.0 million • Signing date: Apr. 2009
Hulunbuir Chihong Mining Limited	• Whole series of work until fulfillment of expected capacity and standard, including design of lead and zinc smelting project, supply of equipment and materials, construction, installation, adjustment, personnel training and trial operation	• Contract value: RMB 1,583.3 million • Signing date: Apr. 2009
Jiangsu Valin Xigang Special Steel Co., Ltd.	• Hot continuous rolling production line for 258 mm seamless steel tubes, design and construction of factory buildings and design, manufacture, supply and construction of the production line and other ancillary facilities	• Contract value: RMB1,198.0 million • Signing date: Feb. 2009
Changde Urban Construction Investment Group Co., Ltd.	• Road and bridge construction, drainage works, street lights, poles and lines projects and landscaping works	• Contract value: RMB 1,088.0 million • Signing date: May 2009

Overseas contracts

Project Owner	Project	Project/Contract Details
AVA Cement Co., Ltd.	• 2,500T/D cement clinker, 2*10MW self-provided gas turbine power plant in Edo State, Nigeria	• EPC contract value: RMB1,712.7 million • Signing date: Nov. 2006
International Estates Investment — Georgia, LLC	• Park Hyatt hotel apartment and office design and construction project in Georgia	• Contract value: US$155.5 million • Signing date: Dec. 2007
Thai Nguyen Iron and Steel Corp.	• Thai Nguyen Iron and Steel Corp.'s No. 1 metallurgical production line, which was expanded in phase II in LUUXA area, Vietnam	• EPC contract value: US$160.9 million • Signing date: July 2007
Arfa Iron and Steel Company	• Construction of Arfa Iron and Steel Company in Iran	• Contract value: US$184.8 million[(1)] • Signing date: July 2007

Project Owner	Project	Project/Contract Details
Apex Gem Sdn Bhd	• Malaysia's Lion Group 2,580m^3 blast furnace	• EPC contract value: US$165.0 million • Signing date: Feb. 2008

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

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

Contracting Models

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

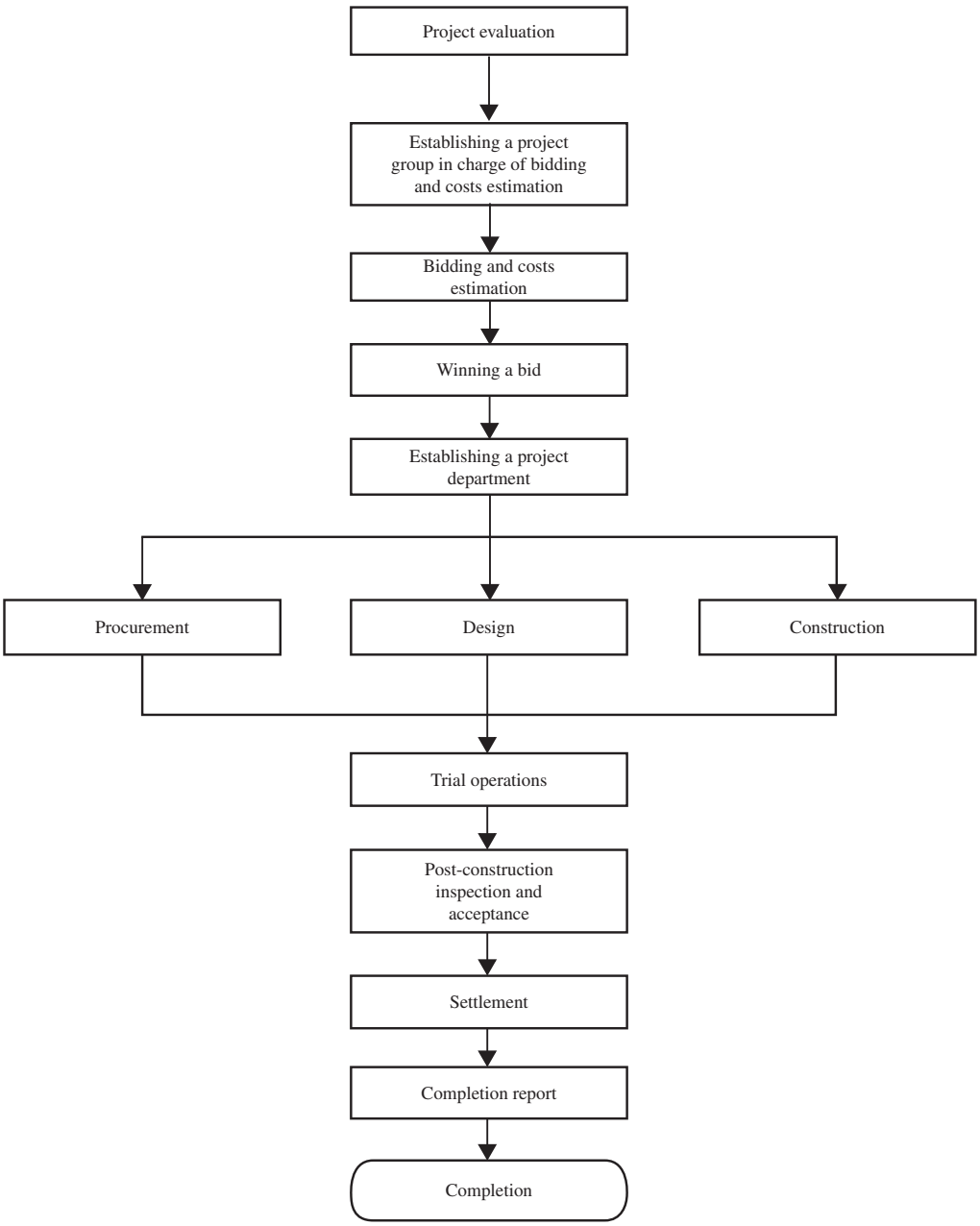
- *EPC or turnkey contracts.* The contractor undertakes the entire process of design, procurement of materials and equipment, construction and installation of a project and is also responsible for its trial operations. An EPC contractor is responsible to the project owner for the quality, safety, timely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

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

BUSINESS

Business Process

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



Project Evaluation

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

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

Bidding and Costs Estimation

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

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

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

Winning a Bid

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

Design

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

Procurement

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

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

Construction

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

Post-construction Inspection and Acceptance

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

Contract Terms

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

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

Our construction contracts generally contain certain provisions as follows:

Performance Bond

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

Progress Payments

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

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

Liquidated Damages

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

Maintenance

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

Retention Funds

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

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

Design Changes

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

Subcontractors and Joint Ventures

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

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

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

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

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

Procurement and Supplies

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

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

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

Customers, Sales and Marketing

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

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

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

Competition

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

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

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

RESOURCES DEVELOPMENT

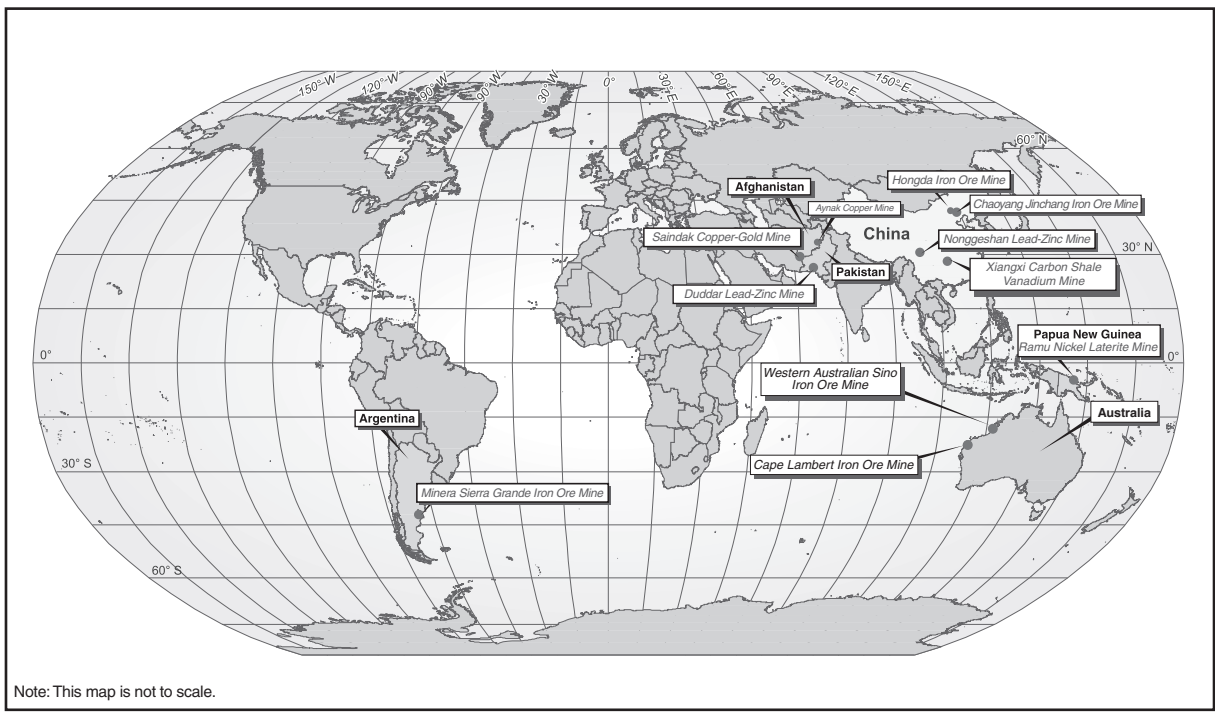
Overview

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

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

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

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



Note: This map is not to scale.

Resources Development Projects

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

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

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

Source: Minarco-MineConsult Report

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

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

(3) Vanadium Mineable Quantity.

Overseas Resources Development Projects

Minera Sierra Grande Iron Ore Mine, Argentina

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

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

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

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

Source: Minarco-MineConsult Report

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

	Total (Mt)	Proven (Mt)	Probable (Mt)
Mineable Quantities (non-JORC)	31.3	11.3	20.0

Source: Minarco-MineConsult Report.

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

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

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

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

The major difficulties our operations face in Argentina include the lack of adequate water and power supplies to fully utilize our production capacity, the shortage of skilled labor and occasional labor strikes, the high procurement costs due to the high level of inflation, and the long time required for obtaining equipment and spare parts.

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

Saindak Copper-Gold Mine, Pakistan

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

BUSINESS

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

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

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

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

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

Source: Minarco-MineConsult Report

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

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

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

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

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

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

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

Ramu Nickel Laterite Mine, Papua New Guinea

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

BUSINESS

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

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

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

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

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

Source: Minarco-MineConsult Report

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

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

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

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

Duddar Lead-Zinc Mine, Pakistan

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

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

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

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

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

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

Source: Minarco-MineConsult Report.

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

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

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

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

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

Aynak Copper Mine, Afghanistan

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

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

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

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

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

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

Source: Minarco-MineConsult Report

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

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

Source: Minarco-MineConsult Report

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

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

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

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

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

Cape Lambert Iron Ore Mine, Australia

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

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

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

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

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

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

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

Source: Minarco-MineConsult Report

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

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

We experience various difficulties in relation to our operations in Australia, including in reaching agreement on an appropriate level of compensation for the indigenous residents, clearance of sites and relocation of ancient relics, compliance with strict environmental protection and safety requirements, limitation on use of transportation vehicles and shortage of low cost local labor.

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

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

Western Australian Sino Iron Ore Mine, Australia

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

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

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

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

Domestic Resources Development Projects

Chaoyang Jinchang Iron Ore Mine, Liaoning Province

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

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

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

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

Source: Minarco-MineConsult Report

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

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

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

Hongda Iron Ore Mine, Inner Mongolia Autonomous Region

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

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

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

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

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

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

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

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

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

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

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

Nonggeshan Lead-Zinc Mine, Sichuan Province

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

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

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

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

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

Source: Minarco-MineConsult Report

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

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

Source: Minarco-MineConsult Report

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

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

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

Xiangxi Carbon Shale Vanadium Mine, Hunan Province

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

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

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

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

Source: Minarco-MineConsult Report
Note: In Situ Quantities shown above includes reserves.

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

Source: Minarco-MineConsult Report

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

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

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

Exploration Rights and Mining Rights

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

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

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

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

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

Smelting and Processing

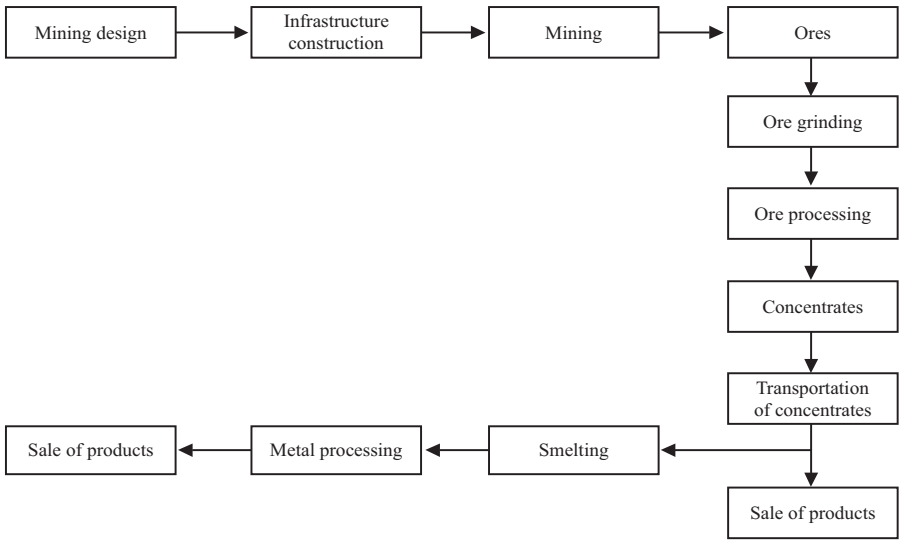
Our subsidiary, Huludao Nonferrous Metals Group Co., Ltd., has the capabilities to smelt zinc, lead and copper. With an output of 349,600 tons of zinc products in 2008, it is one of the largest zinc smelting enterprises in Asia. We also have smelting capabilities at some of our mining locations.

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

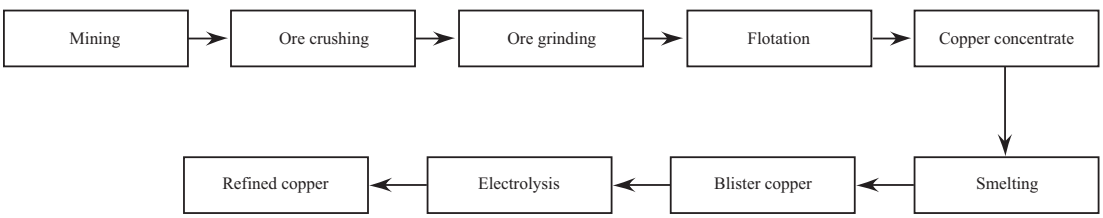
BUSINESS

Business Process

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



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



Procurement and Supplies

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

Customers, Sales and Marketing

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

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

Competition

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

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

EQUIPMENT MANUFACTURING

Overview

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

Principal Products

Metallurgical Equipment

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

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

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

Steel Structures

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

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

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

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

Manufacturing Facilities

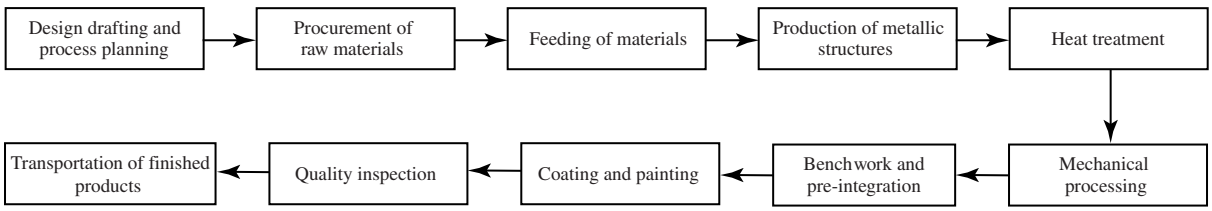
The following table shows the area and major products of our main manufacturing facilities as of June 30, 2009:

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

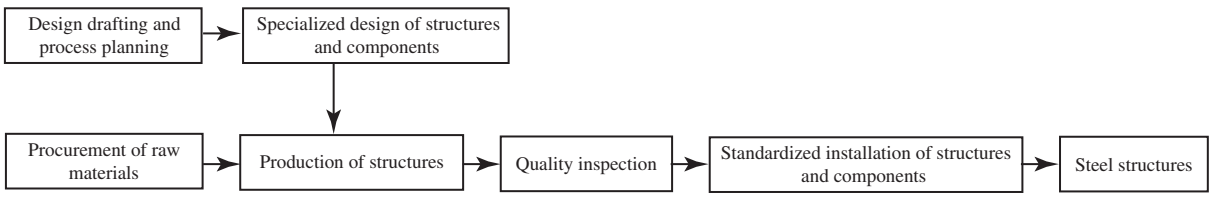
Manufacturing Process

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

Metallurgical Equipment



Steel Structures



Procurement and Supplies

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

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

Customers, Sales and Marketing

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

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

Competition

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

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

PROPERTY DEVELOPMENT

Overview

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

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

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

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

Our Projects

We classify our property developments into three categories:

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

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

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

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

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

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

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

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

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

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

Completed Projects

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

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

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

Projects Under Development

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

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

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

Project	Interest Attributable to Us	Location	Site Area	Planned GFA (sq.m.)					Planned Construction Cost	Incurred Construction Cost	Commencement Date	Planned Completion Date	Involvement of Our Non Property Development Subsidiaries	Construction Enterprise
				Residential	Office/ Hotel	Retail	Car Parking Spaces/ Basement	Ancillary Facilities/ Others	Total					
	(%)		(sq.m.)							(RMB mil)				
Zicui Gaoqingyuan	94.93	Pudong New District, Shanghai	23,819	38,051			6,932	600	45,583	98.2	11.8	Mar. 2008	Apr. 2010	Yes	China Metallurgical Tiangong Shanghai Shisanye Construction Co., Ltd.
Yundong 365/MCC Xingfuling	100.0	Jiulongpo District, Chongqing	11,700	60,689		701	17,092	2,126	80,608	142.4	20.0	Apr. 2009	Dec. 2010	Yes	China Metallurgical Construction Co., Ltd.
Shanghai Automobile Square	37.72	Zhabei District, Shanghai	10,346		19,091	6,773	13,986	163	40,013	161.0	7.7	June 2009	May 2011	Yes	MCC Chenggong Shanghai Wuye Construction Co., Ltd.
Jinyuchi Project Phase II	99.01	Chongwen District, Beijing	39,433	108,752	16,069				124,821	727.0	270.3	Nov. 2005	Dec. 2009	No	Beijing Chongjian Engineering Co., Ltd.
Hualin Technology Mansion	99.01	Chaoyang District, Beijing	9,800		50,340	1,856		7,402	59,598	N/A	N/A	Jan. 2005	Nov. 2009	No	Second Company of China First Construction Bureau
Xuelian Mansion, Phase II	99.01	Chaoyang District, Beijing	9,414		63,297	1,703	27,700		92,700	682.0	381.3	Nov. 2006	Sept. 2009	Yes	Beijing Tianrun Construction Engineering Co., Ltd.
Guancheng Center	99.01	Haidian District, Beijing	16,770	50,464	54,281	13,955	24,792		143,492	809.2	434.0	Dec. 2006	Oct. 2009	Yes	Beijing Tianrun Construction Engineering Co., Ltd.
Lianhua Village Project	59.41	Jianye District, Nanjing	141,614	310,878			63,335		374,213	719.5		Mar. 2009	Dec. 2010	No	Nanjing Zhougye Zhengxing Real Estate Co., Ltd.
Total			1,538,543	2,401,215	244,099	90,097	361,370	233,412	3,330,195	9,597.0	3009.6				

Projects Held for Future Development

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

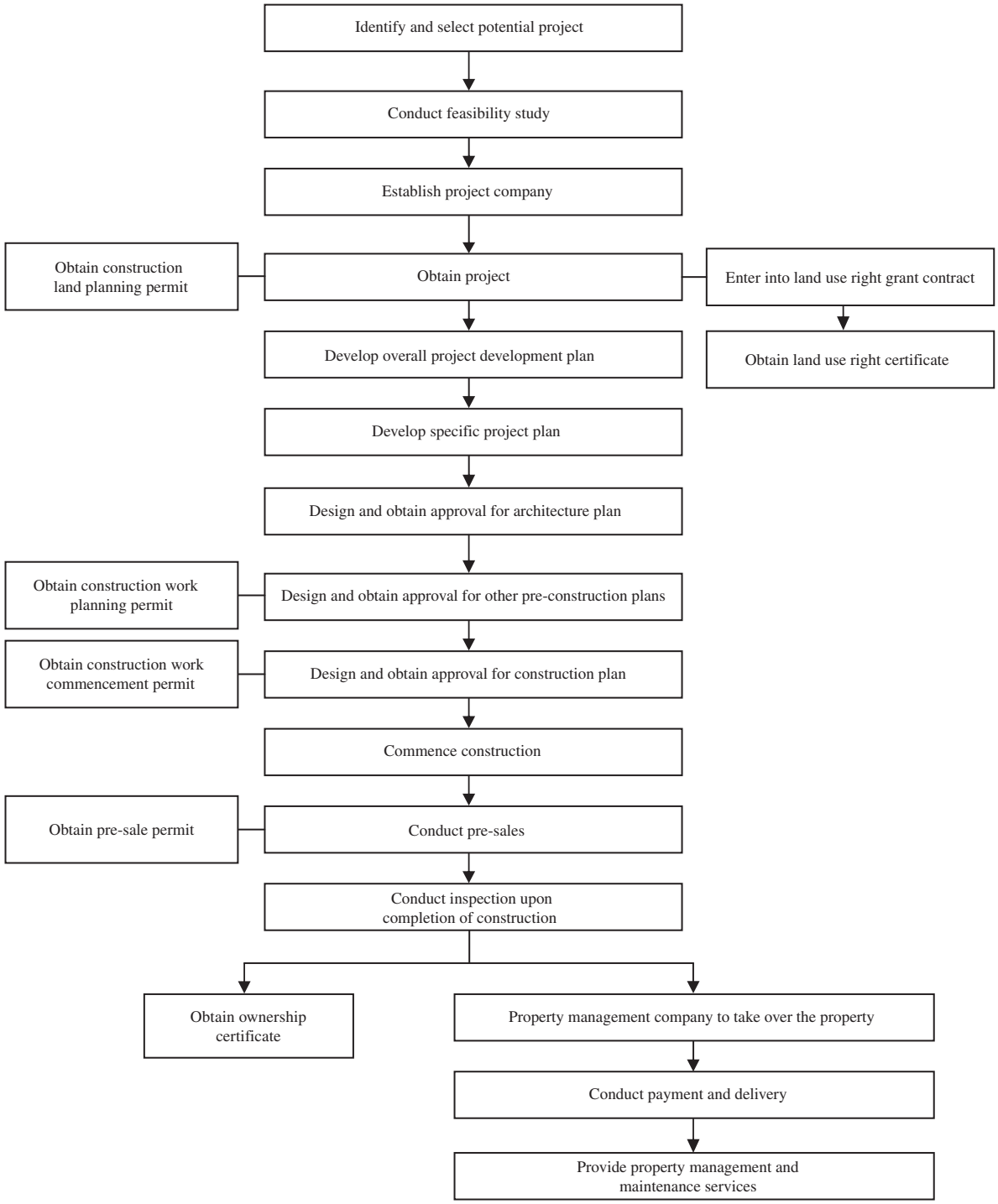
Project	Interest Attributable to Us	Location	Site Area	Planned GFA (sq.m.)					Total	Construction Cost	Incurred Construction Cost	Status of "Five Certificates"
				Residential	Office/ Hotel	Retail	Car Parking Spaces/ Basement	Ancillary Facilities/ Others				
	(%)		(sq.m.)							(RMB mil)	(RMB mil)	
New Century Square Phase I	55.94	Qiqihar, Heilongjiang	11,069						Under planning			Obtained land use right certificate and construction land planning permit
Jade Belt Bay Phase II	55.94	Haigang District, Qinhuangdao, Shandong	99,842	389,956		16,462	71,257	3,982	481,657			Obtained land use right certificate
Weimingdao Residential Area	48.94	Huangdao District, Qingdao, Shandong	86,668						Under planning			Obtained land use right certificate, construction land planning permit and construction work planning permit for Phase I
Chongqing Zaochen	70.00	Jiangbei District, Chongqing	12,054	97,057	10,021	2,113		1,709	110,900			Obtained land use right certificate and construction land planning permit
Bei Lu Yuan	79.41	North New District, Chongqing	124,399	190,150			47,094	55,692	292,935	673.2	14.1	Obtained land use right certificate and construction land planning permit
Kunshan Zhongye International Square	72.21	Kunshan, Jiangsu	33,453	67,478	38,947	10,932			117,357			Obtained land use right certificate and construction land planning permit
Swan Bay International Waterfront Phases II, III; IV and V	48.09	Suzhou City, Anhui	270,906	290,985		32,000	7,629	14,340	344,954			Obtained land use right certificate
Dongnan Mingyuan (Undeveloped land portion)	66.70	Ma'anshan City, Anhui	50,237		2,410	2,469	1,336		6,215	7.1		Obtained land use right certificate
Zhongye Yushan Shangyuan	86.36	Intersection point of Changjiang Road and New Century Avenue, Changshu	136,329	173,380		15,233	9,054	2,294	199,961			Entered into land grant contract, and Phase I obtained land use right certificate
Haixi International City	70.50	Changtai County, Fujian	80,000						Under planning			Obtained land use right certificate and construction land planning permit

Project	Interest Attributable to Us	Location	Site Area	Planned GFA (sq.m.)						Construction Cost	Incurred Construction Cost	Status of "Five Certificates"
				Residential	Office/ Hotel	Retail	Car Parking Spaces/ Basement	Ancillary Facilities/ Others	Total			
	(%)		(sq.m.)							(RMB mil)	(RMB mil)	
Anlu Huafu	77.35	Economic Development Zone, Anlu	44,913						Under planning			Obtained land use right certificate and construction land planning permit
Xiangteng City Square Phase II	48.30	Jiading District, Shanghai	46,259	44,564	37,948	33,378	40,990	20,934	177,814	714.0		Obtained land use right certificate
Lugu Jingyuan	91.66	High-Tech Industrial Development Zone, Changsha	120,000	190,000			23,000	3,000	216,000			Obtained land use right certificate
Aishang Eastern City	54.15	Xinzhou District, Wuhan	26,319						Under planning			Obtained land use right certificate and construction land planning permit
Zhongye Shengqiao Weisi/Jinxiu Spring City/Chengyang project	97.87	Chengyang District, Qingdao, Shandong	88,217						Under planning			Obtained land use right certificate
Pingjiang Dong Lu	54.15	Wuhan, Hubei	29,528						Under planning			Obtained land use right certificate and construction land planning permit
Anlelin Road Complex Building	99.01	Chongwen District, Beijing	2,980						Under planning			Obtained land use right certificate and construction land planning permit
Huayuan Hotel reconstruction and expansion project	99.01	Chaoyang District, Beijing	9,394		57,841				57,841			Obtained land use right certificate
Cihu Bei'an (Huangshi Cihu project)	77.35	Cihu District, Huangshi	232,850						Under planning			Entered into land grant contract
Lv Xi Tao Yuan	55.94	Qiqihar, Heilongjiang	49,621						Under planning			Entered into land grant contract
Xintang Group District A and B	88.20	Tianjin	121,772						Under planning			Entered into land grant contract
Total			1,676,810	1,443,570	147,167	112,587	200,359	101,951	2,005,634	1,394.3	14.1	

BUSINESS

Business Process

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



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

Acquisition of Land

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

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

Selection of Surveying Company

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

Selection of Design Firm and Design Plan

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

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

Selection, Management and Inspection of Construction Company

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

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

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

Selection of Supervision Company

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

After-sale Services

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

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

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

Primary Land Development

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

Social Welfare Housing Development

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

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

Procurement and Supplies

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

- *Direct procurement.* We have two levels of direct procurement: central procurement and procurement by individual project companies. With the development of multiple projects and the promotion of our cross-regional operations, we began implementing a strategic central procurement system since 2006 in order to integrate our supply chain, reduce procurement costs and shorten procurement time. We make bulk procurement primarily by way of public tenders and develop a strategic cooperation relationship with those suppliers who have passed our internal assessments. In addition to strategic procurement, our project companies also directly procure certain materials within the scope authorized by the headquarters of our Company. Review and approval by the relevant department of the headquarters are required if a proposed procurement goes beyond the authorized scope.

- *Procurement by the construction company.* This consists of procurement by the general contractor and procurement by specialized subcontractors. The general contractor of a project procures certain materials pursuant to the construction contracts and as confirmed by us, including steel, cement, fire fighting equipment, ventilation and air-conditioning equipment. In order to maintain quality control, we and the construction company jointly conduct an inspection of the supplier and review the quality standards of the products to ensure their practicability. We also supervise the selection of products by the construction company through open bidding. Specialized subcontractors are mainly responsible for procuring materials for computerization or automation, specialized engineering areas and public facilities. To ensure product quality, project companies conduct qualification assessment and price assessment. The headquarters of our Company generally conduct the assessments instead for those areas beyond the authorized scope of the project companies.

Customers, Sales and Marketing

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

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

Competition

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

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

BACKLOG

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

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

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

NEW CONTRACT VALUE

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

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

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

CUSTOMERS

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

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

SUPPLIERS

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

TECHNOLOGY AND RESEARCH AND DEVELOPMENT

Technology Strategy

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

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

Technological System and Organizational Management

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

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

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

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

Major Technological Achievements

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

Investments in Technological Research

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

Key Technologies

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

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

- *Mining:* We possess highly productive mining technology for underground mining, deep shaft mining technology, large hole underground mining technology, high concentration paste form filling technology, mining technology using the natural caving method, the ability to jointly conduct open pit and underground mining under complicated conditions, large-scale open pit mining technology, computerized mining allocation technology, and strong capabilities in construction.

- *Sintering:* We have independent, proprietary and internationally leading sintering processes, sintering equipment core technologies and system integration capabilities. We have achieved internationally advanced standards of large-scale grate-kiln pelletizing machine processes and equipment core technologies and system integration capabilities. We have also achieved internationally advanced standards for our sintering fire furnace, selection equipment and cooling equipment, among other equipment and technologies.

- *Coking:* We have more than 50 years of experience in the development, design, construction and production of coke ovens. We have reached internationally leading standards of very large volume coking core technology, large-scale stamp-charged coke oven core technology and very large-scale coke dry quenching equipment core technology, which also form our systematic core technologies. Our technologies in coking, coke dry quenching, coal gas purification and recycling of chemical products, as represented by our 6 m coke oven, not only have competitive advantages in China, having captured the largest market share in the country, but also are competitive in the international market.

- *Iron making:* We have reached an overall internationally leading standard for our original coal-based hot-set grate-kiln (one-step) direct iron reduction technology; the international standard for our large-scale blast furnace integrated technology; and an internationally advanced standard for our various specialized system management software in blast furnace management and alarm warnings, material shape prediction, furnace conditions prediction, furnace body and bottom corrosion prediction, process information stream management, process basic calculations, iron tapping and slagging process prediction, and hot metal silicon content prediction, among others. In the area of repair of large-scale blast furnaces, we have gained advanced technology and experience, having a number of proprietary core technologies including the cutting and moving of large-scale blast furnace bases and the air suspension transportation technology for heavy components.

- *Steel making and continuous casting:* We have the proprietary static condition suspension new converter technology, converter bottom blowing technology and control systems, convertor sublance electromechanical integration and dynamic control model technology; proprietary key technologies of 100-ton high power electric arc furnace, equipment and EIC systems; an internationally advanced standard of original structural thin slab caster, nozzle, hydraulic oscillator and real-time dynamic tracking system (including secondary cooling dynamic water distribution systems and liquid core reduction models); proprietary key technologies of extra-heavy slab caster process and equipment key technologies; proprietary modern straight-arc shaped slab continuous casting machine process and equipment core technologies; and domestically leading standards of proprietary large round/ rectangular bloom caster process and equipment core technologies. We have strong capabilities in the treatment and resources utilization of scrap steel, actively contributing to the conservation of energy, reduction of emissions and protection of the environment.

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

Major Current Research and Development Projects

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

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

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

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

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

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

QUALITY CONTROL

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

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

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

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

BUSINESS

QUALIFICATIONS

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

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

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

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

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

HEALTH AND SAFETY

We regard occupational health and safety as one of our important corporate and social responsibilities. Our business operations involve significant risks and hazards that could result in damage or destruction of property, death and personal injury, business interruption and possible legal liabilities. See "Risk Factors — Risks Relating to Our Business and the Industries in Which We Operate — Our businesses involve inherent risks and occupational hazards, which could harm our reputation, subject us to liability claims and cause us to incur substantial costs."

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

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

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

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

ENVIRONMENTAL PROTECTION

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

BUSINESS

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

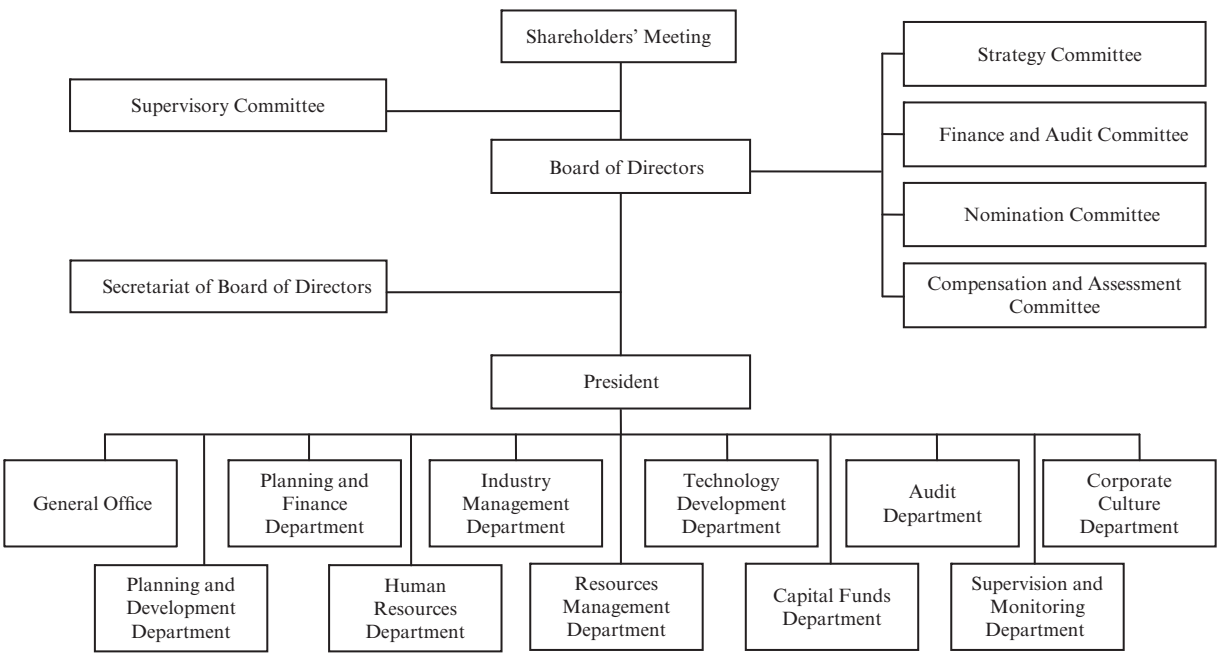
Based on GB/T 24002-2004idt ISO 14001:2004 "The Requirements of Environment Management System and User's Guide," our Company and our major subsidiaries have adopted stringent measures to control pollutant production in the manufacturing processes, have established a central environmental protection and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

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

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

MANAGEMENT STRUCTURE

The following chart shows our management structure.



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

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

INTERNAL CONTROLS

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

INTELLECTUAL PROPERTY

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

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

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

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

INSURANCE

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

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

- In August 2008, our subsidiary, China 22nd Metallurgical Construction Corporation Limited (中國第二十二冶金建設有限公司), initiated a lawsuit against Bairong Investment Holding Group Co., Ltd. ("Bairong"), seeking judicial relief for the payment of outstanding project construction fees and interest in an aggregate amount of approximately RMB56.8 million. Pursuant to the settlement order issued by the court in March 2009, Bairong is required to settle all outstanding project construction fees and interest before February 15, 2010 with monthly repayments of RMB5 million beginning from April 1, 2009. As of June 30, 2009, RMB10 million had been paid.

- In May 2009, China 22nd Metallurgical Construction Corporation Limited and our subsidiary, MCC Jingtang Tianrun Corporation (北京天潤建設工程有限公司), initiated a lawsuit against Beijing Shengshi Real Estate Development Co., Ltd. (北京盛市房地產開發有限公司) and Beijing Normal University (北京師範大學), seeking judicial relief for the payment of approximately RMB100.9 million in relation to a dispute arising from a construction contract. This case is pending for trial.

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

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

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

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

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

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

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

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

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

BUSINESS

EMPLOYEES

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

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

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

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

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

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

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

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

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

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

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

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

PROPERTIES

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

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

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

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

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

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

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

Buildings

Owned Buildings

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

- *Properties for which we had obtained the building ownership certificates.* We owned 3,882 buildings with a total GFA of approximately 3.9 million sq.m. for which we had obtained the building ownership certificates. These buildings accounted for approximately 79.3% of the total GFA of our occupied buildings. Among these were:

  (i) 3,671 buildings with a total GFA of approximately 3.6 million sq.m. erected on land for which we had legally obtained the land use rights, which accounted for approximately 73.9% of the total GFA of our occupied buildings; and

  (ii) 211 buildings with a total GFA of approximately 261,050 sq.m. erected on land for which we were in the process of completing the land grant or land use procedures or on leasehold land with respect to which the lessors had not obtained the land use right certificates or had not completed the land use procedures for leasing allocated land. These buildings accounted for approximately 5.4% of the total GFA of our occupied buildings. Of these 211 buildings, only 60 buildings with an aggregate GFA of approximately 73,707 sq.m., which accounted for approximately 1.5% of the total GFA of our occupied buildings, are used for production and industrial purposes. These buildings are used to support our core production processes and do not generate any significant direct income to us. We also believe that the activities conducted in such buildings can be relocated if necessary. The rest of these buildings are used for administrative, support or other miscellaneous purposes and are immaterial to our operations, financial performance and prospects.

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

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

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

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

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

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

- With respect to buildings for which we had obtained the building ownership certificates and which were erected on land with legally granted land use rights, we have legally and validly obtained the ownership of such buildings. Based on different circumstances of the land on which such buildings were erected, our rights to such buildings are as follows:

  (i) For buildings with building ownership certificates that were erected on land for which we had obtained the land use rights by means of land grant or state capital injection, we have the rights to possess, use, transfer, give, lease, mortgage or otherwise dispose of such buildings in accordance with the PRC laws and regulations; and

  (ii) For buildings with building ownership certificates that were erected on land for which we had obtained the land use rights by means of leasing from the state-owned land administrative authorities, we have the rights to possess, use, transfer, give, lease, mortgage or otherwise dispose of such buildings in accordance with the PRC laws and regulations, provided that advance approvals from the state-owned land administrative authorities will be required if such disposal leads to a change in the lessee of the relevant land.

- With respect to buildings for which we had obtained the building ownership certificates but which were erected on land with defective land use rights, we have legally and validly obtained the ownership of such buildings. Upon obtaining the disposable land use rights, which are not subject to any limitation with respect to relevant land in accordance with PRC laws and regulations, we would have the rights to possess, use, transfer, give, lease, mortgage or otherwise dispose of such buildings in accordance with

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

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

Leased Buildings

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

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

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

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

- Our leases from the lessors who have obtained the building ownership certificates are legal and valid. The lessors have the right to lease such buildings to us in accordance with PRC laws and regulations. The form and substance of the lease agreements for such buildings meet the requirements of the relevant PRC laws and regulations. After execution, the lease agreements are legal, valid and binding and are enforceable against each party to such agreements.

- Our leases from the lessors who have not obtained the building ownership certificates will become legal upon the lessors' obtaining the relevant building ownership certificates. Such buildings constituted a relatively small proportion of the buildings used by us; there were no disputes as to the rights to such buildings that would materially affect our production and operations, and the lack of the relevant building ownership certificate would not have any material adverse effect on our production and operations. The undertakings of the Parent to us in relation to such buildings are legal, valid and enforceable against the Parent.

Land Use Rights

Land Use Rights to Owned Properties

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

- 279 parcels were granted land with a total site area of approximately 14.9 million sq.m. 271 parcels of them with a total site area of approximately 14.7 million sq.m. were granted with the land use right certificates after relevant agreements on the grant of land use rights were entered into with the state-owned land administrative authorities. For the other eight parcels of land, with a total site area of approximately 143,107 sq.m., we had either entered into the agreement on the grant of land use rights with the state-owned land administrative authorities or were in the process of entering into such agreements. We currently expect to settle all outstanding premium in an amount of approximately RMB479,766,367 for grant of the land use rights by the end of 2009. Our PRC legal advisor, Jia Yuan Law Firm, has advised us that there is no material legal impediment to obtaining the land use right certificates to the extent that the relevant land premium is duly paid.

- 208 parcels of land with a total site area of approximately 4.4 million sq.m. were granted with the land use rights by means of state capital injection, including:

  (i) 193 parcels of land, with a total site area of approximately 4.1 million sq.m., were injected into our Company as injected state capital as authorized by the Ministry of Land and Resources. During our application process for the land use right certificates for relevant land, the number of parcels of land was adjusted to 190. Among them, 164 parcels completed the application and relevant land use rights certificates were obtained while the application for the remaining 26 parcels is pending. We currently expect the relevant land use right certificates with respect to these 26 parcels will be issued in the near future.

  (ii) One parcel of land, with a site area of approximately 24,646 sq.m., was injected into MCC-Xi'an Electric Furnace Institute Co., Ltd, which was established after the Reorganization, as injected state capital by Shanxi Science and Technology Administration, as authorized by the Shanxi Land and Resources Administration.

(iii) 13 parcels of land, with a total site area of approximately 321,236 sq.m., were injected into Huludao Nonferrous Metals Group Co., Ltd. as injected state capital by Huludao Zinc Factory, as authorized by the Liaoning Land and Resources Administration.

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

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

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

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

Land Use Rights to Leased Properties

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

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

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

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

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

Overseas Properties

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

Waiver and Exemption From Certain Valuation Report Requirements

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

(a) to comply with the requirements under rules 5.01 and 5.06 and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and paragraph 34(2) of the Third Schedule of the Companies Ordinance in its unmodified form, namely to list all of the properties (other than those held by us for our property development business) and show their particulars and values individually in this document, would be unduly burdensome and, for the purposes of the Hong Kong Listing Rules, would not achieve the regulatory purpose for which the Hong Kong Listing Rules were made;

(b) to comply with rule 19A.27(4) of the Hong Kong Listing Rules in its unmodified form, namely to prepare an English translation of the full valuation report, would be unduly burdensome as substantially all of our properties are located in the PRC and consequently the underlying valuation and title information is in Chinese;

(c) the waiver and exemption sought will not prejudice the interests of shareholders as the proposed conditions to the waivers and exemption would provide adequate information to shareholders to assess the property interests held by us;

(d) for the reasons set out in paragraphs (a) to (c) above, the waiver would not result in undue risks to shareholders; and

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

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

RELATIONSHIP WITH THE PARENT GROUP AND CONNECTED TRANSACTIONS

OVERVIEW

We were established as a joint stock limited company on December 1, 2008 in accordance with PRC law. The Parent is one of our promoters. The Parent owned 99% of our issued share capital when we were established.

Pursuant to the Reorganization Agreement, the Parent transferred to us substantially all of its assets, liabilities and interests in relation to its engineering and construction, resources development, equipment manufacturing, property development and other business (including, without limitation, import and export and consulting services). Currently, the Parent Group is primarily engaged in papermaking business which are different from our core businesses.

Our core businesses include engineering and construction, resources development, equipment manufacturing and property development.

RETAINED OPERATIONS

As part of our Reorganization, the Retained Operations were retained by the Parent, which principally include:

- Papermaking — including MCC Meili Paper Industry Co., Ltd and MCC Paper Yinhe Co., Ltd., which do not compete with us;
- MCC Hengtong Cold Rolling Technology Co., Ltd. ("Hengtong") — Its core business is the production and sale of metallic-calendered coating strip, and non-standard component parts for self use and consigned processing, such as galvanizing strip, Al-Zn silicon coating strip and color coating strip. Our equipment manufacturing business primarily consists of the development and production of metallurgical equipment, steel structures and other metal products. In addition, the scope of business of Hengtong includes the production and sales of metallurgical industrial assembly equipment and machinery equipment, which are similar to our equipment manufacturing business. However, the production and the sales of metallurgical industrial assembly equipment and machinery equipment of Hengtong are on a much smaller scale. Hengtong has a registered capital of RMB1,600,000,000 and unaudited net assets of approximately RMB1,150,555,662 as at December 31, 2008. Its unaudited pre-tax losses for the year ended December 31, 2008 were approximately RMB563,949,183. The total unaudited revenue of Hengtong for the year ended December 31, 2008 was approximately RMB5,000,000,000, of which the unaudited revenue generated from the sale of metallurgical industrial assembly equipments and machinery equipments was approximately RMB11,633,909. With the implementation of the relevant arrangements as set out in the Non-competition Undertaking Letter and the Non-competition Agreement below, we believe that Hengtong does not substantially compete with us. Hengtong has not been injected into us as part of the Reorganization because, amongst other things: a) the Parent's joint venture partner of Hengtong has not agreed on mutually acceptable terms for the transfer of the Parent's equity interests in Hengtong to us and b) Hengtong's assets contain various outstanding title defects and were considered not suitable for injection into us; and
- Beijing Dongxing Metallurgical New Technology Development Company (北京東星冶金新技術開發公司) ("Dongxing") — Its assets mainly include:

  (1) enterprises engaging in non-core businesses which, in accordance with the relevant PRC laws and regulations, have been separated from our core businesses. The non-core businesses mainly consist of assets management, property management, hospital operation and school operation;

(2) ancillary business units proposed to be closed, deregistered or transferred, including enterprises and assets such as hotels and swimming pools. The ancillary business units mainly consist of enterprises engaging in ancillary construction services and property management; and

(3) land assets and housing property, including land and housing assets not included into us due to defect in legal ownership.

With the implementation of the relevant arrangements as set out in the Non-competition Undertaking Letter and the Non-competition Agreement below, we believe that the businesses in which the subsidiaries of Dongxing are engaged are in effect incapable of substantially competing with our core businesses. In addition, after separating its core business from its ancillary business, the Parent will no longer have the controlling stake, and some of the ancillary business units will be deregistered or transferred. As such, we are of the view that we are not currently in any substantial competition with Dongxing and its subsidiaries.

Other than the circumstances stated above, there are no other circumstances in which the Parent and its controlled subsidiaries operate in the business which, directly or indirectly, competes with our business.

Our Directors are of the view that the Retained Operations do not materially compete with our core businesses. In addition, the Parent has issued a Non-competition Undertaking Letter to us and has entered into a Non-competition Agreement with us, pursuant to which the Parent has agreed that the Parent Group shall not, directly or indirectly, compete with us and to grant us options and pre-emptive rights to acquire the Retained Operations. With the implementation of the precautious measures as prescribed in the Non-competition Undertaking Letter and the Non-competition Agreement below, our Directors believe that we will not encounter any material competition from the Parent Group. In connection with our Reorganization, we have entered into a number of agreements and arrangements to regulate the transactions between us and the Parent Group. See "— Continuing Connected Transactions."

NON-COMPETITION UNDERTAKING LETTER

In relation to certain enterprises in the Retain Operations which conduct businesses in competition with us, the Parent issued a Non-competition Undertaking Letter in favour of us on December 5, 2008, with the following undertakings:

- as long as the Parent still, directly or indirectly, holds the controlling interests in such assets, such enterprises shall no longer develop any business that will or may compete with any of our business;
- the Parent shall, within certain period and by way of the transfer of property rights and disposal of assets, no longer hold such enterprises or controlling interests in such enterprises. To the extent permitted by applicable laws, we shall have the pre-emptive right to be transferred with such property rights or acquire such disposable assets if the conditions offered by us and other parties are the same;
- upon our request in exercising our rights over those enterprises from time to time, we shall adopt methods such as asset custody and acquisition so as to enable us to acquire or to effectively control all or part of such enterprises; and
- the Parent shall fulfill all its relevant obligations and undertakings under the Non-competition Agreement, including, but not limited to, granting us options and pre-emptive rights in respect

of any new business opportunities during the effective period of the Non-competition Agreement.

The Parent will take all reasonable steps to guarantee the implementation of the above undertakings, including but not limited to passing the relevant internal resolutions, executing the relevant agreements to fulfill the relevant provisions contained in the Non-competition Undertaking Letter and the Non-competition Agreement. The undertakings made by the Parent will be effective from the signing date of the Non-competition Undertaking Letter and will continue to be binding until the termination of the Non-competition Agreement.

NON-COMPETITION AGREEMENT

In order to avoid any potential competition, the Parent entered into a Non-competition Agreement with us on [●], 2009. The Parent confirms that neither itself nor its subsidiaries engage or participate in whatever manner in any business that competes directly or indirectly or may compete with our current or any possible future core businesses within and outside the PRC, except for those businesses in the Retained Operations which compete directly or indirectly or may compete with our current or any possible future core businesses within and outside the PRC and all businesses resulting from the new business opportunities referred to below which have not been purchased or taken up by us and have been taken up by the Parent, and undertakes that it will procure any of its subsidiaries not to:

- whether within or outside the PRC and whether on its own or jointly with other parties, be directly or indirectly engaged or participate in whatever manner (including but not limited to investment, merger and acquisition, joint venture, joint equity, cooperation, partnership, contracted or lease operation, purchase of shares of listed companies or equity participation) in any business that directly or indirectly competes or may compete with our core businesses;
- support in whatever manner, whether within or outside the PRC, any party other than us or our subsidiaries to engage in any business that directly or indirectly competes or may compete with our core businesses; and
- get involved in whatever manner (whether directly or indirectly) in any business that directly or indirectly competes or may compete with our core businesses.

Apart from the above undertakings, if the Parent or its subsidiaries become aware of any new business opportunity that competes or may compete directly or indirectly with our core businesses, they will immediately notify us in writing of such opportunity, and will endeavor to procure that we or any of our subsidiaries will be given priority in acquiring such business opportunity on reasonable and fair terms and conditions. Our independent non-executive Directors will decide whether to take up such new business opportunity. In accordance with our relevant internal corporate governance rules, any conflicting Directors will abstain from voting on the resolutions at the meetings of the Board to consider such new business opportunity and not be physically present at the relevant meeting of the Board whilst the Board is considering such new business opportunity. In the event that the Parent or any of its subsidiaries obtains the abovementioned new business opportunity with our consent, and subsequently intends to transfer, sell, lease, license or otherwise assign or give permission for the use of the new business to a third party during the term of the Non-competition Agreement, we shall have the pre-emptive right with respective of such new business. Any decision on whether to exercise the pre-emptive rights will be made by our independent non-executive Directors. When considering whether or not to exercise the pre-emptive rights, our independent non-executive Directors will consider, amongst others, the following factors: the valuation of the relevant business, the performance of the relevant business, the compatibility of the strategy of the relevant business with that of the

Company, the prevailing market conditions, the available resources of the Company and other options available to the Company to purchase similar businesses from third parties or establish similar businesses.

The Non-competition Agreement shall take effect from the time it is executed by the two parties thereto.

The Company and the Parent have agreed that the Parent will make an annual declaration on compliance with the Non-competition Undertaking Letter and the Non-competition Agreement in our annual report. The Parent further undertakes to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Non-competition Undertaking Letter and the Non-competition Agreement. Our independent non-executive Directors will review, on an annual basis, the information provided by the Parent in respect of the compliance and enforcement of the Non-competition Undertaking Letter and the Non-competition Agreement.

INDEPENDENCE FROM THE PARENT GROUP

Given the following factors, we believe that we will be able to operate independently of the Parent and its associates:

Management Independence

Four of the nine members of our Board, namely, Mr. Liu Benren ("Mr. Liu"), Mr. Wang Weimin ("Mr. Wang"), Mr. Shen Heting ("Mr. Shen") and Mr. Guo Wenqing ("Mr. Guo"), also hold offices as directors with the Parent. Mr. Liu does not have any executive functions within, and does not have any involvement in the day-to-day management of, the Parent. Mr. Liu, our chairman and a non-executive director, is principally responsible for formulating our corporate and business strategies and making our major corporate and operational decisions. Mr. Liu is not involved in our day-to-day management. Mr. Wang is involved in our management but is not responsible for our daily operations. Mr. Wang, our executive Director and vice chairman, assists the chairman in the daily management of the operations of the Board and is responsible for our day-to-day strategic decisions and important human resources management decisions. Mr. Wang is also principally responsible for assisting the chairman in formulating our corporate and business strategies and making our major corporate and operational decisions. Pursuant to the Articles of Association, Mr. Wang will exercise the chairman's power if authorized by the chairman to do so or if the chairman is not able to, or does not, perform his duty. Mr. Wang is also responsible for the day-to-day management of the Parent. Mr. Shen devotes most of his time managing our daily operations, and is not involved in the Parent's day-to-day management. Mr. Guo is involved in our high level decision-making of important strategic and policy matters but is not involved in our daily operations. Mr. Guo is involved in important strategic decision-making of the Parent and is not involved in its daily management.

Two of the three Supervisors of our Supervisory Committee, Mr. Peng Haiqing and Mr. Shao Jinhui, do not hold any positions within the Parent Group. The chairman of our Supervisory Committee, Mr. Han Changlin ("Mr. Han"), also serves as a director of the Parent and is responsible for its high level decision-making of important strategic and policy matters. Mr. Han is not involved in the day-to-day management of the Parent. Mr. Han performs his duty as our Supervisor in accordance with the Articles of Association and is not involved in our daily management.

None of our current five vice presidents, namely Ms. Huang Dan, Mr. Wang Yongguang, Mr. Li Shiyu, Mr. Zhang Zhaoxiang and Mr. Wang Xiufeng, serves as a director or holds any position in the senior management within the Parent Group. Ms. Huang Dan, Mr. Wang Yongguang, Mr. Li Shiyu, Mr. Zhang Zhaoxiang and Mr. Wang Xiufeng along with Mr. Shen Heting, our executive Director and president, are collectively responsible for our day-to-day operational management on a full time basis.

RELATIONSHIP WITH THE PARENT GROUP AND CONNECTED TRANSACTIONS

Where relevant Directors have to abstain from voting at our Board meetings in respect of matters that may give rise to any potential conflict of interest between us and the Parent Group, we believe that the remaining five independent non-executive Directors have sufficient relevant industry expertise and experience to make decisions for us. Furthermore, while a minimum of three independent non-executive directors are required by the Hong Kong Listing Rules, we have appointed five independent non-executive Directors, representing a majority of our Board which currently has nine members. Therefore, there is a greater counterweight to maintain the balance in our Board and promote the interest of us and our Shareholders as a whole. Based on the above, and taking into account the fact that the connected transactions between us and the Parent Group and the competition issues from the Retained Operations are immaterial, we believe that the Board and our management are sufficiently independent of the Parent Group.

Operational Independence

Pursuant to the Reorganization Agreement, the Parent has transferred to us substantially all of its assets, liabilities and interests relating to its engineering and construction, resources development, equipment manufacturing and property development businesses. The above businesses have complete business systems and independent operations directly catering to the market. We have complete legal person property rights, including operational decision making power and execution power. We are engaged in businesses that are independent of those operated by the Parent and other enterprises controlled by the Parent and have carried out independent accounting in their operation and management. We and our holding subsidiaries have relevant qualifications required for their business operations, independent production and operation premises, and personnel, equipment and ancillary facilities needed for their businesses, and with an independent and complete business system building on such foundation and comprising production, supply and sales systems, we may organize and commence relevant businesses successfully and is capable of conducting independent marketing operations.

In addition, we have set up decision making, operation, management and regulatory bodies such as the general meeting, the Board of Directors, the Supervisory Committee and the management and specified clearly the terms of reference of all these bodies in accordance with the requirements of the PRC Company Law, the Articles of Association and other relevant laws and regulations and regulatory documents, so as to establish a regulated and effective legal person governance structure. We have our own organizational structure comprised of independent departments that suit its business features and cater to its business development needs. All of our departments have clear division of labour and specific areas of responsibility, and cooperate with one another to ensure our regulated operation. Therefore, we are completely separated from and operate independently of the Parent Group. We have autonomy in administrative setup and do not mix with the operation of the Parent Group.

Based on the above reasons, the Directors are of the view that we are not dependent on the Parent Group in our operations.

Financial Independence

As at the date of this document, we do not have any outstanding loans granted by the Parent or its associates to us and all guarantees provided to us by the Parent and its associates have been released. We have settled all amounts due to the Parent Group in non-trade nature. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support its daily operations. We have independent access to third party financing and do not need to depend on the Parent Group. See "Financial Information — Assets and Liabilities — Working Capital."

RELATIONSHIP WITH THE PARENT GROUP AND CONNECTED TRANSACTIONS

We have established an independent finance department with a team of independent financial staff, as well as a sound and independent audit system, a standardized financial and accounting system and a complete financial management system. We can make financial decisions independently and the Parent Group does not intervene with our use of funds. We have opened basic accounts with banks independently and the Parent Group does not share any bank account with us. We have made independent tax registrations and paid tax independently pursuant to laws. There has not been any tax paid by us together with the Parent and other enterprises under its control on a combined basis.

CONTINUING CONNECTED TRANSACTIONS

Summary of Continuing Connected Transactions

Set out below is a summary of the continuing connected transactions between us and our connected persons:

	Type of Transaction	Applicable Hong Kong Listing Rule	Waiver Sought	Historical Figures (RMB million) Financial Year Ended December 31, 2006	2007	2008	Six Months Ended June 30, 2009	Cap (RMB million) Financial Year Ending December 31, 2009	2010	2011
Continuing Connected Transactions with Baosteel										
1	Procurement of integrated products by us from Baosteel	14A.34	Announcement requirement	1,003	1,011	257	77	1,200	1,200	1,200
2	Supply of services by us to Baosteel	14A.35	Announcement and independent shareholders approval requirements	5,938	7,500	5,567	3,838	11,100	13,200	15,000
Continuing Connected Transactions with Wusteel										
3	Procurement of integrated products by us from Wusteel	14A.34	Announcement requirement	404	6	6	8	1,000	1,000	1,000
4	Supply of services by us to Wusteel	14A.34 *(Note 1)* 14A.35 *(Note 2)*	Announcement requirement *(Note 1)* Announcement and independent shareholders approval requirements *(Note 2)*	1,289	1,749	1,246	1,110	4,000	10,000	10,000
Continuing Connected Transactions with Ansteel										
5	Procurement of integrated products by us from Ansteel	14A.34	Announcement requirement	15	5	172	0	500	500	500
6	Supply of services by us to Ansteel	14A.34	Announcement requirement	1,527	3,125	2,806	585	2,800	3,500	4,000
Continuing Connected Transactions with Pansteel										
7	Procurement of integrated products by us from Pansteel	14A.34	Announcement requirement	9	1	171	17	500	500	500
8	Supply of services by us to Pansteel	14A.34 *(Note 1)* 14A.35 *(Note 2)*	Announcement requirement *(Note 1)* Announcement and independent shareholders approval requirements *(Note 2)*	1,163	3,010	1,746	742	3,000	8,000	9,000
Continuing Connected Transactions with Tangsteel										
9	Supply of services by us to Tangsteel	14A.34	Announcement requirement	1,333	3,317	3,106	1,453	3,500	4,100	4,600
Continuing Connected Transactions with the Parent Group										
10	Leasing of land use rights from the Parent Group to us *(note 3)*	14A.33(3)	—	0	0	2	0	N/A	N/A	N/A
11	Leasing of properties from the Parent Group to *(note 3)*	14A.33(3)	—	0	0	15	10	N/A	N/A	N/A
12(a)	Supply of raw materials, products and services by the Parent Group to us *(note 3)*	14A.33(3)	—	15	19	33	21	N/A	N/A	N/A
12(b)	Supply of raw materials, products and services by us to the Parent Group	14A.34	Announcement requirement	18	36	346	204	550	650	700

RELATIONSHIP WITH THE PARENT GROUP AND CONNECTED TRANSACTIONS

	Type of Transaction	Applicable Hong Kong Listing Rule	Waiver Sought	Historical Figures (RMB million) Financial Year Ended December 31, 2006	2007	2008	Six Months Ended June 30, 2009	Cap (RMB million) Financial Year Ending December 31, 2009	2010	2011
13	Licensing of patents by us to the Parent Group *(note 3)*	14A.33(3)	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Continuing Connected Transactions with Nanjing Hexi										
14	Economically affordable housing project undertaken by Zhongye Zhengxing	14A.34	Announcement requirement	0	0	0	457	888	944	1,016

Notes:

(1) For the year ending December 31, 2009.

(2) For the years ending December 31, 2010 and 2011, respectively.

(3) Each of the percentage ratios (other than the profits ratio) for the three years ending December 31, 2011 is estimated to be less than 0.1%. Therefore, under Rule 14A.33(3) of the Hong Kong Listing Rules, the transaction is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Relevant Connected Persons

Under the Hong Kong Listing Rules, the following entities, amongst others, will be regarded as our connected persons:

Promoters

Each of the Parent and Baosteel is our promoter and therefore each of the Parent and Baosteel, together with its associates, constitutes our connected person under the Hong Kong Listing Rules.

The Parent Group

The Parent directly holds 99% of our equity interest. It is our controlling shareholder and our promoter. Each of the Parent and its associates therefore constitutes our connected person under the Hong Kong Listing Rules.

Wusteel

Wusteel has an indirect 10% equity interest in Anshan Huatai CDQ Engineering & Technology Co., Ltd. (鞍山華泰幹熄焦工程技術有限公司) ("Anshan Huatai"), our indirect non wholly-owned subsidiary. It is a substantial shareholder of our subsidiary. Each of Wusteel and its associates therefore constitutes our connected person under the Hong Kong Listing Rules. The subsidiary of Wusteel made a capital injection of RMB1.6 million to Anshan Huatai in 1999 and subsequently reduced its capital contribution to RMB0.8 million in July 2005.

Ansteel

Ansteel has a 10.67% and 10% equity interests in ACRE Coking & Refractory Engineering Consulting Corporation, MCC ("ACRE") and Northern Engineering & Technology Corporation, MCC ("Northern") respectively, both of which are our non wholly-owned subsidiaries. Ansteel is therefore a substantial shareholder of two of our subsidiaries, and it and its associates therefore constitute our connected persons under the Hong Kong Listing Rules. Ansteel made a capital injection of RMB6.4 million to ACRE in October 2004 and RMB5.1 million to Northern in February 2005, respectively.

Pansteel

Pansteel has a 13.34% equity interest in CISDI Engineering Co., Ltd. ("CISDI"), our non wholly-owned subsidiary. It is a substantial shareholder of our subsidiary. Each of Pansteel and its associates therefore constitutes

our connected person under the Hong Kong Listing Rules. Pansteel made a capital injection of RMB17 million to CISDI in February 2003 and subsequently increased its capital contribution to RMB38.25 million in July 2007.

Tangsteel

Tangsteel has a 10% equity interest in MCC Jingtang Construction Corporation Limited ("Jingtang"), our non wholly-owned subsidiary. It is a substantial shareholder of our subsidiary. Each of Tangsteel and its associates therefore constitutes our connected person under the Hong Kong Listing Rules. Tangsteel made a capital injection of RMB20 million to Jingtang in April 2007.

Nanjing Hexi

Nanjing Hexi New District State-owned Asset Management Holding (Group) Co., Ltd. (南京市河西新城區國有資產經營控股（集團）有限公司) ("Nanjing Hexi") has a 40% equity interest in Nanjing Zhongye Zhengxing Real Estate Co., Ltd. (南京中冶正興置業有限責任公司) ("Zhongye Zhengxing") and a 28% equity interest in Nanjing Zhongye Hexi Real Estate Co., Ltd. (南京中冶和熙置業有限責任公司), both of which are our subsidiaries. Nanjing Hexi is therefore a substantial shareholder of two of our subsidiaries, and it and its associates therefore constitute our connected persons under the Hong Kong Listing Rules.

Each of the steel companies referred to above is a connected person only by virtue of being a substantial shareholder of our single (or in the case of Ansteel, two) non wholly-owned subsidiary, which is a typical structure for companies in the metallurgical construction industry in China. In relation to the above four steel companies, namely Wusteel, Ansteel, Pansteel and Tangsteel, we believe that in the context of our issued share capital of approximately RMB13 billion as of June 30, 2009, the capital contribution of the above four steel companies in our relevant subsidiaries (being 0.006%, 0.05% and 0.04% (in the case of Ansteel), 0.3% and 0.15% respectively) is immaterial.

We have established internal policies and rules to review, approve and monitor our transactions with connected persons.

Arrangements Relating to the Reorganization

Reorganization Agreement

To effect the Reorganization, we entered into the Reorganization Agreement with the Parent on December 5, 2008. Pursuant to the Reorganization Agreement, the Reorganization took effect from December 1, 2008 and the Parent agreed to indemnify us against, amongst other things:

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

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

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

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

(v) claims suffered on incurred by the Parent for breach of any provisions of the Reorganization Agreement.

In respect of the transactions described in the Reorganization Agreement, except for the mutual indemnification provisions given by the Parent and us to each other and the warranties given by the Parent in the Reorganization Agreement, the Parent's and our rights and obligations under the Reorganization Agreement have been substantially performed.

Apart from being disclosed herein, the Reorganization Agreement is not subject to any reporting, announcement or independent shareholders' approval requirements relating to connected transactions under the Hong Kong Listing Rules. In respect of the indemnities under the Reorganization Agreement, any payment which in the future might be made by either party in the performance of its obligations would not constitute a new transaction. Any such payment would merely be performance of a transaction which was previously entered into.

Non-Competition Undertaking Letter Relating to the Parent's Retained Operations

In connection with the Reorganization, we entered into the Non-competition Undertaking Letter with the Parent on December 5, 2008, pursuant to which the Parent has undertaken that all the Retained Operations (including certain ancillary assets, proposed deregistration companies and other controlled enterprises) retained by the Parent which conduct businesses in competition with us will not be further developed and the Parent will dispose all the assets which are, directly or indirectly, in competition with our business so that it will no longer hold these assets or have controlling interests in these assets. For more details of the Non-competition Undertaking Letter, see "— Non-Competition Undertaking Letter."

Non-Competition Agreement Relating to the Parent Group's Future Business

In connection with the Reorganization, we entered into the Non-competition Agreement with the Parent on [•], 2009, pursuant to which the Parent has undertaken to us that, for so long as the Non-competition Agreement remains effective, it will not, and will procure its subsidiaries not to, directly or indirectly and in whatever manner, engage, participate or provide support to, any business that directly or indirectly competes or may compete with our core business. The Parent has also granted us an option and pre-emptive rights to acquire certain new business that competes or may compete directly or indirectly with our core business. For further details of the Non-competition Agreement, see "— Non-Competition Agreement."

Both the Non-competition Undertaking Letter and the Non-competition Agreement were entered into for our benefits. Furthermore, the arrangements do not involve any monetary consideration. Accordingly, these arrangements qualify under Rule 14A.33(3) of the Hong Kong Listing Rules as *de minimis* transactions and are exempt from reporting, announcement and independent shareholders' approval requirements. Should we elect to exercise the option or pre-emptive rights granted to us under such arrangements to acquire any interests from the Parent Group, we will comply with the relevant requirements of the Hong Kong Listing Rules in relation to notifiable and/or connected transactions.

RELATIONSHIP WITH THE PARENT GROUP AND CONNECTED TRANSACTIONS

Continuing Connected Transactions

Continuing Connected Transactions with Baosteel

1. Procurement of Integrated Products

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be purchasing integrated products from Baosteel on the basis of actual needs primarily for our engineering and construction business. The integrated products mainly include steel ("Baosteel Integrated Products").

The procurement of the Baosteel Integrated Products is and will be made pursuant to our internal procurement procedure for engineering and construction projects. Our subsidiaries have each set up a construction procurement department to monitor the process of procurement. Our subsidiaries have also each set up a procurement team to implement the procurement procedure.

We and/or our subsidiaries will enter into written agreements with Baosteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Baosteel Integrated Products.

We believe that it is in our interests to procure the Baosteel Integrated Products from Baosteel, one of the leading steel products manufacturers in the PRC, on terms acceptable to us for our engineering and construction projects and confirm that the transactions contemplated under the above written agreements will be conducted on normal commercial terms after arm's length negotiation.

Price Determination

The fees payable in respect of the Baosteel Integrated Products has been and will be determined based on market price. Such market price is defined by reference to the price at which the same or similar type of products are provided by independent third parties in the ordinary course of business.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our expenditure for the Baosteel Integrated Products was RMB1,003 million, RMB1,011 million, RMB257 million and RMB77 million, respectively. The significant decrease of our expenditure for the Baosteel Integrated Products for 2008 is due to an economic downturn in the domestic iron and steel industry and the slowdown in the requirement for the Baosteel Integrated Products.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by us to Baosteel for the Baosteel Integrated Products is RMB1,200 million, RMB1,200 million and RMB1,200 million, respectively. The forecasts are based on our consideration of the following factors: (i) historical transaction values; (ii) the current requirement and requirement for our ongoing projects conducted in our engineering and construction business and (iii) our future need for the Baosteel Integrated Products.

2. Supply of Services

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be providing certain engineering and construction services to Baosteel from time to time. The engineering and construction

services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Baosteel E&C Services").

The Baosteel E&C Services for particular projects are and will be undertaken by our relevant subsidiaries under existing and pursuant to an engineering and construction contract. The contracts for the provision of the Baosteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws, and in any event on market terms. For example, Baosteel will, according to the relevant laws and regulations in the PRC, issue a call for tender in relation to its Baosteel E&C Services. Potential bidders will need to go through a pre-qualification process, estimate the cost of the project and deliver bidding documents. For more details of the public tendering process, see "Business — Engineering and Construction — Business Process."

We and/or our subsidiaries will enter into written agreements with Baosteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Baosteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Baosteel E&C Services based on the terms disclosed herein as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

Price Determination

The fees payable in respect of the Baosteel E&C Services are and will be determined through the tender and bidding process if the selection of the relevant service providers has to be determined through a tender and bidding process. Where service fees are not required to be determined by a tender and bidding process, the service fees have been and will be determined with reference to the prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects contracted for as well.

The terms of the transactions for the Baosteel E&C Services generally involve we (or our subsidiaries) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from the provision of the Baosteel E&C Services was RMB5,938 million, RMB7,500 million, RMB5,567 million and RMB3,838 million, respectively.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by Baosteel to us for the Baosteel E&C Services is RMB11,100 million, RMB13,200 million and RMB15,000 million, respectively. We have arrived at the annual caps disclosed above based on expected normal growth of the industry and the business of the relevant iron and steel company and their impact on our business. In particular, we have taken into account:

a. existing Baosteel E&C Services contracts already entered into by us and those that we believe that we have reasonable prospects to be awarded with in the future;

b. historical transaction amounts and proportional percentage of Baosteel E&C Services transactions compared to our historical total revenue;

c. the cyclical nature of the revenue amount received by us in the EPC industry;

d. estimated growth in our revenue based on our reasonable expected production rate;

e. decrease in the historical transaction amount during the year ended December 31, 2008 as compared to the previous year, which was primarily due to the global economic downturn that led to the decline of the domestic iron and steel industry and specifically the slowdown or suspension of certain existing Baosteel E&C Services contracts. Most of these suspended Baosteel E&C Services contracts were or are expected to be resumed in 2009 or later. We therefore expect the transaction amounts for the three years ending December 31, 2011 to resume to normal levels; and

f. the recent restructuring and consolidation of the domestic iron and steel industry, which we currently expect will lead to a significant growth of the domestic iron and steel industry and in particular Baosteel's iron and steel business. As a result, we currently expect the demand for Baosteel E&C Services from us would increase for the three years ending December 31, 2011.

Continuing Connected Transactions with Wusteel

3. Procurement of Integrated Products

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be purchasing integrated products from Wusteel on the basis of actual needs primarily for our engineering and construction business. The integrated products mainly include steel ("Wusteel Integrated Products").

The procurement of the Wusteel Integrated Products is and will be made pursuant to our internal procurement procedure for engineering and construction projects. Our subsidiaries have each set up a construction procurement department to monitor the process of procurement. Our subsidiaries have also each set up a procurement team to implement the procurement procedure.

We and/or our subsidiaries will enter into written agreements with Wusteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Wusteel Integrated Products.

We believe that it is in our interests to procure the Wusteel Integrated Products from Wusteel, one of the leading steel products manufacturers in the PRC, on terms acceptable to us for our engineering and construction projects and confirm that the transactions contemplated under the above written agreements will be conducted on normal commercial terms after arm's length negotiation.

Price Determination

The fees payable in respect of the Wusteel Integrated Products has been and will be determined based on market price. Such market price is defined by reference to the price at which the same or similar type of products are provided by independent third parties in the ordinary course of business.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our expenditure for the Wusteel Integrated Products was RMB404 million, RMB6 million, RMB6 million and RMB8 million, respectively. The significant decrease of our expenditure for the Wusteel Integrated Products for 2007 and 2008 is due to the completion of certain major E&C service projects with Wusteel in 2006 and subsequent decrease of the requirement for the Wusteel Integrated Products in 2007 and 2008.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by us to Wusteel for the Wusteel Integrated Products is RMB1,000 million, RMB1,000 million and RMB1,000 million, respectively. The forecasts are based on our consideration of the following factors: (i) historical transaction values; (ii) the current requirement and requirement for our ongoing projects conducted in our engineering and construction business and (iii) our future need for the Wusteel Integrated Products.

4. Supply of Services

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be providing certain engineering and construction services to Wusteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Wusteel E&C Services").

The Wusteel E&C Services for particular projects are and will be undertaken by our relevant subsidiaries under existing and pursuant to an engineering and construction contract. The contracts for the provision of the Wusteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws, and in any event on market terms. For example, Wusteel will, according to the relevant laws and regulations in the PRC, issue a call for tender in relation to its Wusteel E&C Services. Potential bidders will need to go through a pre-qualification process, estimate the cost of the project and deliver bidding documents. For more details of the public tendering process, see "Business — Engineering and Construction — Business Process."

We and/or our subsidiaries will enter into written agreements with Wusteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Wusteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Wusteel E&C Services based on the terms disclosed herein as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

Price Determination

The fees payable in respect of the Wusteel E&C Services are and will be determined through the tender and bidding process if the selection of the relevant service providers has to be determined through a tender and bidding process. Where service fees are not required to be determined by a tender and bidding process, the service fees have been and will be determined with reference to the prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects contracted for as well.

The terms of the transactions for the Wusteel E&C Services generally involve we (or our subsidiaries) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from the Wusteel E&C Services provided to Wusteel was RMB1,289 million, RMB1,749 million, RMB1,246 million and RMB1,110 million, respectively. The decrease in our revenue from the Wusteel E&C

Services provided to Wusteel for 2008 is due to an economic downturn in the domestic iron and steel industry and the slowdown in the specific Wusteel E&C Services projects.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by Wusteel to us for the Wusteel E&C Services is RMB4,000 million, RMB10,000 million and RMB10,000 million, respectively. In arriving at the annual caps disclosed above for the three years ending December 31, 2009, 2010 and 2011, respectively, we have taken into account the following two main factors:

1) expected normal growth of the industry and the business of the relevant iron and steel company and their impact on our business:

   For the years ending December 31, 2009, 2010 and 2011, we estimate up to the total forecast revenue amount RMB2,400 million, RMB3,400 million and RMB4,500 million, respectively, to be paid by Wusteel to us for future Wusteel E&C Services. These estimated amounts were arrived at after having considered the following factors/considerations:

   a. existing Wusteel E&C Services contracts already entered into by us and those that we believe that we have reasonable prospects to be awarded with in the future;

   b. historical transaction amounts and proportional percentage of Wusteel E&C Services transactions compared to our historical total revenue;

   c. the cyclical nature of the revenue amount received by us in the EPC industry;

   d. estimated growth in our revenue based on our reasonable expected production rate;

   e. decrease in the historical transaction amount during the year ended December 31, 2008 as compared to the previous year, which was primarily due to the global economic downturn that led to the decline of the domestic iron and steel industry and specifically the slowdown or suspension of certain existing Wusteel E&C Services contracts. Most of these suspended Wusteel E&C Services contracts were or are expected to be resumed in 2009 or later. We therefore expect the transaction amounts for the three years ending December 31, 2011 to resume to normal levels;

   f. the recent restructuring and consolidation of the domestic iron and steel industry, which we currently expect will lead to a significant growth of the domestic iron and steel industry and in particular Wusteel's iron and steel business. As a result, we currently expect the demand for Wusteel E&C Services from us would increase for the three years ending December 31, 2011; and

2) the impact of a particular new sizeable project of Wusteel:

   For the years ending December 31, 2009, 2010 and 2011, we estimate up to the total forecast revenue amount RMB1,600 million, RMB6,600 million and RMB5,500 million, respectively to be paid by Wusteel to us from future Wusteel E&C Services derived from a new large-scale iron and steel base Wusteel E&C Services project ("New Wusteel Project") which is expected to commence its Phase I construction in 2009. These amounts were arrived at having considered the following factors/considerations:

   a. the reported estimated total investment amount of approximately RMB68,600 million for the New Wusteel Project;

   b. that certain of our subsidiaries have already been awarded with relevant Wusteel E&C Services contracts relating to the New Wusteel Project;

c. our current estimated construction progress and overall development plan of the New Wusteel Project; and

d. owing to the significance and scale of the New Wusteel Project and our strong capabilities in design and construction among metallurgical engineering and construction contractors in China, we believe that we have reasonable prospects to be awarded with more Wusteel E&C Services contracts under the New Wusteel Project by Wusteel.

Continuing Connected Transactions with Ansteel

5. Procurement of Integrated Products

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be purchasing integrated products from Ansteel on the basis of actual needs primarily for our engineering and construction business. The integrated products mainly include steel ("Ansteel Integrated Products").

The procurement of the Ansteel Integrated Products is and will be made pursuant to our internal procurement procedure for engineering and construction projects. Our subsidiaries have each set up a construction procurement department to monitor the process of procurement. Our subsidiaries have also each set up a procurement team to implement the procurement procedure.

We and/or our subsidiaries will enter into written agreements with Ansteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Ansteel Integrated Products.

We believe that it is in our interests to procure the Ansteel Integrated Products from Ansteel, one of the leading steel products manufacturers in the PRC, on terms acceptable to us for our engineering and construction projects and confirm that the transactions contemplated under the above written agreements will be conducted on normal commercial terms after arm's length negotiation.

Price Determination

The fees payable in respect of the Ansteel Integrated Products has been and will be determined based on market price. Such market price is defined by reference to the price at which the same or similar type of products are provided by independent third parties in the ordinary course of business.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our expenditure for the Ansteel Integrated Products was RMB15 million, RMB5 million, RMB172 million and RMB0, respectively. The significant increase of our expenditure for the Ansteel Integrated Products for 2008 is due to an increase of the requirement for the Ansteel Integrated Products for a major E&C service project with Ansteel in 2008.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by us to Ansteel for the Ansteel Integrated Products is RMB500 million, RMB500 million and RMB500 million, respectively. The forecasts are based on our consideration of the following factors: (i) historical transaction values; (ii) the current requirement and requirement for our ongoing projects conducted in our engineering and construction business and (iii) our future need for the Ansteel Integrated Products.

6. Supply of Services

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be providing certain engineering and construction services to Ansteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Ansteel E&C Services").

The Ansteel E&C Services for particular projects are and will be undertaken by our relevant subsidiaries under existing and pursuant to an engineering and construction contract. The contracts for the provision of the Ansteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws, and in any event on market terms. For example, Ansteel will, according to the relevant laws and regulations in the PRC, issue a call for tender in relation to its Ansteel E&C Services. Potential bidders will need to go through a pre-qualification process, estimate the cost of the project and deliver bidding documents. For more details of the public tendering process, see "Business — Engineering and Construction — Business Process."

We and/or our subsidiaries will enter into written agreements with Ansteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Ansteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Ansteel E&C Services based on the terms disclosed herein as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

Price Determination

The fees payable in respect of the Ansteel E&C Services are and will be determined through the bidding process if the selection of the relevant service providers has to be determined through a tender and bidding process. Where service fees are not required to be determined by a tender and bidding process, the service fees have been and will be determined with reference to the prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects contracted for as well.

The terms of the transactions for the Ansteel E&C Services generally involve we (or our subsidiaries) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from the provision of the Ansteel E&C Services was RMB1,527 million, RMB3,125 million, RMB2,806 million and RMB585 million, respectively.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by Ansteel to us for the Ansteel E&C Services is RMB2,800 million, RMB3,500 million and RMB4,000 million, respectively. The forecasts are based on our consideration of the following factors: (i) the historical transaction volume; (ii) payments to be received under the existing Ansteel E&C Services contracts; (iii) the increasing production capacity of Ansteel; and (iv) foreseeable new Ansteel E&C Services projects that we may be awarded by

Ansteel. In addition, China's iron and steel industry is in a period of consolidation and reorganization. Ansteel's potential acquisition of other steel companies in China may result in more potential contracts to be awarded to us and/or our subsidiaries.

Continuing Connected Transactions with Pansteel

7. Procurement of Integrated Products

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be purchasing integrated products from Pansteel on the basis of actual needs primarily for our engineering and construction business. The integrated products mainly include steel ("Pansteel Integrated Products").

The procurement of the Pansteel Integrated Products is and will be made pursuant to our internal procurement procedure for construction and engineering projects. Our subsidiaries have each set up a construction procurement department to monitor the process of procurement. Our subsidiaries have also each set up a procurement team to implement the procurement procedure.

We and/or our subsidiaries will enter into written agreements with Pansteel and/or its associates in respect of each individual connected transaction between them in relation to the procurement of the Pansteel Integrated Products.

We believe that it is in our interests to procure the Pansteel Integrated Products from Pansteel, one of the leading steel products manufacturers in the PRC, on terms acceptable to us for our engineering and construction projects and confirm that the transactions contemplated under the above written agreements will be conducted on normal commercial terms after arm's length negotiation.

Price Determination

The fees payable in respect of the Pansteel Integrated Products has been and will be determined based on market price. Such market price is defined by reference to the price at which the same or similar type of products are provided by independent third parties in the ordinary course of business.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our expenditure for the Pansteel Integrated Products was RMB9 million, RMB1 million, RMB171 million and RMB17 million, respectively. The significant increase of our expenditure for the Pansteel Integrated Products for 2008 is due to an increase of the requirement for the Pansteel Integrated Products for a major E&C service project with Pansteel in 2008.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by us to Pansteel for the Pansteel Integrated Products is RMB500 million, RMB500 million and RMB500 million, respectively. The forecasts are based on our consideration of the following factors: (i) historical transaction values; (ii) the current requirement and requirement for our ongoing projects conducted in our engineering and construction business and (iii) our future need for the Pansteel Integrated Products.

8. Supply of Services

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be providing certain engineering and construction services to Pansteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Pansteel E&C Services").

The Pansteel E&C Services for particular projects are and will be undertaken by our relevant subsidiaries under existing and pursuant to an engineering and construction contract. The contracts for the provision of the Pansteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws, and in any event on market terms. For example, Pansteel will, according to the relevant laws and regulations in the PRC, issue a call for tender in relation to its Pansteel E&C Services. Potential bidders will need to go through a pre-qualification process, estimate the cost of the project and deliver bidding documents. For more details of the public tendering process, see "Business — Engineering and Construction — Business Process."

We and/or our subsidiaries will enter into written agreements with Pansteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Pansteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Pansteel E&C Services based on the terms disclosed herein as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

Price Determination

The fees payable in respect of the Pansteel E&C Services are and will be determined through the tender and bidding process if the selection of the relevant service providers has to be determined through a tender and bidding process. Where service fees are not required to be determined by a tender and bidding process, the service fees have been and will be determined with a reference to the prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects contracted for as well.

The terms of the transactions for the Pansteel E&C Services generally involve we (or our subsidiaries) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from the provision of the Pansteel E&C Services was RMB1,163 million, RMB3,010 million, RMB1,746 million and RMB742 million, respectively. The decrease in our revenue from the Pansteel E&C Services for 2008 is due to an economic downturn in the domestic iron and steel industry and the slowdown in the specific Pansteel E&C Services projects.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by Pansteel to us for the Pansteel E&C is RMB3,000 million, RMB8,000 million and RMB9,000 million, respectively.

RELATIONSHIP WITH THE PARENT GROUP AND CONNECTED TRANSACTIONS

In arriving at the annual caps disclosed above for the three years ending December 31, 2009, 2010 and 2011, respectively, we have taken into account the following two main factors:

1) expected normal growth of the industry and the business of the relevant iron and steel company and their impact on our business:

   For the years ending December 31, 2009, 2010 and 2011, we estimate up to the total forecast revenue amount RMB2,000 million, RMB2,400 million and RMB3,000 million, respectively, to be paid by Pansteel to us for future Pansteel E&C Services. These estimated amounts were arrived at after having considered the following factors/considerations:

   a. existing Pansteel E&C Services contracts already entered into by us and those that we believe that we have reasonable prospects to be awarded with in the future;

   b. historical transaction amounts and proportional percentage of Pansteel E&C Services transactions compared to our historical total revenue;

   c. the cyclical nature of the revenue amount received by us in the EPC industry;

   d. estimated growth in our revenue based on our reasonable expected production rate;

   e. decrease in the historical transaction amount during the year ended December 31, 2008 as compared to the previous year, which was primarily due to the global economic downturn that led to the decline of the domestic iron and steel industry and specifically the slowdown or suspension of certain existing Pansteel E&C Services contracts. Most of these suspended Pansteel E&C Services contracts were or are expected to be resumed in 2009 or later. We therefore expect the transaction amounts for the three years ending December 31, 2011 to resume to normal levels;

   f. the recent restructuring and consolidation of the domestic iron and steel industry, which we currently expect will lead to a significant growth of the domestic iron and steel industry and in particular Pansteel's iron and steel business. As a result, we currently expect the demand for Pansteel E&C Services from us would increase for the three years ending December 31, 2011; and

2) the impact of a particular new sizable project of Pansteel:

   For the years ending December 31, 2009, 2010 and 2011, we estimate up to the total forecast revenue amount RMB1,000 million, RMB5,600 million and RMB6,000 million, respectively, to be paid by Pansteel to us from future Pansteel E&C Services derived from a new large-scale Pansteel E&C Services project ("New Pansteel Project") which is reported to commence its Phase I construction in November 2008. These amounts were arrived at having considered the following factors/considerations:

   a. the reported estimated total investment amount of approximately RMB17,100 million for the New Pansteel Project;

   b. that certain of our subsidiaries have already been awarded with relevant Pansteel E&C Services contracts relating to the New Pansteel Project;

   c. our current estimated construction progress and the overall development plan of the New Pansteel Project; and

   d. owing to the significance and scale of the New Pansteel Project and our strong capabilities in design and construction among metallurgical engineering and construction contractors in China,

we believe that we have reasonable prospects to be awarded with more Pansteel E&C Services contracts under the New Pansteel Project by Pansteel.

Continuing Connected Transactions with Tangsteel

9. Supply of Services

Description of Existing and Future Transactions and Principal Terms

In the ordinary and usual course of business, we and/or our subsidiaries have been and will be providing certain engineering and construction services to Tangsteel from time to time. The engineering and construction services include research, planning, surveying, consulting, design, procurement, construction, installation, maintenance, supervision and certain technical services ("Tangsteel E&C Services").

The Tangsteel E&C Services for particular projects are and will be undertaken by our relevant subsidiaries under existing and pursuant to an engineering and construction contract. The contracts for the provision of the Tangsteel E&C Services are mainly awarded through public tendering process required and implemented under PRC laws, and in any event on market terms. For example, Tangsteel will, according to the relevant laws and regulations in the PRC, issue a call for tender in relation to its Tangsteel E&C Services. Potential bidders will need to go through a pre-qualification process, estimate the cost of the project and deliver bidding documents. For more details of the public tendering process, see "Business — Engineering and Construction — Business Process."

We and/or our subsidiaries will enter into written agreements with Tangsteel and/or its associates in respect of each individual connected transaction between them in relation to the provision of the Tangsteel E&C Services on winning a project contract, or on normal commercial terms after arm's length negotiation, where no tendering process is required to be adopted.

We believe that it is in our interests to undertake the transactions in relation to the provision of the Tangsteel E&C Services based on the above terms as they form part of our core business and will be conducted on normal commercial terms after arm's length negotiations.

Price Determination

The fees payable in respect of the Tangsteel E&C Services are and will be determined through the bidding process if the selection of the relevant service providers has to be determined through a tender and bidding process. Where service fees are not required to be determined by a tender and bidding process, the service fees have been and will be determined with reference to the prevailing market prices of labour, materials, equipment and other things and taking into account the complexity of projects contracted for as well.

The terms of the transactions for the Tangsteel E&C Services generally involve we (or our subsidiaries) agreeing to a total price cap or a unit price cap for a project. Some contracts contain price adjustment clauses to cover increases in the costs of raw materials, changes in design or work scope, or other specific factors that would cause an interruption of construction and an increase in the cost, such as lack of water or electricity.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from the provision of the Tangsteel E&C Services was RMB1,333 million, RMB3,317 million, RMB3,106 million and RMB1,453 million, respectively.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by Tangsteel to us for the Tangsteel E&C Services is RMB3,500 million, RMB4,100 million and RMB4,600 million, respectively. The forecasts are based on our consideration of the following factors: (i) the historical transaction volume; (ii) payments to be received under the existing Tangsteel E&C Services contracts; (iii) the increasing production capacity of Tangsteel; and (iv) foreseeable new Tangsteel E&C Services projects that we may be awarded by Tangsteel.

Continuing Connected Transactions with the Parent Group

10. Land Use Rights Leasing Agreement

Background

We have on December 5, 2008 entered into a land use rights leasing agreement with the Parent ("Land Use Rights Leasing Agreement") pursuant to which the Parent Group have agreed to lease to us, subject to the Parent Group having obtained proper land use rights in respect thereof, certain land use rights in the PRC ("Leased Land") for general business and ancillary purposes.

Description of Transaction and Principal Terms

The Land Use Rights Leasing Agreement will be for a term of 20 years commencing from December 1, 2008 and will be subject to renewal. We consider the term of the Land Use Rights Leasing Agreement to be consistent with normal commercial terms and can secure long terms property rights for us, avoiding unnecessary disruptions to our businesses and operations.

The land leased by us from the Parent Group in the PRC consisted of an aggregate site area of approximately 580,548.16 square meters as at December 31, 2008, comprising 2.92% of the total site area of land used by us. The land has been used for relevant production facilities by our operating subsidiaries in Shanghai, and is merely used to support our core production process and does not provide any significant direct income to us. We consider that the activities involved therein can be relocated if necessary and therefore the land is not significant or crucial to our independent operation.

The total annual rent payable under the Land Use Rights Leasing Agreement will be payable every 12 months in arrears and will be reviewed every three years. The new amount of rent payable will not be higher than the then prevailing market rent as confirmed by an independent valuer.

We may require the Parent Group to renew the term of the lease by giving notice to it six months before the expiry of the lease. We may, any time before the Land Use Rights Leasing Agreement expires, terminate the lease of all or some of the Leased Land by giving six months' written notice. If the lease of some of the lands is terminated, the rent payable by us shall be reduced accordingly. According to the Land Use Rights Leasing Agreement, the Parent Group cannot terminate the lease unilaterally without our consent unless we have changed the use of the Leased Land without the consent of the Parent Group.

We have agreed to use the Leased Land within the scope of the rights granted to the Parent. Should we wish to modify the manner in which it uses some or all of the Leased Land, we may notify the Parent Group. The Parent Group shall determine within 30 days whether it agrees to such modification, and if so, seek the necessary regulatory approvals. The Parent Group has agreed to pay land taxes, fees and other statutory charges relating to the Leased Land.

The rent payable under the Land Use Rights Leasing Agreement is determined at arms' length and reflects market rates and the Land Use Rights Leasing Agreement is entered into on normal commercial terms. Jones Lang LaSalle Sallmanns Limited has confirmed that the rental fees payable by us under the Land Use Rights Leasing Agreement are not higher than the prevailing market rates.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, payments made by us to the Parent Group for the Leased Land was approximately RMB0, RMB0, RMB2 million and RMB0, respectively.

Implications under the Hong Kong Listing Rules — no waiver required

We currently expect our annual aggregate amount of expenditure for the lease of land use rights under the Land Use Rights Leasing Agreement will not exceed the *de minimis* threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

If the annual rent payable by us to the Parent Group results in the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules on an annual basis to exceed 0.1%, we will take the necessary steps to comply with applicable Hong Kong Listing Rules.

11. Properties Leasing Agreement

Background

We have on December 5, 2008 entered into a properties leasing agreement with the Parent ("Properties Leasing Agreement") pursuant to which the Parent Group has agreed to lease certain buildings and properties to us for general business and ancillary purposes.

Description of Transaction and Principal Terms

The Properties Leasing Agreement will be for a term of 10 years commencing from December 1, 2008 and will be subject to renewal. We consider the term of the Properties Leasing Agreement to be consistent with normal commercial terms and can secure long terms property rights for us, avoiding unnecessary disruptions to our businesses and operations.

The buildings and properties leased by us from the Parent Group in the PRC consisted of an aggregate GFA of approximately 280,174.59 square meters as at December 31, 2008, comprising 5.8% of the total gross floor area of buildings used by us. Most of the buildings are used for industrial and production purposes, which are merely used to support our core production process and do not provide any significant direct income to us. The rest are used for administration, support and other miscellaneous purposes. We consider the activities involved therein can be relocated if necessary and therefore the buildings are not significant or crucial to our independent operation.

The total annual rent payable under the Properties Leasing Agreement will be payable every 12 months in arrears and be reviewed every three years. The new amount of rent payable will not be higher than the then prevailing market rent as confirmed by an independent valuer.

We may require the Parent Group to renew the term of the lease by giving notice to it six months before the expiry of the lease. We may, at any time before the Properties Leasing Agreement expires, terminate the lease of all or some of the properties leased under the Properties Leasing Agreement by giving six months' written notice. If the lease of some of the properties is terminated, the rent payable by us shall be reduced accordingly. According to the Properties Leasing Agreement, the Parent Group cannot terminate the lease unilaterally without our consent unless

we have changed the use of the properties leased under the Properties Leasing Agreement without the consent of the Parent Group.

The Parent Group has agreed to pay properties taxes, fees and other statutory charges relating to the properties leased under the Properties Leasing Agreement.

The rent payable under the Properties Leasing Agreement is determined at arms' length and reflects market rates and the Properties Leasing Agreement is entered into on normal commercial terms. Jones Lang LaSalle Sallmanns Limited has confirmed that the rental fees payable by us under the Properties Leasing Agreement are not higher than the prevailing market rates.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, payments made by us to the Parent Group for the properties leased under the Properties Leasing Agreement was approximately RMB0, RMB0, RMB15 million and RMB10 million, respectively.

Implications under the Hong Kong Listing Rules — no waiver required

We currently expect our annual aggregate amount of expenditure for the lease of properties under the Properties Leasing Agreement will not exceed the *de minimis* threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

If annual rent payable by us to the Parent Group results in the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules on an annual basis to exceed 0.1%, we will take the necessary steps to comply with applicable Hong Kong Listing Rules.

12. Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement

Background

As part of the Reorganization, the Parent retained certain ancillary assets and businesses which will continue to provide certain comprehensive raw materials, products and services to our core businesses. We will also provide certain raw materials, products and services to the Parent Group to support the businesses retained by the Parent.

Description of Transaction and Principal Terms

In this connection, we have on December 5, 2008 entered into a mutual supply of comprehensive raw materials, products and services agreement with the Parent ("Mutual Supply Agreement"), pursuant to which:

(i) both parties agreed to provide, or procure its respective subsidiaries to provide the following raw materials and services to each other:

- *Products and raw material supplies:* transportation, water, electricity, gas and steam, equipment leasing, raw materials, minerals, fuels and power production;
- *Social and support services:* public security; employee training, testing and equipment repair, sharing of service, logistics and other non-business services, school medical and emergency service, telecommunication, property management and other similar services;

(ii) the Parent agreed to provide, or procure its subsidiaries to provide various papers and other products, commercial goods and semi-finished goods to us; and

(iii) we agreed to provide, or procure our subsidiaries to provide certain products, commercial goods, semi-finished goods, zinc ingots, mechanical equipment, other assets and equipment, exploration, design, procurement and engineering services to the Parent Group.

Pursuant to the Mutual Supply Agreement, the Parent has undertaken that it will not, and will procure its subsidiaries not to, provide raw materials, products and services to us on terms which are less favourable than those offered to third parties. If any third party can offer terms more favourable than the other party to provide the relevant raw materials, products and services, the party may procure this third party to provide the raw materials, products and services. Each party is entitled to obtain the relevant raw materials, products and services from independent third parties if the other party cannot satisfy its requirements for such raw materials, products and services or the terms offered by independent third parties are more favourable. Each party will provide to the other on an annual basis an assessment of the raw materials, products and services that it requires in the coming year.

The raw materials supplied pursuant to the Mutual Supply Agreement will be provided at:

(i) the government-prescribed price;

(ii) if there is no government-prescribed price but there is a government-guided price, the government-guided price applies;

(iii) if there is neither a government-prescribed price nor a government-guided price, then the market price applies; or

(iv) if none of the above is applicable, the price is to be agreed between the relevant parties. The agreed price will be calculated based on the reasonable costs incurred in providing the raw materials, products or services plus reasonable profits.

The services provided pursuant to the Mutual Supply Agreement shall be provided at:

(i) the tender price if the service provider is determined by tender and bidding process; or

(ii) if the service provider is not selected through a tender and bidding process, the available market price.

If the tender price and other terms and conditions offered by an independent third party are not more favourable than those available from the other party, the parties will give priority in sourcing the service from each other.

The Mutual Supply Agreement is for a term of 3 years commencing from December 1, 2008. Either party may terminate any specific agreement entered into pursuant to the Mutual Supply Agreement (but excluding the Mutual Supply Agreement) by giving the other party three months' prior written notice, provided that if we cannot conveniently obtain such raw materials, products and services from a third party, the Parent Group will not be permitted to terminate and will continue to provide such raw materials, products and services under any circumstances.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our expenditure for the raw materials, products and services provided by the Parent Group was RMB15 million, RMB19 million, RMB33 million and RMB21 million, respectively.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue from the raw materials, products and services provided to the Parent Group was RMB18 million, RMB36 million, RMB346 million and RMB204 million, respectively.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by the Parent Group to us for the supply of raw materials, products and services is RMB550 million, RMB650 million and RMB700 million, respectively. The forecasts are based on our consideration of the following factors: (i) the historical figure for supply of raw materials, products and services for the three years ended December 31, 2008; (ii) estimated growth in the demand for raw materials, products and services by the Parent Group from us and (iii) reasonable expected price range for the raw materials, products and services provided by us for the three years ending December 31, 2011.

Implications under the Hong Kong Listing Rules — no waiver required for the supply of raw materials, products, and services by the Parent Group to us

We currently expect our annual aggregated amount of expenditure for the relevant transactions under the Mutual Supply Agreement will not exceed the *de minimis* threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

If our aggregate annual expenditure for the transactions contemplated under the Mutual Supply Agreement results in the relevant percentage ratios calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules on an annual basis to exceed 0.1%, we will take the necessary steps to comply with applicable Hong Kong Listing Rules.

13. Trademarks Licensing Agreement

Background

As part of the Reorganization, the Parent transferred all the trademarks it owned to us for free. As some of the trademarks are related to the daily business of the Parent Group, the parties have entered into a trademark licensing agreement on December 5, 2008 ("Trademark Licensing Agreement").

Description of Transaction and Principal Terms

We agreed to license to the Parent Group the right to use the "MCC" trademarks ("Licensed Trademarks") on a non-exclusive basis and for a term of 10 years commencing from December 1, 2008. Upon expiry of the term, the term may be renewed for a further period of 3 years upon the Parent Group's request.

The Parent Group undertakes to use the Licensed Trademarks within the scope specified and not to sub-lease the Licensed Trademarks to, or allow the use of the Licensed Trademarks by, any third parties without our written consent. We are responsible for the timely payment of fees for maintaining effective registration of the Licensed Trademarks, to seek protection of the Licensed Trademarks from the relevant administrative authorities according to the notification from the Parent Group and to resolve any disputes or infringements relating to the license of such Licensed Trademarks. We are entitled to license any of the Licensed Trademarks to any independent third parties provided that the terms of such licences shall not be better than the terms of the Trademark Licensing Agreement. Moreover, we are entitled to transfer our rights under any of the Licensed Trademarks to any independent third parties provided that such transfer shall not affect the rights of the parties under the Trademark Licensing Agreement.

Implications under the Hong Kong Listing Rules — no waiver required

A consideration of RMB1.00 is payable under the Trademark Licensing Agreement. The transactions under the Trademark Licensing Agreement are exempt from the reporting, announcement and independent shareholders'

approval requirements under Chapter 14A of the Hong Kong Listing Rules as it falls within the *de minimis* threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

Continuing Connected Transactions with Nanjing Hexi

14. Economically Affordable Housing Project

Construction Commission Agreement A

On September 2, 2007, in connection with the construction of the development of economically affordable housing in the Lianhua village (蓮花村) at Hexi New District south area in Nanjing, the PRC ("Lianhua Village Project"), Zhongye Zhengxing, our subsidiary, entered into a construction commission agreement with Nanjing Hexi, a substantial shareholder of two of our subsidiaries and therefore our connected person ("Construction Commission Agreement A"). Pursuant to the Construction Commission Agreement A, Zhongye Zhengxing has agreed to provide construction and other ancillary services to Nanjing Hexi in relation to the construction of the development of the Lianhua Village Project.

Description of Transactions and Principal Terms

Pursuant to the Construction Commission Agreement A, Zhongye Zhengxing will be commissioned to construct the Lianhua Village Project. The total investment of the Lianhua Village Project amounts to approximately RMB1,465 million with an aggregate construction area of approximately 590,000 square meters.

The Construction Commission Agreement A is for a term of three years commencing from September 1, 2007. The Lianhua Village Project will be separated into two phases. The first phase is currently expected to be completed on or around December 31, 2009 with the second phase currently expected to be completed on or around October, 2010.

The construction and ancillary services to be provided by Zhongye Zhengxing include, amongst others, obtaining project approval, conducting tender and bidding process and conducting construction. Pursuant to the Construction Commission Agreement A, Zhongye Zhengxing has agreed not to further commission any part of the services to be provided in relation to the Lianhua Village Project to any third party.

Construction Commission Agreement B

Further, due to the amendment of the development plan of the Lianhua Village Project, Zhongye Zhengxing and Nanjing Hexi will enter into a further agreement to formalise their arrangement (the "Construction Commission Agreement B") for further construction and ancillary services to be provided in additional areas within the Lianhua Village Project (the "New Project"). Zhongye Zhengxing is expected to be commissioned to provide construction and other ancillary services to Nanjing Hexi under the New Project. The total investment of the New Project is expected to be approximately RMB1,354 million with an aggregate expected construction area of approximately 366,000 square meters.

The Construction Commission Agreement B is currently expected to be for a term not more than three years. The principal terms of the Construction Commission Agreement B are expected to be similar to those contained in the Construction Commission Agreement A disclosed above.

Price Determination

The fees payable in respect of the services contemplated under both the Construction Commission Agreement A and Construction Commission Agreement B are determined based on market price. Such market

price is defined by reference to the price at which the same or similar type of services are provided by independent third parties in the ordinary course of business.

Historical Figures

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, payments made by Nanjing Hexi to Zhongye Zhengxing for the services contemplated under the Construction Commission Agreement A was approximately RMB0, RMB0, RMB0 and RMB457 million.

Annual Caps

For the years ending December 31, 2009, 2010 and 2011, the total forecast revenue amount to be paid by Nanjing Hexi to Zhongye Zhengxing for the services contemplated under both the Construction Commission Agreement A and Construction Commission Agreement B, on an aggregate basis, is RMB888 million, RMB944 million and RMB1,016 million. The forecasts are based on our consideration of the following factors: (i) the historical transaction volume; (ii) payments to be received and expected to be received under the Construction Commission Agreement A and Construction Commission Agreement B, respectively, between Nanjing Hexi and Zhongye Zhengxing and (iii) the Construction Commission Agreement B to be granted to Zhongye Zhengxing and the scale of construction work and the investment amount of the Construction Commission Agreement B to be close to the Construction Commission Agreement A.

Application for Waivers

We will continue to enter into the transactions described in " — Non-Exempt and Partially-Exempt Continuing Connected Transactions" and " — Exempt Continuing Connected Transactions" above. The Directors (including the independent non-executive Directors) are of the opinion that (i) the transactions have been entered into and will be carried out in our ordinary and usual course of business, on normal commercial terms which are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the annual caps for such transactions are fair and reasonable.

No Wavier Applied for Certain Categories of Continuing Connected Transactions

For the continuing connected transactions set out in paragraphs 10 (Land Use Rights Leasing Agreement), 11 (Properties Leasing Agreement), 12 (Mutual Supply Agreement) (only for the supply of raw materials, products and services by the Parent Group to us) and 13 (Trademark Licensing Agreement) above, each of the percentage ratio (other than the profits ratio) calculated by reference to Rule 14.07 of the Hong Kong Listing Rules, where applicable, is on an annual basis less than 0.1% and accordingly will qualify as continuing connected transactions under Rule 14A.33(3) of the Hong Kong Listing Rules. These transactions are exempt from reporting, announcement and independent shareholders' approval requirements.

Scope of Waivers

Under the Hong Kong Listing Rules, the continuing connected transactions under:

- paragraph 2 (Supply of Services to Baosteel);
- paragraph 4 (Supply of Services to Wusteel) (only for the years ending December 31, 2010 and 2011, respectively); and
- paragraph 8 (Supply of Services to Pansteel) (only for the years ending December 31, 2010 and 2011, respectively)

are considered to be non-exempt continuing connected transactions under Rule 14A.35 of the Hong Kong Listing Rules and are subject to the reporting and announcements requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules and the independent shareholders' approval requirements set out in Rule 14A.48 of the Hong Kong Listing Rules.

For the continuing connected transactions under:

- paragraph 1 (Procurement of Integrated Products from Baosteel);
- paragraph 3 (Procurement of Integrated Products from Wusteel);
- paragraph 4 (Supply of Services to Wusteel) (only for the year ending December 31, 2009);
- paragraph 5 (Procurement of Integrated Products from Ansteel);
- paragraph 6 (Supply of Services to Ansteel);
- paragraph 7 (Procurement of Integrated Products from Pansteel);
- paragraph 8 (Supply of Services to Pansteel) (only for the year ending December 31, 2009);
- paragraph 9 (Supply of Services to Tangsteel);
- paragraph 12 (Mutual Supply Agreement) (only for the supply of raw materials, products and services by us to the Parent Group); and
- paragraph 14 (Economically affordable housing project)

each of the percentage ratios (other than the profits ratio) calculated by reference to Rule 14.07 of the Hong Kong Listing Rules, where applicable, is on an annual basis less than 2.5% under Rule 14A.34 of the Hong Kong Listing Rules. Such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, [and have been granted,] a waiver from compliance with the above announcement and independent shareholders' approval requirements (where applicable) under Rule 14A.42(3) of the Hong Kong Listing Rules for the period of three years ending on December 31, 2011. Notwithstanding the above waiver, we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 (to the extent reasonably possible) and 14A.40 of the Hong Kong Listing Rules. Apart from the announcement and/or independent shareholders' approval requirements of which a waiver is sought, we will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules. We confirm that for the purposes of paragraph 3 of Rule 14A.37 and paragraph 3 of Rule 14A.38 of the Hong Kong Listing Rules, all the relevant contracts in respect of the continuing connected transactions disclosed above during the relevant year will be made available for our independent non-executive Directors' and auditors' review. The independent non-executive Directors and auditors will review whether the relevant continuing connected transactions have been entered into in accordance with the terms and pricing determination as disclosed in this document.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

MANAGEMENT

Board of Directors

The Board of Directors consists of nine Directors, five of whom are independent non-executive Directors. The Directors are elected at meetings of the Shareholders of the Company for a term of three years, renewable upon re-election and re-appointment. The functions and duties conferred on the Board of Directors include: convening the Shareholders' meeting and reporting its work to the Shareholders' meetings, implementing the resolutions of the Shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for profit distributions and recovery of losses, formulating the Company's proposals for the increase or reduction of registered capital, as well as exercising other powers, functions and duties as conferred by the Articles of Association. Written contracts between the Company and its executive Directors, non-executive Directors and independent non-executive Directors were entered into in [September] 2009.

Supervisory Committee

The Company Law requires a joint stock limited company to establish a supervisory committee and this requirement is also contained in the Articles of Association. The Supervisory Committee is responsible for monitoring the Company's financial matters and overseeing the actions of the Board of Directors and the management personnel of the Company. The Supervisory Committee consists of three Supervisors, two of whom are elected by the shareholders as their representatives, one of whom is elected by the employees of the Company. The term of office of the Supervisors is three years, and they may be re-elected and re-appointed. An elected Supervisor cannot concurrently hold the position of a Director, president and other senior management personnel or financial controller. The functions and powers conferred on the Supervisors include: examining the periodic reports of the Company prepared by the Board of Directors and providing written comments, proposing solutions to the Shareholders' meeting, proposing to convene the extraordinary meeting of the Board of Directors, as well as overseeing the actions of the Board of Directors and other senior management personnel of the Company in carrying out their duties. In the case of any conflict of interest between the Company and any of its Directors, the Supervisors shall negotiate or initiate legal proceedings against such Directors on behalf of the Company. A resolution proposed at any meeting of the Supervisory Committee may be adopted only if it is approved by two-thirds or more of the Supervisors present at the meeting.

DIRECTORS

Executive Directors

Mr. Wang Weimin (王為民), age 47, is the vice chairman and executive Director of the Company. Mr. Wang is a senior engineer who graduated from Academy of Armored Force Technology (裝甲兵技術學院) in 1984 with a Bachelor's degree in tank mechanical engineering. Mr. Wang joined China Metallurgical Group Corporation in July 2007. He was a cadre of the Training Department of Academy of Armored Force Engineering (裝甲兵工程學院) and a cadre of the Armored Force Political Section of the General Staff Department of the People's Liberation Army (總參裝甲兵政治部). Mr. Wang was a cadre of the Economic and Trade Office of the State Council from July 1992 to July 1993 and a cadre of the Personnel Department of the State Economic and Trade Commission from July 1993 to February 1995, and had served as deputy director, director and deputy director-general of the Technical Progress and the Arms & Equipment Department (技術進步與裝備司) of the State Economic and Trade Commission during the period from February 1995 to May 2003. He served as deputy director-general of the High-tech Industry Department of the NDRC from May 2003 to July 2003 and secretary of the General Office of the SASAC from July 2003 to September 2006. He was secretary for the Office of the Communist Party Committee of the SASAC from September 2006 to July 2007. Mr. Wang served as secretary of

the Communist Party Committee and vice chairman of China Metallurgical Group Corporation from July 2007 to September 2008, and has been vice chairman and general manager (legal representative) and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation since September 2008. Mr. Wang was appointed as the vice chairman and executive Director of the Company on November 28, 2008.

Mr. Shen Heting (沈鶴庭), age 55, is the president and executive Director of the Company. Mr. Shen is a professor-level senior engineer who graduated from Tianjin Commercial College in 1987, majoring in business enterprise management, and completed a postgraduate course at the Central Communist Party School in 2004 majoring in world economics. Mr. Shen joined the Company in 1991. He had served as manager assistant, vice manager and manager in the Furnace Construction Company under the 22nd China Metallurgical Construction Corporation (中國第二十二冶金建設公司築爐公司), and general manager of the 22nd China Metallurgical Construction Corporation. Mr. Shen served as a director and general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from October 2004 to July 2007 and a director, general manager (legal representative) and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation from July 2007 to September 2008, and has been serving as chairman of MCC Xinao Real Estate Development Co., Ltd. (中冶新奧房地產開發有限公司) (which changed its name to MCC Real Estate Co., Ltd. in February 2006) since March 2005 and secretary of the Communist Party Committee and vice chairman of China Metallurgical Group Corporation since September 2008. Mr. Shen was appointed as the president and executive Director of the Company on November 28, 2008.

Non-executive Directors

Mr. Liu Benren (劉本仁), age 66, is the chairman and non-executive Director of the Company. Mr. Liu is a professor-level senior engineer who graduated from Wuhan Institute of Metallurgy (武漢鋼鐵學院) in 1965 with a Bachelor's degree in steel rolling, and obtained postgraduate qualification from the Central Communist Party School in 1986. Prior to joining China Metallurgical Group Corporation in August 2007, Mr. Liu had served as manager of Wusteel Hot Rolling Plant (武鋼熱軋廠) and vice chief engineer, vice general manager and general manager of Wuhan Iron and Steel (Group) Corporation. Mr. Liu has been serving as an external director of Shenhua Group Corporation Limited since November 2005 and chairman of China Metallurgical Group Corporation since August 2007. Mr. Liu is currently an external director of Shenhua Group Corporation Limited and a non-executive director of Fosun International Limited. Mr. Liu was a deputy to the 8th, 9th and 10th National People's Congresses and a member of the 10th National Committee of the Chinese People's Political Consultative Conference. Mr. Liu was appointed as the chairman and non-executive Director of the Company on November 28, 2008.

Mr. Guo Wenqing (國文清), age 44, is the employee representative Director (non-executive Director) of the Company. Mr. Guo is a senior administrative officer (高級政工師) who graduated from Hebei University of Science and Technology in 2001 with a Bachelor's degree in business administration, and obtained an Executive MBA degree from Tsinghua University in 2008. Prior to joining our Company in December 2008, Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司), director of the Hebei Province Ports Authority (河北省港航管理局), and secretary of the Communist Party Committee and vice general manager of CRBC International Co., Ltd. From June 2005 to October 2008, he was an executive director and vice general manager and secretary of the Communist Party Committee of CRBC International Co., Ltd. He has served as vice secretary of the Communist Party Committee of our Company since December 2008, and a director and vice secretary of the Communist Party Committee of China Metallurgical Group Corporation since April 2009. Mr. Guo was appointed as the employee representative Director (non-executive Director) of the Company on June 19, 2009.

Independent non-executive Directors

Mr. Jiang Longsheng (蔣龍生), age 64, is an independent non-executive Director of the Company. Mr. Jiang is a senior engineer who graduated from Beijing Petroleum Institute (北京石油學院) in 1970, majoring in oil and gas well engineering. Mr. Jiang joined China Metallurgical Group Corporation in December 2006. Previously he had served as vice chief engineer and chief engineer (drilling) of CNOOC Nanhai West Corporation and general manager of China Offshore Oil Southern Drilling Company. Mr. Jiang served as vice general manager and a member of the Party Group of China National Offshore Oil Corporation from March 1998 to May 2005. He has been serving as an external director of China National Pharmaceutical Group Corporation since December 2005 and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Jiang was appointed as an independent non-executive Director of the Company on November 28, 2008.

Mr. Wen Keqin (文克勤), age 65, is an independent non-executive Director of the Company. Mr. Wen graduated in 1968 from the Department of Engineering of Railway Guard Engineering Institute (鐵道兵學院), majoring in linear tunnel (線隧). Mr. Wen joined China Metallurgical Group Corporation in December 2006. Previously he had served as director of the Local Cadres Administration of the Organisation Department of the Central Committee of the Communist Party of China (中央組織部地方幹部局), vice director-general of the Senior Civil Servants Administration Department (高級公務員管理司), vice director-general and director-general of the Personnel Administration Department (國管人事司), director of the Enterprise Leaders Administrative Bureau (企業領導人員管理局) and director-general of the Policy and Regulation Administration Department (政策法規司) of the Ministry of Personnel. Mr. Wen had served as vice general manager and vice secretary of the Party Group of China Grain Reserves Corporation from 2000 to 2005. He has been a director of China National Pharmaceutical Group Corporation since September 2006, and was an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Wen currently serves as vice president of Chinese Grain Economics Association. and consultant to the Reserves Branch of China Grain Industry Association (中國糧食行業協會儲備分會). Mr. Wen was appointed as an independent non-executive Director of the Company on November 28, 2008.

Mr. Liu Li (劉力), age 53, is an independent non-executive Director of the Company. Mr. Liu is a professor who graduated from Peking University in 1982 and 1984 with a Bachelor's and a Master's degree in physics, respectively, and obtained an MBA degree from Catholic University of Louvain, Belgium in 1989, majoring in applied economics. Mr. Liu joined the Company in December 2006. Previously he had served as lecturer, associate professor, professor and tutor to doctorate candidates in the Department of Economic Management of the School of Economics of Peking University (which became Guanghua School of Management of Peking University in 1993) and MBA course director of the Guanghua School of Management of Peking University. He has been vice director of the Research Center for Finance & Securities of Peking University since August 2002 and dean of the Department of Finance of Guanghua School of Management of Peking University since September 2007. Mr. Liu served as an external director of China Metallurgical Group Corporation from December 2006 to September 2008. Mr. Liu currently serves as an independent director of Tongling Jingda Special Magnet Wire Co., Ltd. in Anhui. Mr. Liu has had over 20 years of experience in teaching, research and corporate training in relation to corporate finance and the securities market, and has advised on numerous corporate management projects and served as independent directors of listed companies. Mr. Liu was appointed as an independent non-executive Director of the Company on November 28, 2008.

Mr. Chen Yongkuan (陳永寬), age 63, is an independent non-executive Director of the Company. Mr. Chen is a professor who graduated from Wuhan Institute of Hydraulic and Electrical Engineering (武漢水利電力學院) in 1968, majoring in farm hydraulic engineering, and obtained a Master's degree in engineering from Wuhan Institute of Hydraulic and Electrical Engineering (武漢水利電力學院) in 1982. Mr. Chen joined the Company in

November 2008. Previously he had served as associate professor, deputy department head, assistant to the dean, deputy dean and dean of the Department of Civil Engineering of Changsha Communications University (長沙交通學院) and director-general of the Education Department of the Ministry of Communications. Mr. Chen had served as secretary of the Communist Party Committee, vice chairman and vice president of China Harbour Construction Company (Group) (中國港灣建設(集團)總公司) from October 1998 to August 2005 and secretary of the Communist Party Committee and vice chairman of China Communications Construction Group Ltd. from August 2005 to August 2007, during which he also served as vice chairman of China Communications Construction Company Limited. Mr. Chen currently serves as an independent director of China South Locomotive & Rolling Stock Corporation Limited and chairman of the board of directors of Zhen Hua (Singapore) Engineering Pte. Ltd. Mr. Chen was appointed as an independent non-executive Director of the Company on November 28, 2008.

Mr. Cheung Yukming (張鈺明), age 56, is an independent non-executive Director of the Company. Mr. Cheung is a certified public accountant registered in Hong Kong and a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Institute of Bankers, a member of the Institute of Internal Auditors of the United States, a member of the Alliance of Merger and Acquisition Advisors (Chicago, the United States), an associate of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Securities Institute. He obtained a Master's degree in business administration from the University of East Asia, Macau in 1987. Prior to joining our Company in June 2009, Mr. Cheung had served as assistant auditor and senior accountant at Price Waterhouse, and was a partner of Lau, Cheung, Fung & Chan. Since January 2005, he has been an executive director of Lawrence CPA Limited. Mr. Cheung was appointed as an independent non-executive Director of the Company on June 19, 2009.

As disclosed above, Mr. Jiang Longsheng, Mr. Wen Keqin and Mr. Liu Li have served as external directors of the Parent from December 2006 to September 2008. According to *"The Instruction on Establishing the Board of Directors in Wholly State-owned Companies"* (《關於國有獨資公司董事會建設的指導意見》) promulgated by SASAC on June 7, 2004, an "external director" of a wholly state-owned company a) should not be an employee of that company; b) should be appointed as a director and a member of the special committee only; c) will not serve any executive function in that company; and d) will only provide independent opinion at that company's board meeting. As such, the Company believes that "external directors" of a PRC wholly state-owned company are akin to independent non-executive directors under the Hong Kong Listing Rules. On this basis, the Company believes that Mr. Jiang, Mr. Wen and Mr. Liu's role and responsibility as "external directors" of the Parent will not affect their independence under Rule 3.13(7) of the Hong Kong Listing Rules.

There are no family relationships between any of the Directors or executive officers. Our Directors and their respective associates are not interested in any business which competes or is likely to compete with ours.

SUPERVISORS

Mr. Han Changlin (韓長林), age 57, is the chairman of the Supervisory Committee of the Company. Mr. Han is a senior accountant who graduated in 1986 from Shanghai School of Finance and Economics (上海財經學校), majoring in accounting. Mr. Han joined the Company in 1998. Previously he had served as cost accountant, accountant and deputy director of the Finance Division, assistant to the manager and chief accountant of the 7th Company under the 13th China Metallurgical Construction Corporation (中國第十三冶金建設公司七公司) and deputy director of the Finance Office of the Construction Department of the Ministry of Metallurgical Industry. He served as director of the Corporate Finance Office and director of the Pricing Office of the Economic Regulation Department (經濟調節司) of the Ministry of Metallurgical Industry, and deputy director of the Audit Office of the Ministry of Metallurgical Industry (under the National Audit Office) (審計署駐冶金工業部審計局). He was a director, chief accountant and vice general manager of China

Metallurgical Construction (Group) Corporation. Since November 2004, Mr. Han has been serving as a director of China Metallurgical Construction (Group) Corporation (which is now known as China Metallurgical Group Corporation). Mr. Han was appointed as a Supervisor of the Company on November 28, 2008.

Mr. Peng Haiqing (彭海清), age 38, is a Supervisor of the Company. Mr. Peng is a senior accountant who graduated from the Department of Economic Management of the Qinhuangdao branch of Northeastern University in 1993 with a Bachelor's degree in industrial accounting. Mr. Peng joined the Company in July 1993. Previously he had served as assistant to the director of the Finance Division, deputy director of the Enterprise Management Office, secretary to the manager and deputy director of the Economic Office of the 3rd Company under Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司三公司). Mr. Peng was director of the Cost Management Division of the Finance Office of Shanghai Bao Steel Metallurgical Construction Corp. from September 2000 to January 2003 and deputy director of the Planning and Finance Department and deputy director of the Audit Department of Shanghai Baoye Construction Corp., Ltd. from January 2003 to December 2005. He was director of the Property Office of the Planning and Finance Department of China Metallurgical Group Corporation from January 2006 to November 2008, and served as director of the Property Office of the Planning and Finance Department of the Company from December 2008 to June 2009. Mr. Peng was appointed as a Supervisor of the Company on November 28, 2008.

Mr. Shao Jinhui (邵金輝), age 58, is the employee representative Supervisor of the Company. Mr. Shao is a senior accountant who graduated from the Department of Infrastructure Economics of Liaoning Finance Institute (遼寧財經學院) in 1982 with a Bachelor's degree in infrastructure finance and credit. Mr. Shao joined China Metallurgical Construction (Group) Corporation in 1995. Previously he had served as deputy director and director of the Finance Office of the Construction Department of the Ministry of Metallurgical Industry and director of the Finance Department of China Metallurgical Construction (Group) Corporation. Mr. Shao had served as director of the Finance Department, the Group Management Department and the Corporate Reform Department of China Metallurgical Construction (Group) Corporation from 1998 to 2006. He served as employee representative supervisor of China Metallurgical Construction (Group) Corporation from 2000 to 2006 and deputy chief economist of China Metallurgical Group Corporation from 2007 to January 2009. He was appointed as deputy chief economist of the Company with effect from January 2009. Mr. Shao currently serves as chairman of MCC Xiangxi Mining Co., Ltd. (中冶湘西礦業有限公司), director of CCTEC Engineering Co., LTD., director of MCC Tongsin Resources Ltd., director of MCC Finance Corporation LTD., convener of the supervisory committee of CISDI Engineering Co., Ltd. and convener of the supervisory committee of Northern Engineering & Technology Corporation, MCC. Mr. Shao was appointed as a Supervisor of the Company on November 28, 2008.

SENIOR MANAGEMENT

Mr. Shen Heting (沈鶴庭), see "— Directors."

Ms. Huang Dan (黃丹), age 48, is a vice president and secretary to the Board of Directors of the Company. Ms. Huang is a professor-level senior engineer who graduated from the Department of Mine of Central-South Institute of Mining and Metallurgy (中南礦冶學院) in 1982 with a Bachelor's degree in mineral separation. Ms. Huang joined the Company in January 1982. Previously she had served as associate engineer, engineer and senior engineer of the Mineral Separation Office, director of the Department of Science and Technology, director of the Department of Personnel and president of Changsha Metallurgical Design & Research Institute. Ms. Huang was the chairman and general manager of Zhong Ye ChangTian International Engineering Co., LTD and president of Changsha Metallurgical Design & Research Institute from March 2003 to October 2004. She served as vice general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China

Metallurgical Group Corporation in May 2006) from October 2004 to September 2008 and secretary to the board of directors of China Metallurgical Group Corporation from November 2006 to January 2009.

Mr. Wang Yongguang (王永光), age 51, is a vice president of the Company. Mr. Wang is a professor-level senior engineer who graduated from Northeastern Institute of Technology in 1982 with a Bachelor's degree in mining, and obtained a Master's degree in mining engineering from Beijing General Research Institute of Mining & Metallurgy in 1986. Mr. Wang joined China Metallurgical Construction (Group) Corporation in November 2004. Previously he had served as an assistant engineer in Zhangjiakou Gold Mine (張家口金礦) in Hebei Province, engineer in the Mining Office of the Beijing General Research Institute of Mining & Metallurgy, deputy director of the Mine Department of the Copper and Nickel Office of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), deputy director of the Enterprise Management Department, manager of the Gansu Branch, director of the Information Center, director-level commissioner in the Copper Center of China National Nonferrous Metals Import and Export Corporation (中國有色金屬進出口總公司), and vice general manager of the Raw Materials Center of Non-Ferrous Metal Industrial and Trade Group Corporation of China (中國有色金屬工業貿易集團公司). Mr. Wang was deputy general manager of China Shougang International Trade & Engineering Corporation from March 1999 to December 2003, during which he served as general manager of Shougang Hierro Peru S.A.A and manager of the Ore Import Department of China Shougang International Trade & Engineering Corporation. He served as chief representative of HISMELT Project of Shougang Group in Australia from December 2003 to November 2004 and vice general manager of China Metallurgical Construction (Group) Corporation (which changed its name to China Metallurgical Group Corporation in May 2006) from November 2004 to September 2008.

Mr. Li Shiyu (李世鈺), age 53, is a vice president and chief accountant (chief financial controller) of the Company. Mr. Li is a senior accountant who graduated from Liaoning University in 1991, majoring in corporate management, and obtained a Master's degree in accounting from Northern Jiaotong University in 1999. Mr. Li joined China Metallurgical Group Corporation in August 2006. Previously he had served as deputy director and director of the Accounting Division of the Finance Department of the 19th Engineering Bureau of the Ministry of Railway (鐵道部第十九工程局) and accountant of the Finance Department of China Railway Construction Corporation. He served as deputy director of the Finance Department of China Railway Construction Corporation from March 1996 to November 1998 and director of the Finance Department of China Railway Construction Corporation from November 1998 to December 2005. Mr. Li was deputy chief accountant of China Railway Construction Corporation from December 2005 to August 2006 and the chief accountant of China Metallurgical Group Corporation from August 2006 to September 2008.

Mr. Zhang Zhaoxiang (張兆祥), age 46, is a vice president of the Company. Mr. Zhang is a professor-level senior engineer who obtained a Bachelor's and a Master's degree in chemical machinery from Tianjin University in 1984 and 1987, respectively. Mr. Zhang joined the Company in 2005. Previously he had served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Research Institute of Non-ferrous Metallurgical Equipment (北京有色冶金設計研究總院), and vice president, president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute. During the period from December 2005 to February 2008, he had served as chairman and general manager of China Enfi Engineering Corporation, and president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute. He was chairman of China Enfi Engineering Corporation and president and secretary of the Communist Party Committee of China Nonferrous Engineering and Research Institute from February 2008 to November 2008 and was an executive director, general manager and secretary of the Communist Party Committee of China Enfi Engineering Co., Ltd. from August 2008 to November 2008 following the conversion of China Nonferrous Engineering and Research Institute into China Enfi Engineering Co., Ltd. in August 2008.

Mr. Wang Xiufeng (王秀峰), age 38, is a vice president of the Company. Mr. Wang is a senior accountant and senior engineer who graduated from Northeastern University in 1993 with a Bachelor's degree in industrial accounting. Mr. Wang joined the Company in 1993. Previously he had served as deputy chief accountant and chief accountant of the Electromechanical Company of the 22nd China Metallurgical Construction Corporation (中國第二十二冶金建設公司機電公司) and director of the Planning and Finance Department, deputy chief accountant and vice general manager of the 22nd China Metallurgical Construction Corporation. Mr. Wang was the general manager and vice secretary of the Communist Party Committee of the 22nd China Metallurgical Construction Corporation from December 2004 to November 2006 and was chairman and secretary of the Communist Party Committee of MCC Jingtang Construction Corporation Limited and general manager of the 22nd China Metallurgical Construction Corporation from November 2006 to November 2008 and was an executive director and general manager of China 22nd Metallurgical Construction Corporation Limited from August 2008 to November 2008 following the conversion of the 22nd China Metallurgical Construction Corporation into China 22nd Metallurgical Construction Corporation Limited in August 2008.

JOINT COMPANY SECRETARIES

Ms. Huang Dan (黃丹), see "— Senior Management."

Mr. Ngai Wai Fung (魏偉峰), *FCIS, FCS(PE), CPA, ACCA*, age 47, is the joint company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai graduated from the Hong Kong Polytechnic University in 2002 with a Master of Corporate Finance degree, and also obtained a Master of Business Administration degree from Andrews University of the United States in 1992 and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom in 1994, respectively. He is also undertaking a PhD course (thesis stage) in Finance at the Shanghai University of Finance and Economics.

STRATEGY COMMITTEE

Our strategy committee consists of six Directors, including Liu Benren, Wang Weimin, Shen Heting, Guo Wenqing, Liu Li and Chen Yongkuan. Liu Benren currently serves as the chairman of our strategy committee. The primary responsibilities of our strategy committee include:

- conducting research and submitting proposals regarding our mid-to-long term development strategies and major investment decisions;
- reviewing our annual operation and investment plans;
- conducting research and submitting proposals regarding major investments and financing plans, capital operations and assets operation projects; and
- discharging other duties authorized by the Board of Directors.

FINANCE AND AUDIT COMMITTEE

Our finance and audit committee consists of three Directors, including Liu Benren, Liu Li and Cheung Yukming. Liu Li currently serves as the chairman of our finance and audit committee. The primary responsibilities of our finance and audit committee include:

- reviewing our major financial control targets, supervising the implementation of financial regulatory system, and guiding our finance functions;
- supervising our internal controls for effective operation, reviewing our regulatory system and major control targets in respect of funds and risk management;
- formulating guarantee management policies and reviewing guarantee business;
- reviewing our annual financial budgets and accounts and supervising their implementation; reviewing our financial information and its disclosure; reviewing the financial analysis of our major investment projects and monitoring the execution outcome of investment projects;
- reviewing our internal annual audit plan, supervising our internal audit system and its implementation;
- discussing with management to ensure their fulfilling duties in establishing an effective internal monitoring system, the criteria of which includes the adequacy of our resources, employee's qualifications and experience on accounting and financial reporting functions, and the sufficiency of training sessions and training budgets for employees;
- proposing the appointment or replacement of our external auditors; and
- facilitating communications between our internal audit departments and our external auditors.

NOMINATION COMMITTEE

Our nomination committee consists of six Directors, including Liu Benren, Wang Weimin, Shen Heting, Jiang Longsheng, Wen Keqin and Chen Yongkuan. Wen Keqin currently serves as the chairman of our nomination committee. The primary responsibilities of our nomination committee include:

- formulating standards, procedures and methodology for the election of Directors, presidents and other senior management members and submitting the proposals to the Board of Directors;
- assessing the candidates for Directors, presidents and other senior management members and advise the Board of Directors; and
- extensively identifying ideal candidates for Directors, presidents and other senior management members.

COMPENSATION AND ASSESSMENT COMMITTEE

Our compensation and assessment committee consists of three Directors, including Jiang Longsheng, Wen Keqin and Chen Yongkuan. Jiang Longsheng currently serves as the chairman of our compensation and assessment committee. The primary responsibilities of our compensation and assessment committee include:

- reviewing and formulating assessment standards of Directors and senior management, organizing assessment initiatives and offering recommendations;
- reviewing and formulating compensation policies, compensation and performance assessment schemes, and reward and penalty proposals of Directors and senior management;
- reviewing income distribution scheme of our employees; and

- adhering to compensation standards required or advised under the listing rules of our listing location and discharging other duties assigned to the compensation and assessment committee.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

All Directors and Supervisors receive reimbursements from us for expenses which are necessarily and reasonably incurred for providing services to us or executing of matters in relation to our operations. The executive Directors and Supervisors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salaries, housing allowances, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors and non-independent Supervisors in accordance with the relevant PRC law.

The aggregate amount of compensation (including basic salaries, housing allowances, other allowances and benefits-in-kind, contributions to pension plans and discretionary bonuses) we paid to our five highest paid individuals during the three years ended December 31, 2008 and the six months ended June 30, 2009 was approximately RMB7.2 million, RMB10.8 million, RMB7.3 million and RMB3.4 million, respectively.

The aggregate amount of compensation (including basic salaries, housing allowances, other allowances and benefits-in-kind, contributions to pension plans and discretionary bonuses) we paid to our Directors and Supervisors during the three years ended December 31, 2008 and the six months ended June 30, 2009 was approximately RMB1.5 million, RMB2.5 million, RMB3.2 million and RMB1.1 million, respectively.

For the year ended December 31, 2008, 14 of our Directors, Supervisors and senior management members (other than Mr. Chen Yongkuan, who was not affiliated with the Parent or its subsidiaries prior to December 1, 2008 when he became our Director and who did not receive any compensation from us in 2008) received compensation of RMB6.9 million in aggregate from us. Certain details of such compensation are set forth as follows:

Compensation Range	Number of Persons
Above RMB700,000	3
RMB600,000 to RMB700,000 (including RMB700,000)	3
RMB500,000 to RMB600,000 (including RMB600,000)	2
RMB400,000 to RMB500,000 (including RMB500,000)	0
RMB200,000 to RMB400,000 (including RMB400,000)	2
Below RMB200,000 (including RMB200,000)	4

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2008 and the six months ended June 30, 2009, by us to our Directors and Supervisors.

We currently have no share option schemes for our senior management.

SUBSTANTIAL SHAREHOLDERS

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company, see "Substantial Shareholders" in Appendix IX to this document.

SHARE CAPITAL

At of the date of this document, our registered share capital is RMB13,000,000,000 comprising 13,000,000,000 Domestic Shares of nominal value of RMB1.00 each. The interests of our shareholders in our issued share capital are as follows:

Name	Nature	Number of Shares	Approximate Percentage of Issued Share Capital (%)
China Metallurgical Group Corporation	Domestic Shares	12,870,000,000	99.00%
Baosteel	Domestic Shares	130,000,000	1.00%
Total		**13,000,000,000**	**100.00%**

FINANCIAL INFORMATION

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

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.

FINANCIAL INFORMATION

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**

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

	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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

	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

FINANCIAL INFORMATION

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 (RMB million)	Amount Guaranteed as of July 31, 2009 (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	Amount Invested	Capital Commitments
	(RMB million)	(RMB million)	(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.

FINANCIAL INFORMATION

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.

FUTURE PLANS

FUTURE PLANS

See "Business — Business Strategies" for a detailed description of our future plans.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in [•].

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

[•]

The Directors
Metallurgical Corporation of China Ltd.

[•]

Dear Sirs,

We set out our report on the financial information (the "Financial Information") of Metallurgical Corporation of China Ltd. (the "Company") and its subsidiaries (together, the "Group") in Sections I to III below, for inclusion in [•]. The Financial Information comprises the consolidated balance sheets as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheets of the Company as at 31 December 2008 and 30 June 2009 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the People's Republic of China (the "PRC" or "China") on 1 December 2008 as a joint stock company with limited liability under the Company Law of China. Pursuant to a group reorganisation of China Metallurgical Group Corporation ("Parent"), a state-owned enterprise in the PRC, approved by the State-owned Assets Supervision and Administrative Commission ("SASAC") of the State Council (the "State Council") of the PRC, as described in Note 1.2 of Section II headed "Organisation and reorganisation" below, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

Details of the principal subsidiaries and associates, in which the Company has direct and indirect interests as at the date of this report, are set out in Note 48 of Section II of this report. All of the companies now comprising the Group have adopted 31 December as their financial year end dates. For the Relevant Periods, the financial statements of these entities were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC enterprises or other accounting principles applicable to these entities in their jurisdictions. The names of the respective auditors are set out in Note 48 of Section II of this report.

The directors of the Company have prepared the consolidated financial statements of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the balance sheets of the Company as at 31 December 2008 and 30 June 2009 in accordance with China Accounting Standards ("CAS Financial Statements"). The CAS Financial Statements were audited by Reanda Certified Public Accountants ("利安達信隆會計師事務所有限責任公司") in accordance with China Standards on Auditing.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods and the balance sheets of the Company as at 31 December 2008 and 30 June 2009 in accordance with International Financial Reporting Standards ("IFRSs") (the "IFRS Financial Statements"). The IFRS

Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the balance sheets of the Company as at 31 December 2008 and 30 June 2009 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company ("普華永道中天會計師事務所有限公司") in accordance with International Standards on Auditing.

The Financial Information has been prepared based on the IFRS Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' responsibility

The directors of the Company are responsible for the preparation and the true and fair presentation of the IFRS Financial Statements in accordance with IFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the financial information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the basis of presentation set out in Note 2 of Section II below and the accounting policies set out in Note 3 of Section II below, which are in conformity with IFRSs.

Reporting accountant's responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the IFRS Financial Statements used in preparing the financial information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, gives a true and fair view of the state of affairs of the Company as at 31 December 2008 and 30 June 2009 and the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Group's results and cash flows for respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report and presented on the basis set out in Note 2 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 3 of Section II below, which are in conformity with IFRSs.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 and for the Relevant Periods.

A. Consolidated Balance Sheets

	Note	As at 31 December			As at 30 June
		2006	2007	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million
ASSETS					
Non-current assets					
Property, plant and equipment	7	11,942	20,203	21,486	25,317
Land use rights	8	2,019	3,235	5,767	5,925
Mining rights	9	241	353	3,519	3,509
Investment properties	10	498	392	343	323
Intangible assets	11	649	2,271	3,586	4,174
Investments in associates	13	504	607	923	1,098
Available-for-sale financial assets	15	1,127	2,310	900	1,091
Held-to-maturity financial assets	16	17	44	46	47
Deferred income tax assets	30	1,232	988	1,580	1,695
Trade and other receivables	17	1,358	1,321	1,734	1,984
Other non-current assets		70	89	91	107
		19,657	31,813	39,975	45,270
Current assets					
Inventories	20	5,814	9,384	11,112	10,106
Properties under development	20	5,663	11,025	16,995	18,421
Completed properties held for sale	20	245	460	367	911
Trade and other receivables	17	28,467	50,785	56,783	60,446
Amounts due from customers for contract work	19	11,131	11,918	16,913	19,186
Available-for-sale financial assets	15	73	55	12	7
Held-to-maturity financial assets	16	83	456	—	101
Financial assets at fair value through profit or loss	18	381	24	2	2
Restricted cash	21	612	522	2,271	3,287
Cash and cash equivalents	22	18,517	24,281	26,094	26,946
		70,986	108,910	130,549	139,413
Total assets		90,643	140,723	170,524	184,683

	Note	As at 31 December 2006 RMB 'million	2007 RMB 'million	2008 RMB 'million	As at 30 June 2009 RMB 'million
EQUITY					
Owner's equity before the Reorganisation	24	(1,754)	2,598	—	—
Share capital	23	—	—	13,000	13,000
Reserves	24	—	—	(10,986)	(10,551)
Equity attributable to equity holders of the Company		(1,754)	2,598	2,014	2,449
Non-controlling interests		4,008	3,877	5,641	6,056
Total equity		2,254	6,475	7,655	8,505
LIABILITIES					
Non-current liabilities					
Borrowings	26	5,095	5,975	18,718	30,445
Deferred income	27	300	456	431	326
Retirement and other supplemental benefit obligations	28	7,438	6,962	6,225	6,054
Provisions for other liabilities and charges	29	46	22	26	34
Trade and other payables	25	290	542	257	350
Deferred income tax liabilities	30	536	1,045	605	629
		13,705	15,002	26,262	37,838
Current liabilities					
Trade and other payables	25	47,919	72,499	81,904	80,947
Dividends payable		—	34	256	2,131
Amounts due to customers for contract work	19	6,389	10,051	14,030	11,016
Current income tax liabilities		606	1,002	791	754
Borrowings	26	19,038	34,894	38,721	42,645
Retirement and other supplemental benefit obligations	28	732	766	905	847
		74,684	119,246	136,607	138,340
Total liabilities		88,389	134,248	162,869	176,178
Total equity and liabilities		90,643	140,723	170,524	184,683
Net current (liabilities)/assets		(3,698)	(10,336)	(6,058)	1,073
Total assets less current liabilities		15,959	21,477	33,917	46,343

B. Balance Sheets of the Company

	Note	As at 31 December 2008	As at 30 June 2009
		RMB 'million	RMB 'million
ASSETS			
Non-current assets			
Property, plant and equipment		33	33
Intangible assets		6	6
Investments in subsidiaries	12	37,620	42,330
Trade and other receivables	17	895	655
Other non-current asset		1	2
		38,555	43,026
Current assets			
Inventories		8	10
Trade and other receivables	17	18,290	20,637
Amounts due from customers for contract work	19	25	13
Cash and cash equivalents	22	3,636	2,470
		21,959	23,130
Total assets		60,514	66,156
EQUITY			
Share capital	23	13,000	13,000
Reserves	24	6,545	6,753
Total equity		19,545	19,753
LIABILITIES			
Non-current liabilities			
Borrowings	26	8,650	13,135
Retirement and other supplemental benefit obligations		29	30
		8,679	13,165
Current liabilities			
Trade and other payables	25	12,590	11,638
Dividends payable		256	2,131
Amounts due to customers for contract work	19	403	876
Borrowings	26	19,036	18,590
Retirement and other supplemental benefit obligations		5	3
		32,290	33,238
Total liabilities		40,969	46,403
Total equity and liabilities		60,514	66,156
Net current liabilities		(10,331)	(10,108)
Total assets less current liabilities		28,224	32,918

C. Consolidated Income Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Revenue	6	91,706	125,056	157,899	74,114	74,866
Cost of sales	33	(82,103)	(112,085)	(145,595)	(67,153)	(67,847)
Gross profit		9,603	12,971	12,304	6,961	7,019
Selling and marketing expenses	33	(530)	(709)	(928)	(365)	(385)
Administrative expenses	33	(5,072)	(5,786)	(6,559)	(3,080)	(2,984)
Other income	31	347	587	1,064	327	490
Other gains — net	32	126	1,390	564	132	71
Other expenses		(64)	(98)	(85)	(17)	(50)
Operating profit		4,410	8,355	6,360	3,958	4,161
Finance income	35	452	382	548	236	229
Finance costs	35	(1,030)	(1,317)	(3,005)	(1,261)	(1,173)
Share of profits of associates	13	26	70	120	52	40
Profit before income tax		3,858	7,490	4,023	2,985	3,257
Income tax expense	37	(651)	(1,698)	(840)	(605)	(684)
Profit for the year/period		3,207	5,792	3,183	2,380	2,573
Attributable to:						
Equity holders of the Company		1,920	3,855	3,200	2,056	2,137
Non-controlling interests		1,287	1,937	(17)	324	436
		3,207	5,792	3,183	2,380	2,573
Earnings per share for profit attributable to the equity holders of the Company during the year/period						
— Basic earnings per share (RMB)	39	0.15	0.30	0.25	0.16	0.16
— Diluted earnings per share (RMB)	39	0.15	0.30	0.25	0.16	0.16
Dividends	40	—	34	256	—	1,875

D. Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit for the year/period		3,207	5,792	3,183	2,380	2,573
Other comprehensive income/(expense)						
Fair value gains/(losses) on available-for-sale financial assets, net of tax		274	964	(1,028)	(482)	203
Currency translation differences		(17)	(87)	(213)	(46)	(73)
Other comprehensive income/(expense) for the year/period, net of tax		257	877	(1,241)	(528)	130
Total comprehensive income for the year/period		3,464	6,669	1,942	1,852	2,703
Total comprehensive income attributable to						
Equity holders of the Company		2,136	4,411	2,160	1,696	2,265
Non-controlling interests		1,328	2,258	(218)	156	438
		3,464	6,669	1,942	1,852	2,703

E. Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006		—	—	—	(3,804)	(3,804)	1,388	(2,416)
Profit for the year		—	—	—	1,920	1,920	1,287	3,207
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	233	233	41	274
Currency translation differences		—	—	—	(17)	(17)	—	(17)
Total comprehensive income for the year		—	—	—	2,136	2,136	1,328	3,464
Dividends	40	—	—	—	—	—	(184)	(184)
Transaction with non-controlling interests	49	—	—	—	64	64	465	529
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	1,065	1,065
Liquidation/disposal of subsidiaries		—	—	—	—	—	(54)	(54)
Deemed distribution		—	—	—	(150)	(150)	—	(150)
At 31 December 2006		—	—	—	(1,754)	(1,754)	4,008	2,254
Profit for the year		—	—	—	3,855	3,855	1,937	5,792
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	629	629	335	964
Currency translation differences		—	—	—	(73)	(73)	(14)	(87)
Total comprehensive income for the year		—	—	—	4,411	4,411	2,258	6,669
Dividends	40	—	—	—	(34)	(34)	(612)	(646)
Transaction with non-controlling interests	49	—	—	—	347	347	(3,285)	(2,938)
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	1,670	1,670
Liquidation/disposal of subsidiaries		—	—	—	—	—	(162)	(162)
Deemed distribution		—	—	—	(372)	(372)	—	(372)
At 31 December 2007		—	—	—	2,598	2,598	3,877	6,475

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2007		—	—	—	2,598	2,598	3,877	6,475
Profit/(loss) for the period from 1 January 2008 to 1 December 2008		—	—	—	2,894	2,894	(37)	2,857
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	(861)	(861)	(160)	(1,021)
Currency translation differences		—	—	—	(162)	(162)	(39)	(201)
Total comprehensive income/(expense) for the period from 1 January 2008 to 1 December 2008		—	—	—	1,871	1,871	(236)	1,635
Dividends	40	—	—	—	—	—	(229)	(229)
Transaction with non-controlling interests	49	—	—	—	(1,417)	(1,417)	1,735	318
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	231	231
Liquidation/disposal of subsidiaries		—	—	—	—	—	(48)	(48)
Deemed distribution		—	—	—	(537)	(537)	(333)	(870)
Capital contribution		—	—	—	2,327	2,327	—	2,327
Special distribution		—	—	—	(3,121)	(3,121)	—	(3,121)
Additional capital injection to subsidiaries from owners and non-controlling interest proportionally		—	—	—	—	—	643	643
At 1 December 2008		—	—	—	1,721	1,721	5,640	7,361

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 December 2008		—	—	—	1,721	1,721	5,640	7,361
Capitalisation and issues of new shares to Parent upon establishment of the Company		12,870	(11,149)	—	(1,721)	—	—	—
Contribution received from Baosteel Group Co., Ltd ("Baosteel")	1.2(f)	130	65	—	—	195	—	195
Profit for the period from 2 December 2008 to 31 December 2008		—	—	306	—	306	20	326
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	(7)	—	—	(7)	—	(7)
Currency translation differences		—	(10)	—	—	(10)	(2)	(12)
Total comprehensive (expense)/income for the period from 2 December 2008 to 31 December 2008		—	(17)	306	—	289	18	307
Capital contribution		—	57	—	—	57	—	57
Dividends	40	—	—	(256)	—	(256)	—	(256)
Transaction with non-controlling interests	49	—	8	—	—	8	(17)	(9)
Appropriation		—	28	(28)	—	—	—	—
At 31 December 2008		13,000	(11,008)	22	—	2,014	5,641	7,655

	Note	Attributable to equity holders of the Company						
		Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2008		13,000	(11,008)	22	—	2,014	5,641	7,655
Profit for the period		—	—	2,137	—	2,137	436	2,573
Other comprehensive income:								
Fair value gains on available-for-sale financial assets, net of tax		—	180	—	—	180	23	203
Currency translation differences		—	(52)	—	—	(52)	(21)	(73)
Total comprehensive income for the period		—	128	2,137	—	2,265	438	2,703
Dividends	40	—	—	(1,875)	—	(1,875)	(252)	(2,127)
Transaction with non-controlling interests	49	—	45	—	—	45	27	72
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	171	171
Investments in subsidiaries transferred to investments in associates		—	—	—	—	—	(16)	(16)
Additional capital injection from owners and non-controlling interest proportionally		—	—	—	—	—	47	47
Appropriation		—	208	(208)	—	—	—	—
At 30 June 2009		13,000	(10,627)	76	—	2,449	6,056	8,505

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2008:

		Attributable to equity holder of the Company						
	Note	Share capital	Reserves	Retained earnings	Owner's equity before the reorganisation	Sub total	Non-controlling interest	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2007		—	—	—	2,598	2,598	3,877	6,475
Profit for the period		—	—	—	2,056	2,056	324	2,380
Other comprehensive income:								
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	(318)	(318)	(164)	(482)
Currency translation differences		—	—	—	(42)	(42)	(4)	(46)
Total comprehensive income for the period		—	—	—	1,696	1,696	156	1,852
Dividends	40	—	—	—	—	—	(186)	(186)
Transaction with non-controlling interests	49	—	—	—	(1,459)	(1,459)	1,804	345
Attributable to set-up/acquisition of subsidiaries		—	—	—	—	—	13	13
Liquidation/disposal of subsidiaries		—	—	—	—	—	(6)	(6)
Additional capital injection to subsidiaries from owners and non-controlling interest proportionally		—	—	—	—	—	44	44
At 30 June 2008 (Unaudited)		—	—	—	2,835	2,835	5,702	8,537

F. Consolidated Cash Flow Statements

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Cash flows from operating activities						
Cash generated from/(used in) operations	41	3,613	7,878	7,338	(1,877)	(1,386)
Income tax paid		(389)	(1,036)	(1,742)	(1,297)	(851)
Net cash generated from/(used in) operating activities		3,224	6,842	5,596	(3,174)	(2,237)
Cash flows from investing activities						
Purchases of property, plant and equipment		(3,376)	(9,015)	(8,092)	(2,709)	(3,851)
Purchases of land use rights		(750)	(4,368)	(2,413)	(1,139)	(630)
Purchases of mining rights		—	(15)	(3,207)	(5)	—
Purchases of investment properties		(165)	(10)	(69)	(33)	—
Purchases of intangible assets		(30)	(1,131)	(1,362)	(689)	(631)
Purchases of available-for-sale financial assets		(73)	(105)	(64)	(42)	(1)
Purchases of held-to-maturity financial assets		(5)	(469)	(43)	(11)	(341)
Increase in investment in associates		(92)	(108)	(262)	(62)	(120)
Net cash (outflow)/inflow for acquisition of subsidiaries	42	(1,410)	(1,281)	(188)	—	196
Prepayment for investments		—	—	—	—	(3,504)
Amounts received from related parties and third parties		(261)	(510)	(883)	(192)	(283)
Proceeds from disposal of property, plant and equipment		145	189	94	83	79
Proceeds from disposal of land use rights		18	9	15	5	—
Proceeds from disposal of investment properties		—	81	60	55	—
Proceeds from disposal of intangible assets		—	—	3	3	—
Proceeds from disposal of available-for-sale financial assets		184	457	666	413	79
Proceeds from held-to-maturity financial assets upon maturity date		—	70	500	360	240
Net cash inflow from disposal of investment in associates		232	15	34	—	—
Net cash inflow/(outflow) on disposal of subsidiaries	43	—	381	(61)	11	—
Transaction with non-controlling interests		455	(362)	(1,820)	(1,333)	(149)
Dividends received		85	167	78	30	50
Net cash used in investing activities		(5,043)	(16,005)	(17,014)	(5,255)	(8,866)

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Cash flows from financing activities						
Proceeds from borrowings		19,341	38,973	55,607	33,527	47,099
Repayments of borrowings		(11,457)	(22,142)	(37,022)	(21,087)	(32,374)
Deemed contribution		160	—	—	—	—
Contribution received from non-controlling interests		711	874	874	57	246
Dividends paid		(186)	(561)	(245)	(170)	—
Interest paid		(1,271)	(1,813)	(3,287)	(1,657)	(1,954)
Deemed distribution		(150)	(372)	(881)	—	—
Contribution received from Baosteel		—	—	195	—	—
Earthquake fund from Parent		—	—	57	—	—
Changes in restricted cash		188	90	(1,749)	(2,107)	(1,016)
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
Cash and cash equivalents at beginning of the year/period		13,007	18,517	24,281	24,281	26,094
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

II NOTES TO THE FINANCIAL INFORMATION

1. Principal activities, organisation and reorganisation

1.1 Principal activities

The Group is principally engaged in following activities:

- Provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects (the "engineering and construction");
- Development and production of metallurgical equipment, steel structures and other metal products (the "equipment manufacturing");
- Development, mining and processing of mineral resources and the production of polysilicon (the "resources development"); and
- Development and sale of residential and commercial properties and primary land development (the "property development").

1.2 Organisation and reorganisation

(a) The Company was established in the People's Republic of China (the "PRC" or "China") on 1 December 2008 as a joint stock company with limited liability as part of the reorganisation of China Metallurgical Group Corporation ("Parent") and its subsidiaries (collectively, the "Parent Group"). The address of the Company's registered office is No. 11 Gao Liang Qiao Xiejie, Haidian District, Beijing.

(b) Prior to the incorporation of the Company, the abovementioned principal activities were carried out by the Parent Group which is operating under the supervision and regulation of SASAC of the State Council.

(c) Pursuant to the Reorganisation, the principal operations and businesses of engineering and construction, equipment manufacturing, resources development, and property development (the "Core Operations") of the Parent Group were transferred to the Company.

(d) In consideration for Parent transferring the above Core Operations to the Company, the Company issued 12,870 million ordinary shares of RMB1.00 per share to Parent representing 99% of the entire registered and paid-up share capital of the Company. Accordingly, Parent became the holding company of the Company.

(e) In connection with the Reorganisation, the following assets and liabilities (the "Retained Operations") were not transferred to the Company and were retained by Parent:

(i) operating assets and liabilities that were unrelated to the Core Operations, which primarily include manufacture and sale of paper and pulp, operations of certain social and community facilities such as hospitals, schools and hotels; and

(ii) certain operating assets and liabilities historically associated with the Core Operations, which mainly represented companies and divisions engaged in minor ancillary construction related services.

(f) In addition, Baosteel, a state-owned enterprise subscribed for 130 million ordinary shares of RMB1.00 per share of the Company's registered share capital for a cash consideration of RMB194,463,000.

(g) The Reorganisation was effective on 1 December 2008, which is the date on which the Company, Parent and Baosteel signed the legally binding agreement that identified (i) all specific assets and liabilities to be transferred to the Company from Parent and (ii) the capital contribution in cash of RMB194,463,000 made by Baosteel.

2. Basis of presentation

2.1 The Company, Parent and Baosteel are all state-owned enterprises controlled and owned by SASAC. Accordingly, the Reorganisation has been accounted for as a reorganisation of business under common control transaction in a manner similar to a uniting of interests. The consolidated income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the Relevant Periods have been presented as if the current group structure had been in existence throughout the Relevant Periods and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent at the beginning of the earliest period presented or since the date when the combining entities first came under the control of SASAC, whichever it is a shorter period. The consolidated balance sheets of the Group as at 31 December 2006 and 2007 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent as at those dates.

2.2 The Financial Information has not included the assets, liabilities and results of the operations that were unrelated to the Core Operations and were not transferred to the Company pursuant to the Reorganisation as described in Note 1.2(e)(i) above, on the basis that these companies are engaged in dissimilar businesses from those of the Group, have separate management personnel and accounting records and have been financed and operated historically as if they were autonomous.

2.3 The Financial Information however includes the assets, liabilities and results of the operations of the Retained Operations that were historically associated with the Core Operations as described in Note 1.2(e)(ii) because they could not be clearly distinguished from the Core Operations and were historically under common management and control. Although the aforementioned Retained Operations were not transferred to the Company, the Directors consider that the historical Financial Information should reflect all of the Group's core costs of doing businesses that had been part of the Group's businesses and operations.

The assets and liabilities of these Retained Operations that were historically associated with the Core Operations were accounted for as a distribution to Parent at the effective date of the Reorganisation.

The assets, liabilities and operating results of these Retained Operations that were included in the Financial Information as of 31 December 2006, 2007, 2008 and 30 June 2009 and during each of the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 were summarised as follow:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Non-current assets	251	5,462	—	—
Current assets	211	2,795	—	—
Non-current liabilities	(401)	(651)	—	—
Current liabilities	(176)	(5,994)	—	—
Net assets	(115)	1,612	—	—

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Revenue	315	981	4,708	2,223	—
Loss for the year/period	(3)	(5)	(742)	(113)	—

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented.

3.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standard Board.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5 below.

The following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted them:

- IASB's annual improvements project published in April 2009:
  - Amendment to IFRS 8 'Operating segments' (effective from 1 January 2010). Disclosure of information about total assets and liabilities for each reportable segment is required only if such amounts are regularly provided to the chief operating decision maker. The Group will apply IFRS 8 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements;
  - Amendment to IAS 7 'Statement of cash flows' (effective from 1 January 2010). Only expenditures that result in a recognised asset are eligible for classification as investing activities. The Group will apply IAS 7 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements;
  - Amendment to IAS 17 'Leases' (effective from 1 January 2010). The amendment removes the specific guidance on the classification of long-term leases of land as operating leases. When classifying land leases, the general principles applicable to the classification of leases should be applied. The classification of land leases has to be reassessed on adoption of the amendment on the basis of information existing at inception of the leases. The Group will apply IAS 17 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements;
  - Amendment to IAS 36 'Impairment of assets' (effective from 1 January 2010). This clarifies that the largest unit permitted for the goodwill impairment test is the lowest level of operating segment before any aggregation as defined in IFRS 8. The Group will apply IAS 36

(amendment) from 1 January 2010. The amendment is not expected to have any impact on the Group's financial statements; and

- Amendment to IAS 38 'Intangible assets' (effective from 1 July 2009). This clarifies the description of the valuation techniques commonly used to measure intangible assets acquired in a business combination when they are not traded in an active market. In addition, an intangible asset acquired in a business combination might be separable but only together with a related contract, identifiable asset or liability. In such cases, the intangible asset is recognised separately from goodwill but together with the related item. The Group will apply IAS 38 (amendment) from 1 January 2010. The amendment is not expected to have any material impact on the Group's financial statements.

3.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that the Group control ceases.

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. The Financial Information incorporates the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, the Financial Information reflects both entities' full year's results, even though the business combination may have occurred part of the way through the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

The acquisition method of accounting is used to account for business combinations other than common control combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 3.10(a)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of bargain purchase, the difference is recognised directly in the consolidated income statements.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses (Note 12). Dividend income is recognised when the right to receive payment is established.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In some cases, the percentage of equity interest in entities accounted for as associates exceeds 50% due to profit sharing arrangements. The Group does not control these entities because the proportion of voting rights held is less than 50%. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 3.11 for the impairment of non-financial assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statements, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President's office which makes strategic decisions.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's and the Company's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated income statements within "other gains-net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in equity.

(c) Group companies

The results and financial position of all the entities within the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to owners' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the

items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the consolidated income statements during the financial period in which they are incurred.

Other than mining structures, depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

- Buildings	15-40 years
- Plant and machinery	4-14 years
- Transportation equipment	5-12 years
- Furniture, office and other equipment	3-8 years

Mining structures (including the main and auxiliary mine shaft and underground tunnels) are depreciated over their expected total production on a unit of production basis using proved reserve. The proved reserve used for depreciation is restricted to the total production expected to be extracted during the licence/lease term.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised within "other gains — net" in the consolidated income statements.

3.6 Deferred overburden removal costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as development costs. Capitalisation of development stripping costs ceases, and depreciation of those capitalised costs commences, at the time that saleable materials begin to be extracted from the mine. Depreciation of capitalised development stripping costs is determined on a unit of production basis for each separate area of interest.

Removal of waste material normally continues throughout the life of a mine. This activity is referred to as production stripping and commences at the time that saleable materials begin to be extracted from the mine. The costs of production stripping are charged to the consolidated income statements as operating costs when the ratio of waste material to ore extracted from an area of interest is expected to be constant throughout its estimated life. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- All costs are initially charged to the consolidated income statements and classified as operating costs;
- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised; and

- In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalised stripping costs is charged to the consolidated income statements as operating costs.

The amount of production stripping costs capitalised or charged in consolidated income statements is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

Capitalised development stripping costs are classified as "Plant and machinery" and capitalised production stripping costs are classified as "Mining structures". These assets are considered in combination with other assets of an operation for the purpose of undertaking impairment assessment. Depreciation policy on these assets are described in Note 3.5.

3.7 Land use rights

Land use rights represent upfront operating lease payments made for the land and are stated at cost less accumulated amortisation and impairment loss. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 40 to 70 years. Amortisation of land use rights is calculated on a straight-line basis over the period of the land use right.

3.8 Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss and are amortised on a units of production basis using proved reserves.

3.9 Properties

(a) Investment properties

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the companies comprising the Group, is classified as investment property. Investment properties are stated at cost including related transaction costs, less accumulated depreciation and impairment losses. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statements during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is completed, at which time it is reclassified and subsequently accounted for as investment property.

Depreciation is calculated using the straight-line method to amortise and write off the cost of the asset over a period ranging from 20 to 40 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the consolidated income statements.

Rental income from investment property is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

(b) Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise development expenditure, land use right, professional fees and interest capitalised. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On completion, the properties are transferred to completed properties held for sale.

(c) Completed properties held for sale

Completed properties held for sale are completed properties remaining unsold at year end and are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to expected sales proceeds of completed properties sold in the ordinary course of business less all estimated selling expenses, or by management estimates based on prevailing marketing conditions.

3.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose.

(b) Patent and proprietary technologies

Patents and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over their useful lives of 5 to 20 years as stated in the contracts.

(c) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of 3 to 5 years.

(d) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. In accordance with IFRIC 12, "Service concession arrangements", the assets under the concession arrangements may be classified as intangible assets or financial assets. The assets are classified as intangible assets if the operator receives a right (a licence) to charge users of the public service, or as financial assets if paid by the granting authority. The Group classifies the non-current assets linked to the long-term investment in these concession arrangements as "concession assets" within intangible assets classification on the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortised over the term of the concession of 30 years on the straight-line basis under the intangible asset model.

3.11 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (CGUs). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.12 Financial assets

3.12.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheets.

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group assesses its intention and ability to hold its held-to-maturity investments to maturity at each subsequent balance sheet date. If the Group was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted for two full annual reporting periods and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date which are classified as current assets.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

3.12.2 Recognition and measurement

Purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statements. Financial assets are derecognised when the right to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value or at cost less provision for impairment if their fair value cannot be measured reliably. At each balance sheet date subsequent to initial recognition, loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method, less provision for impairment.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statements within "other gains — net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statements as part of "other income" when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statements as "Gain/(loss) on disposal of available-for-sale financial assets".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statements as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statements as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statements. Impairment losses of available-for-sale financial assets recognised in the consolidated income statements on equity instruments are not reversed through the consolidated income statements. An impairment loss is recognised in profit or loss when there is objective evidence that held-to-maturity financial assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses of held-to-maturity financial assets are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject

to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Impairment testing of trade and other receivables is described in Note 3.14.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statements within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the consolidated income statements.

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.18 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

3.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3.20 Employee benefits

(a) Pension obligations

The full-time employees of the Group in the PRC are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

The Group also provided supplementary pension subsidies to certain retired employees in the PRC. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees. The liability recognised in the consolidated balance sheets in respect of these defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using

interest rates of government securities which have maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are charged or credited to the consolidated income statements immediately. Past-service costs are recognised immediately in the consolidated income statements.

(b) Other post-employment obligations

Some Group companies in the PRC provide post-retirement medical benefits to their retired employees. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of 10% of the defined benefit obligation, are charged or credited to the consolidated income statements immediately. These obligations are valued annually by independent qualified actuaries.

(c) Termination and early retirement benefits

Termination and early retirement benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination and early retirement benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. The specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and district of the employee concerned.

(d) Housing funds

All full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(e) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

3.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.22 Restoration and rehabilitation

The mining, extraction and processing activities normally give rise to obligations for site restoration and rehabilitation. Restoration and rehabilitation works can include facility decommissioning and dismantling; removal or treatment of waste materials; land rehabilitation; and site restoration. The extent of work required and the associated costs are dependent on the requirements of relevant authorities.

Provisions for the cost of each restoration and rehabilitation program are recognised at the time that environmental disturbance occurs. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. Costs included in the provision encompass all restoration and rehabilitation activity expected to occur progressively over the life of the operation and at the time of closure in connection with disturbances at the reporting date.

Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognised as an expense and liability when the event gives rise to an obligation which is probable and capable of reliable estimation.

Restoration and rehabilitation provisions are measured at the expected value of future cash flows, discounted to their present value and determined according to the probability of alternative estimates of cash flows occurring for each operation. Discount rates used are specific to the country in which the operation is located. Significant judgements and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements.

When provisions for restoration and rehabilitation are initially recognised, the corresponding cost is capitalised as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalised cost of restoration and rehabilitation activities is classified as "mining structures" and amortised over the estimated economic life of the operation on a units of production basis. The value of the provision is progressively increased over time as the effect of discounting unwinds, creating an expense recognised in finance charges.

Restoration and rehabilitation provisions are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the unamortised capitalised cost, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in the consolidated income statements. Changes to the capitalised cost result in an adjustment to future amortisation charges. Adjustments to the estimated amount and timing of future restoration and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing those changes include revisions to estimated reserves, resources and lives of operations; development in technology; regulatory requirements and environmental management strategies; changes in the estimated costs of anticipated activities, including the effects of inflation and movements in foreign exchange rates; and movements in interest rates affecting the discount rate applied.

3.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statements on a straight-line basis over the expected lives of the related assets.

3.24 Contract work

Contract costs are recognised as expense in the period in which they are incurred. When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount of profit to be recognised in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year/period in connection with the future activity of a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories or prepayments, depending on their nature.

Contract work-in-progress is valued at the cost of the work done, plus the expected profit upon completion of the project in proportion to the progress made and less progress billings and provisions. Provisions are recognised for expected losses on contract work-in-progress, as soon as they are foreseen, and deducted from the cost. The cost includes direct project costs, consisting of direct payroll costs, materials, costs of subcontracted work, borrowing costs directly attributable to the relevant contracts, rental charges, maintenance costs for the equipment used and other direct costs.

Profits are not recognised unless a reliable estimate can be made of the result on completion of the project. The balance of the value of contract work-in-progress and progress billings is determined on a project to project basis. For projects where the progress billings exceed the value of contract work-in-progress, the balance is recognised under current liabilities instead of under current assets. The respective balance sheet items are "amounts due to customers for contract work" and "amounts due from customers for contract work".

3.25 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 the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises 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 the Group's 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. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from construction and service 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 management.

(b) Revenue from mining

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

(c) Revenue from sales of properties

Revenue from sale of properties is recognised 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 collectability of the related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

(d) Services rendered

Revenue for services rendered mainly includes technique development, design, consultation and supervision is recognised when services are rendered and when it is probable that the economic benefits associated with the transaction will flow to the entity.

(e) Sales of products

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

(f) Rental income

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

(g) Interest income

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

(h) Dividend income

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

3.26 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(a) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

(b) As a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment properties on the consolidated balance sheets.

3.27 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

3.28 Dividend distribution

Dividend distribution to the Group's equity holders is recognised as a liability in the Financial Information in the period in which the dividends are approved by the Group's equity holders or directors, where appropriate.

3.29 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is recognised initially at fair value, and subsequently measured (unless they are designated as at fair value through profit or loss) at higher of (i) the amount determined in accordance with IFRS 37, "Provisions, contingent liabilities and contingent assets", and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the life of the guarantee on a straight-line basis.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Foreign exchange risk

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there were also foreign currency denominated transactions arising from the Group's 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.

The Group's exposure to foreign exchange risk relates principally to its trade and other receivables, cash and cash equivalents, trade and other payables and borrowings that were denominated mainly in United States Dollars ("US dollar") as at 31 December 2006, 2007 and 2008 and 30 June 2009.

To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the Relevant Periods, 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 at 31 December 2006, 2007 and 2008 and 30 June 2009, if RMB had strengthened by 5% against US dollar respectively with all other variables held constant, which were 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 US dollar-denominated trade and other receivables, cash and cash equivalents, trade and other payables and borrowings; no other components of equity for the years and period would have been changed.

(b) Interest rate risk

The Group's exposure to interest rate risk relates principally to its 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 the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2006, 2007 and 2008 and 30 June 2009 approximately nil, RMB109 million, RMB208 million and RMB418 million of the Group's restricted cash, approximately RMB162 million, RMB401 million, RMB486 million and RMB511 million of the Group's cash and cash equivalents and approximately RMB21,045 million, RMB32,445 million, RMB20,904 million and RMB29,785 million of the Group's borrowings were at fixed rates, respectively. The interest rates and maturities of the Group's restricted cash, cash and cash equivalents, trade and other receivables and borrowings are disclosed in Notes 21, 22, 17 and 26 respectively.

To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. The interest rates and maturities of these borrowings were disclosed in Note 26.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if the interest rates on RMB-denominated borrowings had been 27, 54, 54, and 54 basis points higher with all other variables held constant, which were considered reasonably possible at each of the dates by management, profit after income tax for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 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; no other components of equity for the years and period would have been changed.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if the interest rates on US dollar-denominated borrowings had been 50 basis points higher with all other variables held constant, which were considered reasonably possible at each of the dates by management, profit after income tax for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 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; no other components of equity for the years and period would have been changed.

(c) Price risk

The Group is exposed to equity securities price risk because the Group's equity securities investments are classified as available-for-sale financial assets or financial assets at fair value through profit or loss which are required to be stated at their fair values.

The following table details the Group's sensitivity to a 1% increase and 1% decrease in equity price on the available-for-sale financial assets or financial assets at fair value through profit or loss at each balance sheet date while all other variables were held constant. Management has used 1% to illustrate the equity price risk as the fluctuation in equity price is unpredictable.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Change in equity price	1%	1%	1%	1%

	For the year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Impact on profit attributable to equity holders of the Company				
Increase/(decrease) in profit attributable to equity holders of the Company for the year/period				
— as a result of increase in equity price	4	—	—	—
— as a result of decrease in equity price	(4)	—	—	—
Impact on equity				
Increase/(decrease) in equity for the year/period				
— as a result of increase in equity price	4	10	3	5
— as a result of decrease in equity price	(4)	(10)	(3)	(5)

(d) 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 the Group's maximum exposure to credit risk in relation to those financial assets.

Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in the PRC, which management believes are of high credit quality. None of cash at bank, bank deposits, restricted cash and held-to-maturity financial assets of the Group and the Company that were fully performing has been renegotiated during the Relevant Periods.

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally the Group does not require collaterals from trade debtors. The directors consider the Group does not have a significant concentration of credit risk. No single customer accounted for more than 5% of the Group's total revenues during the Relevant Periods.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 26(e). Generally there is no specific credit period granted by the suppliers but the related trade payables are normally expected to be settled within one year after receipt of goods or services.

The table below analyses the Group and the Company's 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.

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2006				
Borrowings	19,831	1,807	3,466	830
Trade and other payables	29,522	268	22	—
	49,353	2,075	3,488	830
As at 31 December 2007				
Borrowings	36,488	3,463	2,332	1,465
Trade and other payables	44,399	442	100	—
	80,887	3,905	2,432	1,465
As at 31 December 2008				
Borrowings	41,227	8,353	8,496	5,707
Trade and other payables	49,252	174	83	—
	90,479	8,527	8,579	5,707
As at 30 June 2009				
Borrowings	46,164	11,416	16,265	7,971
Trade and other payables	52,731	108	27	215
	98,895	11,524	16,292	8,186

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2008				
Borrowings	20,065	781	5,134	5,362
Trade and other payables	12,442	—	—	—
	32,507	781	5,134	5,362
As at 30 June 2009				
Borrowings	19,717	1,433	8,037	6,723
Trade and other payables	11,579	—	—	—
	31,296	1,433	8,037	6,723

4.2 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values because of their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current borrowings are disclosed in Note 26.

4.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings, as shown in the consolidated balance sheets, less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated balance sheets, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2006, 2007 and 2008 and 30 June 2009 are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Total borrowings (Note 26)	24,133	40,869	57,439	73,090
Less: Cash and cash equivalents (Note 22)	(18,517)	(24,281)	(26,094)	(26,946)
Net debt	5,616	16,588	31,345	46,144
Total equity	2,254	6,475	7,655	8,505
Total capital	7,870	23,063	39,000	54,649
Gearing ratio	71%	72%	80%	84%

5. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom completely equal the final actual results theoretically. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

Revenue from individual contracts is recognised under the percentage of completion method which requires estimations by 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.

The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. 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 management.

(b) Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where 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.

(c) Impairment of assets

At each balance sheet date, the Group considers 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 recognised 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.

(d) Current taxation and deferred taxation

The Group is subject to income taxes in several jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are many transactions and calculations 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 determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. 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.

(e) 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. The Group 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.

(f) Pension and post employment obligations

The present value of the pension and 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.

The Group determines the appropriate discount rate at the end of each year/period. 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, the Group

considers the interest rates of government securities which have maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 28.

6. Segment information

Management has determined the operating segments based on the reports reviewed by the President's office that are used to make strategic decisions.

The President's office consider the business from a products and services perspective, which mainly includes four reportable operating segments: (i) engineering and construction; (ii) equipment manufacturing; (iii) resources development and (iv) property development.

The "others" segment mainly comprises trading for import and export and consulting services. Neither of these constitutes a separately reportable segment.

Unallocated costs consist of corporate expenses. Inter-segment transactions were conducted at terms mutually agreed amongst those operating segments.

Segment assets consist primarily of property, plant and equipment, land use rights, mining rights, investment properties, intangible assets, investment in associates, held-to-maturity financial assets, other non-current assets, inventories, properties under development, completed properties held for sale, amounts due from customers for contract work, trade and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise deferred taxation, available-for-sale financial assets, and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 7), land use rights (Note 8), mining rights (Note 9), investment properties (Note 10), and intangible assets (Note 11), including additions resulting from acquisitions through business combinations (Notes 7, 8 and 9).

The segment information provided to the President's office for the reportable segments is as follow:

(a) As at and for the year ended 31 December 2006:

The segment results for the year ended 31 December 2006 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	75,186	5,374	9,114	731	1,659	(358)	91,706
Inter-segment revenue	(9)	(343)	—	—	(6)	358	—
Revenue	75,177	5,031	9,114	731	1,653	—	91,706
Segment result	3,573	716	151	48	29	—	4,517
Unallocated costs							(107)
Operating profit							4,410
Finance income							452
Finance costs							(1,030)
Share of profit of associates	26	—	—	—	—	—	26
Profit before income tax							3,858
Income tax expense							(651)
Profit for the year							3,207

Other segment items included in the consolidated income statements are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	912	100	176	13	42	1,243
Amortisation (Notes 8, 9, 11)	18	3	17	15	1	54
Provision for impairment of property, plant and equipment (Note 7)	33	—	—	—	—	33
Provision for/(reversal of) impairment of inventories (Note 20)	1	4	(21)	—	—	(16)
Foreseeable losses on construction contracts (Note 33)	74	—	—	—	—	74
Provision for/(reversal of) impairment on trade and other receivables (Note 17)	128	44	311	(6)	—	477

The segment assets and liabilities as at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	65,083	6,281	11,219	7,984	583	(3,824)	87,326
Investments in associates	242	—	2	260	—	—	504
Unallocated assets							2,813
Total assets							90,643
Liabilities							
Segment liabilities	52,281	4,916	3,915	5,542	284	(3,824)	63,114
Unallocated liabilities							25,275
Total liabilities							88,389
Capital expenditure	3,442	550	2,366	672	125	—	7,155

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	87,326	63,114
Investments in associates	504	—
Unallocated:		
Deferred tax	1,232	536
Current tax	—	606
Current borrowings	—	19,038
Non-current borrowings	—	5,095
Available-for-sale financial assets	1,200	—
Financial assets at fair value through profit or loss	381	—
Total	90,643	88,389

(b) As at and for the year ended 31 December 2007:

The segment results for the year ended 31 December 2007 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	97,856	8,531	13,338	3,888	2,317	(874)	125,056
Inter-segment revenue	(518)	(225)	(63)	—	(68)	874	—
Revenue	97,338	8,306	13,275	3,888	2,249	—	125,056
Segment result	6,426	817	674	471	80	—	8,468
Unallocated costs							(113)
Operating profit							8,355
Finance income							382
Finance costs							(1,317)
Share of profit of associates	70	—	—	—	—	—	70
Profit before income tax							7,490
Income tax expense							(1,698)
Profit for the year							5,792

Other segment items included in the consolidated income statements are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	918	130	312	19	9	1,388
Amortisation (Notes 8, 9, 11)	49	6	33	13	—	101
Provision for impairment of property, plant and equipment (Note 7)	5	—	—	—	—	5
Provision for impairment of inventories (Note 20)	5	—	126	—	—	131
Foreseeable losses on construction contracts (Note 33)	1	—	—	—	—	1
Provision for impairment on trade and other receivables (Note 17)	448	39	21	5	3	516

The segment assets and liabilities as at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	95,180	17,585	17,389	15,919	6,328	(15,662)	136,739
Investments in associates	285	—	2	320	—	—	607
Unallocated assets							3,377
Total assets							140,723
Liabilities							
Segment liabilities	69,905	12,530	9,317	9,583	5,169	(15,172)	91,332
Unallocated liabilities							42,916
Total liabilities							134,248
Capital expenditure	5,346	5,812	3,023	2,741	134	—	17,056

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	136,739	91,332
Investments in associates	607	—
Unallocated:		
Deferred tax	988	1,045
Current tax	—	1,002
Current borrowings	—	34,894
Non-current borrowings	—	5,975
Available-for-sale financial assets	2,365	—
Financial assets at fair value through profit or loss	24	—
Total	140,723	134,248

(c) As at and for the year ended 31 December 2008:

The segment results for the year ended 31 December 2008 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	128,041	15,649	9,538	4,199	2,400	(1,928)	157,899
Inter-segment revenue	(1,265)	(265)	(260)	—	(138)	1,928	—
Revenue	126,776	15,384	9,278	4,199	2,262	—	157,899
Segment result	5,511	562	240	271	17	(116)	6,485
Unallocated costs							(125)
Operating profit							6,360
Finance income							548
Finance costs							(3,005)
Share of profit of associates	115	—	—	5	—	—	120
Profit before income tax							4,023
Income tax expense							(840)
Profit for the year							3,183

Other segment items included in the consolidated income statements are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	875	384	326	29	16	1,630
Amortisation (Notes 8, 9, 11)	117	11	33	1	13	175
Provision for impairment of inventories (Note 20)	18	128	448	—	50	644
Foreseeable losses on construction contracts (Note 33)	93	—	—	—	—	93
Provision for/(reversal of) impairment on trade and other receivables (Note 17)	430	(8)	(20)	1	4	407

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	122,651	14,067	20,634	23,969	9,977	(24,191)	167,107
Investments in associates	124	362	335	2	100	—	923
Unallocated assets							2,494
Total assets							170,524
Liabilities							
Segment liabilities	87,207	7,817	7,702	14,155	5,595	(18,442)	104,034
Unallocated liabilities							58,835
Total liabilities							162,869
Capital expenditure	7,496	2,877	3,782	725	70	—	14,950

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	167,107	104,034
Investments in associates	923	—
Unallocated:		
Deferred tax	1,580	605
Current tax	—	791
Current borrowings	—	38,721
Non-current borrowings	—	18,718
Available-for-sale financial assets	912	—
Financial assets at fair value through profit or loss	2	—
Total	170,524	162,869

(d) For the six months ended 30 June 2008:

The unaudited segment results for the six months ended 30 June 2008 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	59,894	7,584	5,406	1,057	1,123	(950)	74,114
Inter-segment revenue	(633)	(147)	(131)	—	(39)	950	—
Revenue	59,261	7,437	5,275	1,057	1,084	—	74,114
Segment result	3,159	394	424	78	10	(54)	4,011
Unallocated costs							(53)
Operating profit							3,958
Finance income							236
Finance costs							(1,261)
Share of profit of associates	52	—	—	—	—	—	52
Profit before income tax							2,985
Income tax expense							(605)
Profit for the period							2,380

The unaudited other segment items included in the consolidated income statements are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	462	181	169	9	10	831
Amortisation (Notes 8, 9, 11)	49	12	22	—	—	83
Provision for impairment of inventories (Note 20)	—	—	122	—	—	122
Foreseeable losses on construction contracts (Note 33)	104	—	—	—	—	104
Provision for/(reversal of) impairment on trade and other receivables (Note 17)	323	(49)	16	—	—	290

(e) As at and for the six months ended 30 June 2009:

The segment results for the six months ended 30 June 2009 are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Segment revenue	65,475	4,375	3,061	1,831	1,083	(959)	74,866
Inter-segment revenue	(805)	(30)	—	—	(124)	959	—
Revenue	64,670	4,345	3,061	1,831	959	—	74,866
Segment result	3,398	267	236	227	100	(36)	4,192
Unallocated costs							(31)
Operating profit							4,161
Finance income							229
Finance costs							(1,173)
Share of profit of associates	33	15	—	(8)	—	—	40
Profit before income tax							3,257
Income tax expense							(684)
Profit for the period							2,573

Other segment items included in the consolidated income statements are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Depreciation (Notes 7, 10)	431	90	238	9	11	779
Amortisation (Notes 8, 9, 11)	64	6	22	—	—	92
Provision for/(reversal of) impairment of inventories (Note 20)	3	—	(10)	—	—	(7)
Foreseeable losses on construction contracts (Note 33)	(10)	—	—	—	—	(10)
Provision for impairment on trade and other receivables (Note 17)	345	24	30	2	3	404

The segment assets and liabilities as at 30 June 2009 and capital expenditure for the period then ended are as follows:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Elimination	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Assets							
Segment assets	130,476	16,261	22,852	30,004	10,700	(29,503)	180,790
Investments in associates	763	16	2	317	—	—	1,098
Unallocated assets							2,795
Total assets							184,683
Liabilities							
Segment liabilities	84,473	8,306	5,424	14,327	8,530	(19,355)	101,705
Unallocated liabilities							74,473
Total liabilities							176,178
Capital expenditure	962	1,460	2,690	144	11	—	5,267

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Assets	Liabilities
	RMB 'million	RMB 'million
Segment assets/liabilities	180,790	101,705
Investments in associates	1,098	—
Unallocated:		
Deferred tax	1,695	629
Current tax	—	754
Current borrowings	—	42,645
Non-current borrowings	—	30,445
Available-for-sale financial assets	1,098	—
Financial assets at fair value through profit or loss	2	—
Total	184,683	176,178

(f) Revenue from external customers for each category is as follow:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Construction contracts	75,177	97,338	126,776	59,261	64,670
Sales of goods	14,876	25,469	28,861	13,769	9,237
Others (i)	1,653	2,249	2,262	1,084	959
	91,706	125,056	157,899	74,114	74,866

(i) Others mainly represented rendering of export and import and consulting service.

(g) Revenue from external customers in the PRC and other countries is as follow:

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

(h) The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the PRC is RMB17,270 million, RMB28,168 million, RMB30,618 million and RMB33,219 million, and the total of these non-current assets located in other countries is RMB11 million, RMB303 million, RMB6,831 million and RMB9,218 million, as at 31 December 2006, 2007 and 2008 and 30 June 2009 respectively.

(i) Total assets

Total assets are allocated based on the location of the assets as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
The PRC	85,304	130,805	154,279	163,783
Other countries	2,526	6,541	13,751	18,105
	87,830	137,346	168,030	181,888
Unallocated assets	2,813	3,377	2,494	2,795
	90,643	140,723	170,524	184,683

(j) Capital expenditures

Capital expenditure is allocated based on where the assets are located.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
The PRC	6,989	16,629	13,515	3,692	5,176
Other countries	166	427	1,435	166	91
	7,155	17,056	14,950	3,858	5,267

7. Property, plant and equipment

Group

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost							
At 1 January 2006	—	5,127	6,144	1,369	548	1,479	14,667
Additions	—	693	682	358	193	2,536	4,462
Attributable to acquisition of subsidiaries (Note 42)	—	164	646	11	—	104	925
Transfer upon completion	—	1,581	448	86	8	(2,123)	—
Disposals/write-off	—	(697)	(565)	(343)	(141)	—	(1,746)
Transfer to investment properties	—	(28)	—	—	—	—	(28)
At 31 December 2006	—	6,840	7,355	1,481	608	1,996	18,280
Additions	—	1,317	4,648	344	145	4,198	10,652
Attributable to acquisition of subsidiaries (Note 42)	37	80	54	15	1	41	228
Transfer upon completion	—	955	684	30	95	(1,764)	—
Disposals/write-off	(37)	(1,220)	(419)	(223)	(208)	—	(2,107)
Exchange differences	—	—	(52)	—	—	—	(52)
Attributable to disposal of subsidiaries	—	(39)	(97)	(40)	(3)	—	(179)
At 31 December 2007	—	7,933	12,173	1,607	638	4,471	26,822
Additions	33	340	1,068	242	142	6,413	8,238
Attributable to acquisition of subsidiaries (Note 42)	—	186	144	4	1	3	338
Transfer upon completion	3	1,356	1,396	16	52	(2,823)	—
Disposals/write-off	—	(1,051)	(415)	(137)	(181)	(77)	(1,861)
Attributable to disposal of subsidiaries	—	(3)	(1)	—	—	—	(4)
Exchange differences	—	—	(75)	—	—	—	(75)
Transfer to investment properties	—	(18)	—	—	—	—	(18)
Distribution to Parent	—	(343)	(3,692)	(22)	—	(702)	(4,759)
At 31 December 2008	36	8,400	10,598	1,710	652	7,285	28,681
Additions	—	56	240	107	25	4,320	4,748
Transfer upon completion	—	125	203	5	2	(335)	—
Disposals/write-off	—	(94)	(57)	(53)	(28)	—	(232)
Exchange differences	—	—	(39)	—	—	—	(39)
Transfer to investment properties	—	(3)	—	—	—	—	(3)
At 30 June 2009	36	8,484	10,945	1,769	651	11,270	33,155

Group

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Accumulated depreciation							
At 1 January 2006	—	1,718	3,515	745	269	—	6,247
Depreciation charge for the year	—	448	509	180	87	—	1,224
Disposals/write-off	—	(282)	(552)	(266)	(103)	—	(1,203)
Transfer to investment properties	—	(7)	—	—	—	—	(7)
At 31 December 2006	—	1,877	3,472	659	253	—	6,261
Depreciation charge for the year	2	455	620	188	96	—	1,361
Disposals/write-off	(2)	(460)	(216)	(142)	(136)	—	(956)
Attributable to disposal of subsidiaries	—	(29)	(59)	(22)	(2)	—	(112)
At 31 December 2007	—	1,843	3,817	683	211	—	6,554
Depreciation charge for the year	4	498	799	196	105	—	1,602
Disposals/write-off	—	(429)	(165)	(125)	(75)	—	(794)
Transfer to investment properties	—	(2)	—	—	—	—	(2)
Distribution to Parent	—	(30)	(165)	(2)	—	—	(197)
At 31 December 2008	4	1,880	4,286	752	241	—	7,163
Depreciation charge for the period	2	208	408	104	46	—	768
Disposals/write-off	—	(55)	(14)	(31)	(24)	—	(124)
Transfer to investment properties	—	(1)	—	—	—	—	(1)
At 30 June 2009	6	2,032	4,680	825	263	—	7,806

Group

	Mining structure	Buildings	Plant and machinery	Transportation equipment	Furniture, office and other equipment	Construction-in-progress	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Impairment provision							
At 1 January 2006	—	21	24	11	2	—	58
Impairment charge for the year	—	17	14	1	1	—	33
Disposals	—	(3)	(8)	(3)	—	—	(14)
At 31 December 2006	—	35	30	9	3	—	77
Impairment charge for the year	—	2	—	3	—	—	5
Disposals	—	(5)	(5)	(7)	—	—	(17)
At 31 December 2007	—	32	25	5	3	—	65
Disposals	—	(15)	(14)	(2)	(2)	—	(33)
At 31 December 2008	—	17	11	3	1	—	32
At 30 June 2009	—	17	11	3	1	—	32
Net book value							
At 31 December 2006	—	4,928	3,853	813	352	1,996	11,942
At 31 December 2007	—	6,058	8,331	919	424	4,471	20,203
At 31 December 2008	32	6,503	6,301	955	410	7,285	21,486
At 30 June 2009	30	6,435	6,254	941	387	11,270	25,317

(a) Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Cost of sales	945	1,068	1,204	614	576
Administrative expenses	274	281	386	194	184
Selling and marketing expenses	5	12	12	6	8
	1,224	1,361	1,602	814	768

(b) Bank borrowings are secured by certain property, plant and equipment of the Group with an aggregate carrying value of approximately RMB1,670 million, RMB1,683 million, RMB1,248 million and RMB1,252 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively (Note 26).

8. Land use rights

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost				
At beginning of the year/period	1,439	2,158	3,418	6,047
Additions	1,555	5,261	4,817	630
Attributable to acquisition of subsidiaries (Note 42)	—	—	268	—
Disposals	(24)	(318)	(217)	(52)
Transfer to investment properties	—	—	(4)	—
Transfer to properties under development	(812)	(3,683)	(1,648)	(355)
Distribution to Parent	—	—	(587)	—
At end of the year/period	2,158	3,418	6,047	6,270
Accumulated amortisation				
At beginning of the year/period	108	139	183	280
Amortisation for the year/period	41	79	142	70
Disposals	(6)	(23)	(31)	(5)
Transfer to properties under development	(4)	(12)	—	—
Distribution to Parent	—	—	(14)	—
At end of the year/period	139	183	280	345
Net book value	2,019	3,235	5,767	5,925

The Group's interests in land use rights represent prepaid operating lease payments. All of the Group's land use rights are located in the PRC and are with the lease periods as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Leases of between 10 to 50 years	1,793	2,827	4,584	4,585
Leases of over 50 years	226	408	1,183	1,340
	2,019	3,235	5,767	5,925

(a) Amortisation of the Group's land use rights has been charged to the consolidated income statements as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Administrative expenses	41	79	142	70	70

(b) Bank borrowings are secured by certain land use rights of the Group with an aggregate carrying value of approximately RMB917 million, RMB867 million, RMB1,453 million and RMB1,348 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively (Note 26).

9. Mining rights

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost				
At beginning of the year/period	—	241	359	3,531
Additions	11	15	3,207	—
Attributable to acquisition of subsidiaries (Note 42)	230	124	—	—
Exchange differences	—	(21)	(35)	(7)
At end of the year/period	241	359	3,531	3,524
Accumulated amortisation				
At beginning of the year/period	—	—	6	12
Amortisation for the year/period	—	6	6	3
At end of the year/period	—	6	12	15
Net book value	241	353	3,519	3,509

10. Investment properties

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost				
At beginning of the year/period	452	646	541	497
Additions	166	15	69	—
Transfer from property, plant and equipment	28	—	18	3
Transfer from land use rights	—	—	4	—
Disposals	—	(120)	(135)	(20)
At end of the year/period	646	541	497	480
Accumulated depreciation				
At beginning of the year/period	109	135	136	153
Depreciation charge for the year/period	19	27	28	11
Transfer from property, plant and equipment	7	—	2	1
Disposals	—	(26)	(13)	(9)
At end of the year/period	135	136	153	156
Impairment provision				
At beginning of the year/period	3	13	13	1
Additions	10	—	—	—
Disposals	—	—	(12)	—
At end of the year/period	13	13	1	1
Net book value	498	392	343	323
Fair value(a)	1,560	1,694	1,424	1,408

(a) The investment properties are valued by Jones Lang LaSalle Sallmanns Limited, an independent valuer. Valuations are based on current price in an active market for all investment properties, except for those located in areas where such information is not available, where discounted cash flow projections are used.

(b) All of the Group's investment properties are located in the PRC and have lease periods of between 10 to 40 years.

(c) The following amounts have been recognised in the consolidated income statements:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Rental income	124	134	167	81	68
Depreciation recorded as other expenses	19	27	28	17	11

11. Intangible assets

Group

	Goodwill	Patent and proprietary technologies	Purchased computer software	Concession assets	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cost					
At 1 January 2006	10	3	25	—	38
Additions	586	10	20	16	632
At 31 December 2006	596	13	45	16	670
Additions	488	3	14	1,162	1,667
Exchange differences	(29)	—	—	—	(29)
At 31 December 2007	1,055	16	59	1,178	2,308
Additions	25	11	46	1,305	1,387
Exchange differences	(42)	—	—	—	(42)
Disposals	—	(1)	(9)	—	(10)
At 31 December 2008	1,038	26	96	2,483	3,643
Additions	—	9	11	611	631
Exchange differences	(21)	—	—	—	(21)
Disposals	—	(3)	(3)	—	(6)
At 30 June 2009	1,017	32	104	3,094	4,247
Accumulated amortisation					
At 1 January 2006	—	1	7	—	8
Amortisation for the year	—	5	8	—	13
At 31 December 2006	—	6	15	—	21
Amortisation for the year	—	4	11	1	16
At 31 December 2007	—	10	26	1	37
Amortisation for the year	—	5	16	6	27
Disposals	—	—	(7)	—	(7)
At 31 December 2008	—	15	35	7	57
Amortisation for the period	—	2	12	5	19
Disposals	—	—	(3)	—	(3)
At 30 June 2009	—	17	44	12	73
Net book value					
At 31 December 2006	596	7	30	16	649
At 31 December 2007	1,055	6	33	1,177	2,271
At 31 December 2008	1,038	11	61	2,476	3,586
At 30 June 2009	1,017	15	60	3,082	4,174

(a) Amortisation of the Group's intangible assets for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 amounting to RMB13 million,

RMB16 million, RMB27 million, RMB11 million and RMB19 million has been charged to the consolidated income statements as administrative expenses, respectively.

(b) For the purposes of impairment testing, goodwill has been allocated to 7, 14, 17 and 17 individual cash generating units ("CGU") which comprise 7, 14, 17 and 17 subsidiaries arising from business combinations other than common control combinations as set out in Note 42 for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively. The carrying amounts of goodwill as at 31 December 2006, 2007 and 2008 and 30 June 2009 which were allocated to the significant CGU in comparison with the Group's total carrying amount of goodwill were as follows:

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

None of the goodwill of other CGUs is significant in comparison with the Group's total carrying amount of goodwill.

(i) 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 five-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 at 31 December 2006, 2007 and 2008 and 30 June 2009, management of the Group 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.

(ii) 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 are 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.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, management of the Group 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.

(iii) The recoverable amount is determined based on fair value less costs to sell as the Company has entered into 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 business.

As at 31 December 2007 and 2008 and 30 June 2009, management of the Group 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.

12. Investments in subsidiaries

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Unlisted investments, at cost	37,620	42,330

Particulars of the Company's principal subsidiaries are set out in Note 48.

13. Investments in associates

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Share of net assets	504	607	923	1,098

(a) Movements of investment in associates are set out as follows:

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	913	504	607	923
Additions	113	108	262	120
Attributable to acquisition of subsidiaries (Note 42)	3	—	—	—
Transfer from investments in subsidiaries	—	—	—	16
Share of profit	26	70	120	40
Dividend distribution	(8)	(14)	(45)	(1)
Disposals	(232)	(17)	(21)	—
Transfer to available-for-sale financial assets	(311)	—	—	—
Transfer to subsidiaries	—	(44)	—	—
At end of year/period	504	607	923	1,098

(b) The Group's share of the results of its associates, all of which are unlisted, and its share of the aggregated assets and liabilities are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Total assets	1,052	1,631	2,920	3,427
Total liabilities	(539)	(1,015)	(1,984)	(2,301)
Non-controlling interests	(9)	(9)	(13)	(28)
	504	607	923	1,098

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Revenue	102	493	1,244	875	1,214
Profit for the year/period	26	70	120	52	40

There are no material contingent liabilities and commitments relating to the Group's interests in the associates and no material contingent liabilities and commitments of the associates themselves. Particulars of the Group's principal associates are set out in Note 48.

14. Financial instruments by category

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2006					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	1,200	1,200
Held-to-maturity financial assets (Note 16)	—	—	100	—	100
Trade receivables (Note 17)	21,436	—	—	—	21,436
Deposits and other receivables (Note 17)	4,797	—	—	—	4,797
Financial assets at fair value through profit or loss (Note 18)	—	381	—	—	381
Restricted cash (Note 21)	612	—	—	—	612
Cash and cash equivalents (Note 22)	18,517	—	—	—	18,517
Total	45,362	381	100	1,200	47,043

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	24,133	24,133
Trade payables (Note 25)	26,405	26,405
Accrued expenses, deposits payable and other payables (Note 25)	3,407	3,407
Total	53,945	53,945

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2007					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	2,365	2,365
Held-to-maturity financial assets (Note 16)	—	—	500	—	500
Trade receivables (Note 17)	30,267	—	—	—	30,267
Deposits and other receivables (Note 17)	5,985	—	—	—	5,985
Financial assets at fair value through profit or loss (Note 18)	—	24	—	—	24
Restricted cash (Note 21)	522	—	—	—	522
Cash and cash equivalents (Note 22)	24,281	—	—	—	24,281
Total	61,055	24	500	2,365	63,944

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	40,869	40,869
Trade payables (Note 25)	38,896	38,896
Accrued expenses, deposits payable and other payables (Note 25)	6,045	6,045
Total	85,810	85,810

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 31 December 2008					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	912	912
Held-to-maturity financial assets (Note 16)	—	—	46	—	46
Trade receivables (Note 17)	32,939	—	—	—	32,939
Deposits and other receivables (Note 17)	6,583	—	—	—	6,583
Financial assets at fair value through profit or loss (Note 18)	—	2	—	—	2
Restricted cash (Note 21)	2,271	—	—	—	2,271
Cash and cash equivalents (Note 22)	26,094	—	—	—	26,094
Total	67,887	2	46	912	68,847

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	57,439	57,439
Trade payables (Note 25)	40,211	40,211
Accrued expenses, deposits payable, amounts due to Parent and other payables (Note 25)	9,298	9,298
Total	106,948	106,948

Group

	Loans and receivables	Assets at fair value through profit or loss	Held-to-maturity	Available-for-sale	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
As at 30 June 2009					
Assets as per consolidated balance sheets					
Available-for-sale financial assets (Note 15)	—	—	—	1,098	1,098
Held-to-maturity financial assets (Note 16)	—	—	148	—	148
Trade receivables (Note 17)	35,596	—	—	—	35,596
Deposits and other receivables (Note 17)	7,428	—	—	—	7,428
Financial assets at fair value through profit or loss (Note 18)	—	2	—	—	2
Restricted cash (Note 21)	3,287	—	—	—	3,287
Cash and cash equivalents (Note 22)	26,946	—	—	—	26,946
Total	73,257	2	148	1,098	74,505

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per consolidated balance sheets		
Borrowings (Note 26)	73,090	73,090
Trade payables (Note 25)	43,607	43,607
Accrued expenses, deposits payable, amounts due to Parent and other payables (Note 25)	9,474	9,474
Total	126,171	126,171

Company

	Loans and receivables	Total
	RMB 'million	RMB 'million
As at 31 December 2008,		
Assets as per balance sheet		
Trade receivables (Note 17)	1,481	1,481
Amounts due from subsidiaries and other receivables (Note 17)	17,478	17,478
Cash and cash equivalents (Note 22)	3,636	3,636
Total	22,595	22,595

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per balance sheet		
Borrowings (Note 26)	27,686	27,686
Trade payables (Note 25)	178	178
Interest payable, amounts due to Parent, subsidiaries and other payables (Note 25)	12,264	12,264
Total	40,128	40,128

Company

	Loans and receivables	Total
	RMB 'million	RMB 'million
As at 30 June 2009		
Assets as per balance sheet		
Trade receivables (Note 17)	2,077	2,077
Amounts due from subsidiaries and other receivables (Note 17)	17,520	17,520
Cash and cash equivalents (Note 22)	2,470	2,470
Total	22,067	22,067

	Other financial liabilities	Total
	RMB 'million	RMB 'million
Liabilities as per balance sheet		
Borrowings (Note 26)	31,725	31,725
Trade payables (Note 25)	109	109
Interest payable, amounts due to Parent, subsidiaries and other payables (Note 25)	11,470	11,470
Total	43,304	43,304

15. Available-for-sale financial assets

Group

(a) Movements of the Group's available-for-sale financial assets are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	592	1,200	2,365	912
Additions	73	104	64	1
Transfer from investment in associates	311	—	—	—
Disposals	(166)	(396)	(969)	(58)
Net fair value gains/(losses) transferred to equity	390	1,457	(548)	243
At end of year/period	1,200	2,365	912	1,098
Less: non-current portion	(1,127)	(2,310)	(900)	(1,091)
Current portion	73	55	12	7

(b) Available-for-sale financial assets include the following:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Listed securities				
— Equity securities — China	566	1,720	301	498
Unlisted securities				
— Equity securities — China	634	645	611	600
	1,200	2,365	912	1,098
Market value of listed securities	566	1,720	301	498

(c) All available-for-sale financial assets are denominated in RMB.

16. Held-to-maturity financial assets

Group

(a) The movement of the Group's held-to-maturity financial assets are set out as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	92	100	500	46
Additions	5	469	43	341
Accrued interest	3	1	3	1
Settlement upon maturity	—	(70)	(500)	(240)
At end of year/period	100	500	46	148
Less: non-current portion	(17)	(44)	(46)	(47)
Current portion	83	456	—	101

There were no impairment provisions on held-to-maturity financial assets for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

(b) The fair value of held-to-maturity financial assets is based on quoted market bid prices. The carrying amount of the held-to-maturity financial assets as at 31 December 2006, 2007 and 2008 and 30 June 2009 approximates their fair values.

(c) All held-to-maturity financial assets are denominated in RMB.

17. Trade and other receivables

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade receivables				
Trade receivables	17,806	23,724	26,895	29,288
Retentions	255	301	839	1,121
Notes receivables	3,375	6,242	5,205	5,187
	21,436	30,267	32,939	35,596

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less: Provision for impairment	(3,125)	(2,787)	(2,199)	(2,529)
Trade receivables — net	18,311	27,480	30,740	33,067
Other receivables				
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
Total trade and other receivables	29,825	52,106	58,517	62,430
Less: Non-current portion				
— Trade receivables	(1,103)	(1,020)	(895)	(863)
— Retentions	(255)	(301)	(839)	(1,121)
	(1,358)	(1,321)	(1,734)	(1,984)
Current portion	28,467	50,785	56,783	60,446

Please refer to Note 47 for the Group's trade and other receivables due from related parties.

The carrying amounts of the current portion of the Group's trade and other receivables at 31 December 2006, 2007 and 2008 and 30 June 2009 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2006, 2007 and 2008 and 30 June 2009 are RMB1,277 million, RMB1,225 million, RMB1,678 million and RMB1,931 million, respectively.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade receivables		
Trade receivables	1,136	1,943
Notes receivables	345	134
	1,481	2,077
Less: Provision for impairment	(8)	(9)
Trade receivables — net	1,473	2,068
Other receivables		
Prepayments to suppliers	286	252
Amounts due from subsidiaries	16,648	16,720
Prepayment for investments	—	1,504
Others	830	800
	17,764	19,276
Less: Provision for impairment	(52)	(52)
Other receivables — net	17,712	19,224
Total trade and other receivables	19,185	21,292
Less: Non-current portion — Trade receivables	(895)	(655)
Current portion	18,290	20,637

Please refer to Note 47 for the Company's trade and other receivables due from related parties.

The carrying amounts of the current portion of the Company's trade and other receivables at 31 December 2008 and 30 June 2009 approximate their fair values. In addition, the fair value of the non-current trade and other receivables as at 31 December 2008 and 30 June 2009 are RMB881 million and RMB633 million, respectively.

(a) Ageing analysis of the trade receivables are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	16,679	24,920	26,262	25,875
1 year to 2 years	2,187	2,672	4,009	6,289
2 years to 3 years	794	769	1,066	1,696
3 years to 4 years	703	458	466	487
4 years to 5 years	459	479	351	445
Over 5 years	614	969	785	804
Trade receivables — gross	21,436	30,267	32,939	35,596
Less: Provision for impairment	(3,125)	(2,787)	(2,199)	(2,529)
Trade receivables — net	18,311	27,480	30,740	33,067

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Less than 1 year	645	1,162
1 year to 2 years	57	127
2 years to 3 years	266	52
3 years to 4 years	136	230
4 years to 5 years	172	134
Over 5 years	205	372
Trade receivables — gross	1,481	2,077
Less: Provision for impairment	(8)	(9)
Trade receivables — net	1,473	2,068

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The Group and the Company do not hold any collateral as security.

(b) Credit risk of trade and other receivables categorised as financial assets, including trade receivables, deposits, loans to related parties and third parties and others, is analysed by class of financial assets in Note 17 (c), (d) and (e) below.

(c) As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's trade and other receivables of RMB11,336 million, RMB15,104 million, RMB23,151 million and RMB24,619 million, respectively, were fully performing. As at 31 December 2008 and 30 June 2009, the Company's trade and other receivables of RMB18,666 million and RMB19,278 million respectively, were fully performing. Trade and other receivables that were fully performing mainly represent those due from customers with good credit history and low default rate. None of trade and other receivables that were fully performing has been renegotiated during the Relevant Periods.

(d) As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's trade and other receivables of approximately RMB9,099 million, RMB17,202 million, RMB12,693 million and RMB13,915 million respectively were past due but not impaired. As at 31 December 2008 and 30 June 2009, the Company's trade and other receivables of approximately RMB81 million and RMB94 million respectively were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade and other receivables is as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	8,554	16,172	11,697	12,796
1 year to 2 years	354	669	484	771
2 years to 3 years	183	346	501	321
3 years to 4 years	7	14	10	25
4 years to 5 years	1	1	1	2
Total	9,099	17,202	12,693	13,915

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Less than 1 year	81	94

(e) As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's trade and other receivables of approximately RMB5,798 million, RMB3,946 million, RMB3,678 million and RMB4,490 million respectively were wholly or partially impaired. The amounts of the related provisions for impairment of these receivables were approximately RMB5,050 million, RMB2,892 million, RMB2,765 million and RMB3,167 million, respectively. As at 31 December 2008 and 30 June 2009, the Company's trade and other receivables of approximately RMB212 million and RMB225 million respectively were wholly or partially impaired. The amounts of the related provisions for impairment of these receivables were approximately RMB60 million and RMB61 million, respectively. The ageing analysis of these impaired trade and other receivables are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	1,132	662	802	1,421
1 year to 2 years	934	652	446	784
2 years to 3 years	621	510	631	415
3 years to 4 years	750	458	500	548
4 years to 5 years	471	496	373	494
Over 5 years	1,890	1,168	926	828
Total	5,798	3,946	3,678	4,490

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Less than 1 year	150	164
1 year to 2 years	10	9
Over 5 years	52	52
Total	212	225

(f) The movements of provision for impairment of trade and other receivables are as follows:

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	4,586	5,050	2,892	2,765
Additions	542	691	425	427
Write-off	(13)	(2,674)	(534)	(2)
Write-back	(65)	(175)	(18)	(23)
At end of year/period	5,050	2,892	2,765	3,167

Company

	For the period from 1 December 2008 to 31 December 2008	Six months ended 30 June 2009
	RMB 'million	RMB 'million
At beginning of period	53	60
Additions	7	1
At end of period	60	61

(g) The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
RMB	27,616	49,570	57,427	59,580
US dollar	2,171	2,391	1,050	2,725
Others	38	145	40	125
	29,825	52,106	58,517	62,430

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
RMB	16,074	17,034
US dollar	3,111	4,256
Others	—	2
	19,185	21,292

18. Financial assets at fair value through profit or loss

Group

	Investments in listed equity securities in China
	RMB 'million
At 1 January 2006	245
Additions	481
Disposals	(429)
Increase in fair value through profit or loss	84
At 31 December 2006	381
Additions	1,400
Disposals	(1,768)
Increase in fair value through profit or loss	11
At 31 December 2007	24
Additions	71
Disposals	(93)
At 31 December 2008	2
Additions	8
Disposals	(8)
At 30 June 2009	2

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains — net" in the consolidated income statements (Note 32).

The fair value of all equity securities is based on their current bid prices in an active market.

The carrying amounts of the financial assets at fair value through profit or loss at 31 December 2006, 2007 and 2008 and 30 June 2009 are equal to their market values.

19. Contract work-in-progress

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Contract cost incurred plus recognised profit less recognised 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:				
Amounts due from customers for contract work	11,131	11,918	16,913	19,186
Amounts due to customers for contract work	(6,389)	(10,051)	(14,030)	(11,016)
	4,742	1,867	2,883	8,170

Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Contract revenue recognised as revenue	70,911	93,295	123,680	58,116	63,736

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Contract cost incurred plus recognised profit less recognised losses	1,834	2,495
Less: Progress billings	(2,212)	(3,358)
Contract work-in-progress	(378)	(863)
Representing:		
Amounts due from customers for contract work	25	13
Amounts due to customers for contract work	(403)	(876)
	(378)	(863)

	For the period from 1 December 2008 to 31 December 2008	Six months ended 30 June 2009
	RMB 'million	RMB 'million
Contract revenue recognised as revenue	252	661

20. Inventories, properties under development and completed properties held for sale

(a) Inventories

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	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
	5,814	9,384	11,112	10,106

The movement of provision for impairment of inventories is as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	94	75	205	728
Additions	6	131	652	7
Write-off	(3)	(1)	(121)	(543)
Write-back	(22)	—	(8)	(14)
At end of year/period	75	205	728	178

The provision for impairment and write-back have been expense-off in the consolidated income statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

(b) Properties under development

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	2,165	5,663	11,025	16,995
Additions	1,442	5,509	7,537	2,925
Attributable to acquisition of subsidiaries (Note 42)	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)	—
At end of year/period	5,663	11,025	16,995	18,421

The analyses as at 31 December 2006, 2007 and 2008 and 30 June 2009 of the properties under development are as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Land use rights	1,284	5,101	6,651	6,873
Development costs	4,169	5,370	9,357	10,439
Finance costs capitalised	210	554	987	1,109
	5,663	11,025	16,995	18,421

Group

Movements of land use rights in properties under development are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	204	1,284	5,101	6,651
Amortisation of land use rights	(18)	(20)	(11)	(6)
Attributable to acquisition of subsidiaries	321	236	—	—
Transfer from land use rights	808	3,671	1,648	355
Transfer to completed properties held for sale	(31)	(70)	(87)	(127)
At end of year/period	1,284	5,101	6,651	6,873

As at 31 December 2006, 2007 and 2008 and 30 June 2009, certain properties under development with carrying value of RMB2,422 million, RMB2,672 million, RMB4,987 million and RMB4,886 million, are pledged as securities for long-term bank borrowings of RMB1,840 million, RMB1,915 million, RMB4,149 million and RMB2,701 million respectively.

(c) Completed properties held for sale

The analyses as at 31 December 2006, 2007 and 2008 and 30 June 2009 of the completed properties held for sale are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Land use rights	7	5	19	127
Development costs	227	441	331	753
Finance costs capitalised	11	14	17	31
	245	460	367	911

Movements of land use rights in completed properties held for sale are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	8	7	5	19
Transfer from properties under development	31	70	87	127
Transfer to cost of sales	(32)	(72)	(73)	(19)
At end of year/period	7	5	19	127

The cost of inventories, properties under development and completed properties held for sale recognised as expenses and included in "cost of sales" amounted to RMB23,393 million, RMB32,876 million, RMB23,343 million, RMB13,421 million and RMB10,384 million for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

21. Restricted cash

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Restricted cash	612	522	2,271	3,287

All the Group's restricted cash are denominated in RMB.

The restricted cash is held in dedicated bank accounts mainly for the issuance of bank acceptance notes to suppliers.

The weighted average effective interest rates per annum on restricted cash, with maturities ranging from 6 months to 1 year, were approximately 2.24%, 3.00%, 3.76% and 2.12% as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

The maximum exposure to credit risk approximates the carrying amounts of the Group's restricted cash at the respective balance sheet dates.

22. Cash and cash equivalents

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Cash at bank and in hand	14,653	21,135	22,163	22,557
Bank deposits	3,864	2,905	3,488	4,329
Other bank deposits from financial institutions	—	241	443	60
Cash and cash equivalents	18,517	24,281	26,094	26,946
Denominated in:				
— RMB	17,672	21,734	23,652	24,164
— US dollar	792	1,890	844	1,538
— Others	53	657	1,598	1,244
	18,517	24,281	26,094	26,946

The maximum exposure to credit risk approximates the carrying amounts of the Group's cash and cash equivalents at the respective balance sheet dates.

The weighted average effective interest rates per annum on bank deposits were approximately 2.08%, 2.77%, 3.56% and 1.98% as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Cash at bank and in hand	3,636	2,470
Denominated in:		
— RMB	3,636	2,469
— Others	—	1
	3,636	2,470

The maximum exposure to credit risk approximates the carrying amounts of the Company's cash and cash equivalents at the respective balance sheet dates.

23. Share capital

	As at 31 December 2008		As at 30 June 2009	
	Number of shares	Share capital	Number of shares	Share capital
	(million)	RMB 'million	(million)	RMB 'million
Registered, issued and fully paid				
— State legal person shares of RMB 1.00 each	13,000	13,000	13,000	13,000

The Company was established on 1 December 2008, with an initial registered share capital of RMB13,000 million, divided into 13,000 million shares with a nominal value of RMB1.00 each. 12,870 million state legal person shares were issued to Parent in consideration for the transfer of the Core Operations to the Company pursuant to the Reorganisation as referred to in Note 1.2 of Section II. Baosteel has purchased 130 million state legal person shares with a nominal value of RMB1.00 each for a cash consideration of RMB194,463,000.

24. Reserves

Group

	Note	Capital reserve	Translation differences	Retained earnings	Owner's equity before the reorganisation	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006		—	—	—	(3,804)	(3,804)
Profit for the year		—	—	—	1,920	1,920
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	233	233
Currency translation differences		—	—	—	(17)	(17)
Total comprehensive income for the year		—	—	—	2,136	2,136
Transaction with non-controlling interests		—	—	—	64	64
Deemed distribution (c (i))		—	—	—	(150)	(150)
At 31 December 2006		—	—	—	(1,754)	(1,754)
Profit for the year		—	—	—	3,855	3,855
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax		—	—	—	629	629
Currency translation differences		—	—	—	(73)	(73)
Total comprehensive income for the year		—	—	—	4,411	4,411
Dividends	40	—	—	—	(34)	(34)
Transaction with non-controlling interests		—	—	—	347	347
Deemed distribution (c (i))		—	—	—	(372)	(372)
At 31 December 2007		—	—	—	2,598	2,598

Group

	Note	Capital reserve	Translation differences	Retained earnings	Owner's equity before the reorganisation	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2007		—	—	—	2,598	2,598
Profit for the period from 1 January to 1 December 2008		—	—	—	2,894	2,894
Other comprehensive income:						
Fair value losses on available-for-sale financial assets, net of tax		—	—	—	(861)	(861)
Currency translation differences		—	—	—	(162)	(162)
Total comprehensive income for the period from 1 January to 1 December 2008		—	—	—	1,871	1,871
Transaction with non-controlling interests		—	—	—	(1,417)	(1,417)
Deemed distribution (c (ii))		—	—	—	(537)	(537)
Capital contribution (d)		—	—	—	2,327	2,327
Special distribution (e)		—	—	—	(3,121)	(3,121)
At 1 December 2008		—	—	—	1,721	1,721
Capitalisation and issues of new shares to Parent upon establishment of the Company		(11,149)	—	—	(1,721)	(12,870)
Contribution received from Baosteel		65	—	—	—	65
Profit for the period from 2 December 2008 to 31 December 2008		—	—	306	—	306
Other comprehensive income:						
Fair value losses on available-for-sale financial assets, net of tax		(7)	—	—	—	(7)
Currency translation differences		—	(10)	—	—	(10)
Total comprehensive (expenses)/income for the period from 2 December 2008 to 31 December 2008		(7)	(10)	306	—	289
Capital contribution		57	—	—	—	57
Dividends	40	—	—	(256)	—	(256)
Transaction with non-controlling interests		8	—	—	—	8
Appropriation		28	—	(28)	—	—
At 31 December 2008		(10,998)	(10)	22	—	(10,986)

	Note	Capital reserve	Translation differences	Retained earnings	Owner's equity before the reorganisation	Total
		RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2008		(10,998)	(10)	22	—	(10,986)
Profit for the period		—	—	2,137	—	2,137
Other comprehensive income:						
Fair value gains on available-for-sale financial assets, net of tax		180	—	—	—	180
Currency translation differences			(52)	—	—	(52)
Total comprehensive income/(expense) for the period		180	(52)	2,137	—	2,265
Dividends	40	—	—	(1,875)	—	(1,875)
Transaction with non-controlling interests		45	—	—	—	45
Appropriation		208	—	(208)	—	—
At 30 June 2009		(10,565)	(62)	76	—	(10,551)

(a) As described in Note 1.2(c) and (d), upon the establishment of the Company on 1 December 2008, 12,870 million state legal person shares were issued to Parent in consideration for the transfer of the Core Operations from the Parent Group to the Company. Pursuant to the Reorganisation, all the then existing capital and reserves of the Parent Group were capitalised and the resulting differences was charged to capital reserve. In view of the above changes in form and nature of the capital and reserves of the Parent Group, separate classes of reserves, including retained earnings and translation reserves of the Parent Group prior to the establishment of the Company have not been separately disclosed in the Financial Information.

(b) Owner's equity before the Reorganisation represents the combined equities of the Core Operations owned and operated by the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods and as if the Retained Operations as described in Note 1.2(e)(ii) were transferred to the Company by Parent at the beginning of the earliest period presented or since the date when the combining entities first came under the control of SASAC, whichever it is a shorter period.

(c) During the Relevant Periods, the deemed distributions made by the Group were as follows:

(i) As described in Note 1.2(e)(i) and Note 2.2, the operating assets and liabilities that were unrelated to the Core Operations were not transferred to the Company. As a result, these operating assets and liabilities have not been included in the Financial Information and capital contributions made by the Group into these operations were reflected as deemed distributions to Parent.

(ii) As described in Note 1.2(e)(ii) and Note 2.3, certain operating assets and liabilities that were historically associated with the Core Operations have been included in the Financial Information although these operations were not transferred to the Company upon the Reorganisation. The assets and liabilities of these operations were reflected as deemed distributions to Parent at the effective date of the Reorganisation.

(d) Capital contribution mainly comprised of contribution of certain state-owned land use rights from Parent.

(e) Pursuant to the Reorganisation and the applicable PRC financial regulations, the Company is required to make a distribution (the "Special Distribution") to Parent in an amount equal to its net profit, as determined in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC, generated from 1 January 2008 to 1 December 2008 (the date on which the Company was established), which amounted to RMB3,121 million.

Company

	Capital reserve	Retained earnings	Total
	RMB 'million	RMB 'million	RMB 'million
Capital surplus from issuance of shares to Parent and Baosteel	6,459	—	6,459
Profit for the period from 2 December 2008 to 31 December 2008	—	284	284
Other comprehensive income:			
Currency translation differences	1	—	1
Total comprehensive income for the period from 2 December 2008 to 31 December 2008	1	284	285
Capital contribution	57	—	57
Dividends	—	(256)	(256)
Appropriation	28	(28)	—
At 31 December 2008	6,545	—	6,545
Profit for the period and total comprehensive income for the period	—	2,083	2,083
Dividends	—	(1,875)	(1,875)
Appropriation	208	(208)	—
At 30 June 2009	6,753	—	6,753

The profit attributable to equity holders of the Company for the year ended 31 December 2008 and the six months ended 30 June 2009 is dealt with in the financial information of the Company to the extent of profit of RMB284 million and RMB2,083 million, respectively.

25. Trade and other payables

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade payables	26,405	38,896	40,211	43,607
Other payables				
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
Amounts due to Parent	—	—	2,914	2,824
Others	895	2,094	2,671	2,976
	21,804	34,145	41,950	37,690
Total trade and other payables	48,209	73,041	82,161	81,297
Less: Non-current portion:				
Other payables	(290)	(542)	(257)	(350)
Current portion	47,919	72,499	81,904	80,947

Please refer to Note 47 for the Group's trade and other payables to related parties.

The carrying amounts of the current portion of the Group's trade and other payables as at 31 December 2006, 2007 and 2008 and 30 June 2009 approximate their fair values because of their short-term maturities. In addition, the fair value of the Group's non-current trade and other payables as at 31 December 2006, 2007 and 2008 and 30 June 2009 are RMB273 million, RMB504 million, RMB244 million and RMB332 million, respectively.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade payables	178	109
Other payables		
Purchase deposits from customers	135	48
Accrued payroll and related expenses	—	3
Other taxes payable	13	8
Interest payable	381	241
Amounts due to Parent	2,914	2,824
Amounts due to subsidiaries	8,941	8,381
Others	28	24
	12,412	11,529
Total trade and other payables - current portion	12,590	11,638

Please refer to Note 47 for the Company's trade and other payables to related parties.

(a) The ageing analysis of trade payables is as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Within 1 year	21,281	33,233	33,382	32,716
1 year to 2 years	3,006	4,005	4,843	7,957
2 years to 3 years	928	828	1,075	1,826
Over 3 years	1,190	830	911	1,108
	26,405	38,896	40,211	43,607

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Within 1 year	143	77
1 year to 2 years	11	7
2 years to 3 years	24	25
	178	109

(b) The carrying amounts of the Group and the Company's trade and other payables are denominated in the following currencies:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
RMB	46,887	69,630	76,609	78,089
US dollar	1,270	3,353	4,950	2,786
Others	52	58	602	422
	48,209	73,041	82,161	81,297

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
RMB	12,382	11,545
US dollar	157	85
Others	51	8
	12,590	11,638

26. Borrowings

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Non-current				
Long-term bank borrowings				
— Secured[a]	4,867	4,560	5,780	7,493
— Unsecured	211	1,399	5,717	15,860
	5,078	5,959	11,497	23,353
Long-term other borrowings				
— Secured[a]	4	1	3,500	3,500
— Unsecured	13	15	221	92
— Debentures[b (i)]	—	—	3,500	3,500
	17	16	7,221	7,092
Total non-current borrowings	5,095	5,975	18,718	30,445
Current				
Short-term bank borrowings				
— Secured[a]	6,314	9,318	11,598	13,684
— Unsecured	10,011	19,310	21,635	26,566
	16,325	28,628	33,233	40,250
Short-term other borrowings				
— Secured[a]	—	3,013	1	701
— Unsecured	—	1,802	6	49
— Debentures[b (ii)]	1,925	—	3,500	—
	1,925	4,815	3,507	750
Current portion of long-term bank borrowings				
— Secured[a]	785	1,251	1,404	1,302
— Unsecured	—	200	577	343
	785	1,451	1,981	1,645
Current portion of long-term other borrowings				
— Secured[a]	3	—	—	—
Total current borrowings	19,038	34,894	38,721	42,645
Total borrowings	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Non-current		
Long-term bank borrowings		
— Unsecured	5,150	9,635
Other long-term borrowings		
— Debentures[(b(i))]	3,500	3,500
Total non-current borrowings	8,650	13,135
Current		
Short-term bank borrowings		
— Unsecured	14,151	17,359
Short-term other borrowings		
— Unsecured	1,000	1,000
— Debentures[(b(ii))]	3,500	—
	4,500	1,000
Current portion of long-term bank borrowings		
— Unsecured	385	231
Total current borrowings	19,036	18,590
Total borrowings	27,686	31,725

(a) Secured borrowings were secured by the Group's property, plant and equipment (Note 7), land use rights (Note 8), properties under development (Note 20) and guarantees provided by certain related parties (Note 47).

(b) (i) As approved by the National Development and Reform Commission, the Group has issued debentures in July 2008 at par value of RMB3,500 million, with a maturity of ten years from issuance.

(ii) As approved by the People's Bank of China, the Group has issued debentures with discount and a maturity of one year from issuance in December 2006.

As approved by the People's Bank of China, the Group has issued debentures in February 2008 at par value of RMB3,500 million, with a maturity of one year from issuance.

(c) Other borrowings excluding debentures mainly represent borrowings from other state-owned enterprises and third parties, as follows:

Group

Lender	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Other state-owned enterprises	—	1,501	128	44
Third parties	20	3,330	3,600	4,298
	20	4,831	3,728	4,342

Company

Lender	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Subsidiaries	1,000	1,000

(d) The exposure of the Group and the Company's borrowings to interest rate changes and contractual re-pricing at the respective balance sheet dates are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
6 months or less	9,382	26,399	43,173	48,968
6 to 12 months	10,248	12,649	4,882	11,715
1 year to 5 years	3,774	1,700	5,760	7,758
Over 5 years	729	121	3,624	4,649
	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
6 months or less	24,186	28,225
Over 5 years	3,500	3,500
	27,686	31,725

(e) The maturities of the Group's and the Company's total borrowings at respective balance sheet dates are set out as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Within 1 year	19,038	34,894	38,721	42,645
1 year to 2 years	1,495	3,054	7,020	9,539
2 years to 5 years	2,973	1,901	7,048	14,100
Wholly repayable within 5 years	23,506	39,849	52,789	66,284
Over 5 years	627	1,020	4,650	6,806
	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Within 1 year	19,036	18,590
1 year to 2 years	259	828
2 years to 5 years	4,191	7,190
Wholly repayable within 5 years	23,486	26,608
Over 5 years	4,200	5,117
	27,686	31,725

(f) The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
RMB	23,783	40,409	54,966	68,112
US dollar	350	460	2,473	4,978
	24,133	40,869	57,439	73,090

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
RMB	25,591	28,476
US dollar	2,095	3,249
	27,686	31,725

(g) The weighted average effective interest rates (per annum) at the respective balance sheet dates are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Bank borrowings				
— RMB	5.02%	6.22%	6.26%	5.29%
— US dollar	5.40%	5.23%	5.69%	5.14%
Other borrowings				
— RMB	3.97%	5.49%	7.49%	7.79%
— US dollar	4.32%	3.80%	—	—

Company

	As at 31 December 2008	As at 30 June 2009
Bank borrowings		
— RMB	6.50%	5.54%
— US dollar	5.31%	3.88%
Other borrowings		
— RMB	5.77%	5.77%

(h) The carrying amounts of the current borrowings approximate their fair values because of their short-term maturities. The fair values of non-current borrowings are set out as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Fair value				
— Long-term bank borrowings	4,915	5,822	11,095	22,317
— Long-term other borrowings (excluding debentures)	12	10	3,713	3,590
— Debentures	—	—	3,500	3,500
	4,927	5,832	18,308	29,407

The fair values of non-current borrowings are estimated based on discounted cash flows using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Fair value		
— Long-term bank borrowings	5,150	9,635
— Debentures	3,500	3,500
	8,650	13,135

The fair values of non-current borrowings are estimated based on discounted cash flows using the prevailing market rates of interest available to the Company for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

27. Deferred income

Group

	Government grants relating to research and development expenditure	Government grants relating to property, plant and equipment	Deferred housing rental income	Subsidies relating to housing relocation and demolition	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006	1	102	113	56	20	292
Additions	13	14	—	—	4	31
Amortisation	(2)	(1)	(5)	(2)	(13)	(23)
At 31 December 2006	12	115	108	54	11	300
Additions	22	81	—	—	71	174
Amortisation	(4)	(2)	(5)	(2)	(5)	(18)
At 31 December 2007	30	194	103	52	77	456
Additions	119	70	—	—	—	189
Amortisation	(70)	(105)	(5)	(2)	(32)	(214)
At 31 December 2008	79	159	98	50	45	431
Additions	20	—	—			20
Amortisation	(26)	(53)	(3)	(1)	(42)	(125)
At 30 June 2009	73	106	95	49	3	326

28. Retirement and other supplemental benefit obligations

(a) State-managed retirement plans

The Chinese employees of the Group participate in employee social security plans organised and administrated by the PRC government authority. The PRC companies are required to contribute from 16% to 22%, depending on the applicable local regulations, of payroll costs to the state managed retirement plans. The obligation of these PRC companies with respect to the state-managed retirement plans is to make the specified contributions.

The total cost charged to consolidated income statements during the Relevant Periods are as follows:

Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Contributions to state-managed retirement plans	593	675	761	360	401

At each balance sheet date, the following amounts due in respect of the reporting period had not been paid to the state-managed retirement plans:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Amounts due to state-managed retirement plans included in trade and other payables	340	313	256	261

(b) Early retirement and supplemental benefit obligations

The amount of early retirement and supplemental benefit obligations recognised in the consolidated balance sheets are determined as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Present value of defined benefits obligations	9,077	7,912	7,602	7,119
Unrecognised actuarial losses	(907)	(184)	(472)	(218)
Liability arising from defined benefit obligation	8,170	7,728	7,130	6,901
Less: current portion	(732)	(766)	(905)	(847)
Non-current portion	7,438	6,962	6,225	6,054

The movements of the Group's early retirement and supplemental benefit obligations for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 are as follows:

Group

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	8,511	8,170	7,728	7,130
For the year/period				
— Interest costs (Note 34)	274	277	321	108
— Payment	(655)	(732)	(709)	(320)
— Actuarial losses (Note 34)	39	—	122	(17)
— Transitional provision (Note 34)	1	13	—	—
— Past service cost (Note 34)	—	—	(332)	—
At end of year/period	8,170	7,728	7,130	6,901

The above obligations were determined based on actuarial valuations performed by an independent qualified actuarial firm, Towers Perrin Consulting Company Limited (Members of the Society of Actuaries and the China Association of Actuaries), using the projected unit credit actuarial cost method.

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted (per annum):

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
Discount Rate	3.00%	4.25%	3.00%	3.25%

(ii) Early-retirees' salary and supplemental benefits increase rate: 4.5%;

(iii) Medical cost trend rate: 8%;

(iv) Mortality: Average life expectancy of residents in the PRC; and

(v) Medical costs paid to early retirees are assumed to continue until the death of the retirees.

29. Provisions for other liabilities and charges

Group

	Lawsuits	Warranties	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 1 January 2006	4	36	—	40
Additions	10	2	—	12
Utilised	—	(6)	—	(6)
At 31 December 2006	14	32	—	46
Additions	23	—	4	27
Utilised	(15)	(32)	(4)	(51)
At 31 December 2007	22	—	—	22
Additions	12	11	—	23
Utilised	(14)	(5)	—	(19)
At 31 December 2008	20	6	—	26
Additions	—	15	—	15
Utilised	(4)	(3)	—	(7)
At 30 June 2009	16	18	—	34

30. Deferred income tax

(a) Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or

different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Deferred income tax assets				
— Deferred tax assets to be recovered after more than 12 months	966	808	1,173	1,275
— Deferred tax assets to be recovered within 12 months	266	180	407	420
	1,232	988	1,580	1,695
Deferred income tax liabilities				
— Deferred tax liabilities to be recovered after more than 12 months	(413)	(794)	(385)	(393)
— Deferred tax liabilities to be recovered within 12 months	(123)	(251)	(220)	(236)
	(536)	(1,045)	(605)	(629)
Deferred income tax assets/(liabilities)-net	696	(57)	975	1,066

Group

The gross movements on the deferred income tax are as follows:

	Year ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At beginning of year/period	1,186	696	(57)	975
Attributable to acquisition of subsidiaries	(340)	(221)	(33)	—
(Charged)/credited to the consolidated income statements (Note 37)	(36)	(265)	667	130
(Charged)/credited to equity	(114)	(292)	360	(59)
Exchange differences	—	25	38	20
At end of the year/period	696	(57)	975	1,066

(b) The movements in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Group

	Provision for impairment of assets	Provision for retirement and other supplemental benefit obligation	Deductible tax loss	Unrealised profit on inter-company transactions	Government grant for purchase of property, plant and equipment	Valuation surplus of property, plant and equipment and land use rights	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Deferred tax assets								
At 1 January 2006	321	835	52	—	5	—	22	1,235
Credited/(charged) to the consolidated income statement	17	(95)	(2)	19	3	—	51	(7)
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	—	—	—	4	4
At 31 December 2006	338	740	50	19	8	—	77	1,232
(Charged)/credited to the consolidated income statement	(26)	(214)	21	4	2	—	(31)	(244)
At 31 December 2007	312	526	71	23	10	—	46	988
Credited/(charged) to the consolidated income statement	285	(37)	204	11	(1)	118	12	592
At 31 December 2008	597	489	275	34	9	118	58	1,580
(Charged)/credited to the consolidated income statement	(50)	(34)	150	75	2	(13)	(15)	115
At 30 June 2009	547	455	425	109	11	105	43	1,695

(b) The movements in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Group

	Change in fair value of financial assets	Safety Fund	Welfare payable	Fair value adjustments upon business combination	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Deferred tax liabilities						
At 1 January 2006	13	—	36	—	—	49
Charged to the consolidated income statement	29	—	—	—	—	29
Charged directly to equity	114	—	—	—	—	114
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	344	—	344

	Change in fair value of financial assets	Safety Fund	Welfare payable	Fair value adjustments upon business combination	Others	Total
	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million	RMB 'million
At 31 December 2006	156	—	36	344	—	536
(Credited)/charged to the consolidated income statement	(39)	59	14	(16)	3	21
Charged directly to equity	292	—	—	—	—	292
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	221	—	221
Exchange differences	—	—	—	(25)	—	(25)
At 31 December 2007	409	59	50	524	3	1,045
Credited to the consolidated income statement	(6)	(10)	(33)	(24)	(2)	(75)
Credited directly to equity	(360)	—	—	—	—	(360)
Attributable to acquisition of subsidiaries (Note 42)	—	—	—	33	—	33
Exchange differences	—	—	—	(38)	—	(38)
At 31 December 2008	43	49	17	495	1	605
Credited to the consolidated income statement	(3)	(2)	(10)	(1)	1	(15)
Charged directly to equity	59	—	—	—	—	59
Exchange differences	—	—	—	(20)	—	(20)
At 30 June 2009	99	47	7	474	2	629

The deferred income tax charged/(credited) to equity during the Relevant Periods is as follows:

Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Fair value reserves in equity:					
— Available-for-sale financial assets	114	292	(360)	(200)	59

In accordance with the PRC tax law or other tax regulations applicable to those companies in their respective jurisdictions, tax losses may be carried forward to offset future taxable income. The Group did not recognise deferred tax assets of RMB298 million, RMB335 million, RMB467 million and RMB424 million in respect of tax losses amounting to RMB902 million, RMB1,338 million, RMB1,868 million and RMB1,696 million as at 31 December 2006, 2007 and 2008 and 30 June

2009, respectively, as management believes it is more likely than not that such tax losses would not be realised before they expire.

31. Other income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Dividend income from available-for-sale financial assets[(a)]	25	57	32	6	8
Dividend income from financial assets at fair value through profit or loss[(a)]	52	96	1	—	—
Income from liabilities forgiven	4	22	177	13	12
Insurance reimbursement	2	6	4	1	1
Rental income	150	203	307	104	107
Government grants and subsidies[(b)]	87	163	493	184	332
Others	27	40	50	19	30
	347	587	1,064	327	490

(a) Dividend income from listed investments for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 was RMB61 million, RMB127 million, RMB12 million, RMB5 million and RMB4 million, respectively. Dividend income from unlisted investments for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 was RMB16 million, RMB26 million, RMB21 million, RMB1 million and RMB4 million, respectively.

(b) Government grants mainly represent value-added tax refund granted by PRC government and subsidy granted by PRC government to support the development of the Group.

32. Other gains — net

	Year ended 31 December			Six months ended 30 June	
	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 (Note 18):					
— Fair value gains	84	11	—	—	—
Net foreign exchange losses (Note 36)	(51)	(40)	(142)	(32)	(47)
(Loss)/gain on disposal of associates	—	(2)	13	—	—
Gain on disposal of subsidiaries	—	317	42	3	—
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 42)	13	29	—	—	110
Gain on disposal of property, plant and equipment	4	190	75	46	37
Gain on disposal of financial assets at fair value through profit or loss	32	432	5	8	—
Gain on disposal of held-to-maturity financial assets	—	—	11	8	—
Gain/(loss) on disposal of available-for-sale financial assets	29	311	528	120	(21)
Impairment loss for available-for-sale financial assets	(2)	—	(2)	(2)	—
Others	17	142	34	(19)	(8)
	126	1,390	564	132	71

33. Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Raw materials, purchased equipment and consumables used	44,006	59,274	72,235	32,278	26,244
Changes in inventories of finished goods and work-in-progress	(4,243)	(7,500)	(6,454)	(3,124)	(1,559)
Subcontracting charges	27,959	43,198	59,180	29,187	34,387
Employee benefits (Note 34)	7,536	8,791	9,875	4,553	4,316
Depreciation of property, plant and equipment (Note 7)	1,224	1,361	1,602	814	768
Fuel and heating expenditure	1,189	1,130	493	207	244
Business tax and other transaction taxes	2,342	3,068	3,872	1,705	1,805
Travelling expenses	775	951	1,046	439	499
Office expenses	1,187	1,363	1,494	630	715
Transportation costs	499	481	608	222	206
Operating lease rentals	1,989	2,547	3,614	1,537	1,381

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Provision for impairment of trade and other receivables (Note 17)	477	516	407	290	404
Research and development costs	247	450	1,021	243	300
Repairs and maintenance	746	836	815	373	388
Advertising expenditure	79	99	121	40	50
Foreseeable losses on construction contracts	74	1	93	104	(10)
Amortisation of land use rights (Note 8)	41	79	142	70	70
Amortisation of mining rights (Note 9)	—	6	6	2	3
Depreciation of investment property (Note 10)	19	27	28	17	11
Amortisation of intangible assets (Note 11)	13	16	27	11	19
Provision for impairment of property, plant and equipment (Note 7)	33	5	—	—	—
Provision for impairment of investment property (Note 10)	10	—	—	—	—
Insurance expenditure	59	45	77	29	33
(Reversal of)/provision for impairment on inventories (Note 20)	(16)	131	644	122	(7)
Professional and technical consulting fees	446	643	633	185	336
Auditors' remuneration	12	23	45	20	21
Bank charges relating to operating activities	50	120	242	117	144
Others	952	919	1,216	527	448
Total cost of sales, selling and marketing expenses and administrative expenses	87,705	118,580	153,082	70,598	71,216

34. Employee benefits

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Salaries, wages and bonuses, including restructuring costs and other termination benefits	5,817	6,845	7,289	3,175	2,995
Contributions to pension plans[(a)]	593	675	761	360	401
Early retirement and supplemental pension benefits (Note 28 and b)					
— interest cost	274	277	321	160	108
— actuarial losses	39	—	122	—	(17)
— transitional liability	1	13	—	—	—
— past service cost	—	—	(332)	—	—
Housing benefits[(c)]	180	221	341	138	176
Welfare, medical and other expenses	632	760	1,373	720	653
	7,536	8,791	9,875	4,553	4,316

(a) The employees of the group companies in the PRC participate in various retirement benefit plans organised by the relevant municipal and provincial government in the PRC to which the Group is required to make monthly contributions at rates ranging from 16% to 22%, depending on the applicable local regulations, of the employees' basic salary for the Relevant Periods.

(b) Early retirement benefits are recognised in the consolidated income statements in the period in which the Group entered into an agreement specifying the terms of redundancy or after the individual employee had been advised of the specific terms. These specific terms vary among the terminated and early retired employees depending on various factors including position, length of service and location of the employee concerned.

The Group also provided supplementary pension subsidies to employees who retired prior to 31 December 2007. The costs of providing these pension subsidies are charged to the consolidated income statements so as to spread the service costs over the average service lives of the retirees.

(c) These represent contributions to the government-sponsored housing funds (at rates ranging from 5% to 20% of the employees' basic salary) in the PRC.

35. Finance income and costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Interest expense					
— Bank borrowings wholly repayable within 5 years	1,070	1,392	2,517	1,269	1,261
— Bank borrowings repayable over 5 years	7	18	275	99	136
— Other borrowings	51	179	547	204	314
	1,128	1,589	3,339	1,572	1,711
Less: Amounts capitalised in construction-in-progress (a)	(9)	(30)	(116)	(52)	(76)
Less: Amounts capitalised in properties under development (b)	(237)	(459)	(501)	(346)	(515)
	882	1,100	2,722	1,174	1,120
Net foreign exchange losses/(gains) on borrowings (Note 36)	5	(7)	(4)	2	(6)
Discount charges on bank acceptance notes	143	224	287	85	59
Finance costs	1,030	1,317	3,005	1,261	1,173
Interest income on bank deposits	(282)	(362)	(391)	(169)	(166)
Interest income on held-to-maturity financial assets	(3)	(3)	(4)	(2)	(1)
Interest income on loans to related parties (Note 47(a))	(5)	(15)	(65)	(6)	(37)
Gain on debt restructuring	(162)	(2)	(88)	(59)	(25)
Finance income	(452)	(382)	(548)	(236)	(229)
Finance costs, net	578	935	2,457	1,025	944

(a) Interest expense were capitalised as construction-in-progress at the rates of 6.16%, 6.35%, 6.90%, 6.94% and 5.91%, per annum for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

(b) Interest expense were capitalised as properties under development at the rates of 5.78%, 6.30%, 7.28%, 7.36% and 7.07%, per annum for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

36. Net foreign exchange losses

The exchange differences charged/(credited) to the consolidated income statements are included as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Other gains — net (Note 32)	51	40	142	32	47
Net finance costs (Note 35)	5	(7)	(4)	2	(6)
	56	33	138	34	41

37. Taxation

(a) Income tax expense

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit in Hong Kong for the Relevant Periods.

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 33%, 33%, 25% and 25% on the assessable income of each of these companies for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 7.5% to 15%.

Taxation of overseas companies within the Group has been calculated on the estimated assessable profit for the Relevant Periods at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

The amount of income tax expense charged to the consolidated income statements represents:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Current income tax:					
— PRC enterprise income tax . .	612	1,429	1,503	856	810
— Overseas taxation	3	4	4	—	4
	615	1,433	1,507	856	814
Deferred income tax (Note 30) . . .	36	265	(667)	(251)	(130)
	651	1,698	840	605	684

The difference between the actual income tax charged in the consolidated income statements and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit before income tax	3,858	7,490	4,023	2,985	3,257
Tax calculated at the statutory tax rate of 33% (2008 and 2009: 25%)	1,273	2,472	1,006	746	814
Differential tax rates on income of Group companies	(572)	(975)	(374)	(259)	(246)
Tax losses for which no deferred income tax asset was recognised	127	314	412	161	137
Income not subject to taxation	(174)	(199)	(52)	(37)	(48)
Expense not deductible for tax purpose	152	153	99	42	59
Additional tax relief	(43)	(86)	(101)	(26)	(23)
Utilisation of previously unrecognised tax losses	(123)	(149)	(20)	(7)	(9)
Deferred tax changes resulted from statutory tax rate changes	3	156	(21)	(12)	(8)
Tax benefit related to restatement of the tax base of assets	—	—	(118)	—	—
Others	8	12	9	(3)	8
Income tax expense	651	1,698	840	605	684

(b) Business tax ("BT") and related taxes

Revenues generated from engineering and construction services and other services provided by the Group are subject to BT at rates ranging from 3% to 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") at rates ranging from 1% to 7% and 3% of BT payable, respectively.

(c) Value-added tax ("VAT") and related taxes

Revenues generated from sales of goods by the Group are subject to output VAT generally calculated at 17% of the product selling prices. For certain special products, such as sands, the applicable rate is 13%. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. Products of certain subsidiaries are subject to output VAT calculated at 6% of the product selling prices with no input credit. The Group is also subject to CCT and ES at rates ranging from 1% to 7% and 3% of net VAT payable, respectively.

38. Directors', supervisors' and five highest paid individuals' emoluments

(a) Directors' and supervisors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand (Unaudited)	RMB 'thousand
Directors and supervisors					
— Basic salaries, housing allowances, other allowances and benefits-in-kind	575	1,192	1,752	829	983
— Contributions to pension plans	73	89	102	55	76
— Discretionary bonuses	858	1,204	1,386	—	—
	1,506	2,485	3,240	884	1,059

The emoluments received by individual directors and supervisors are as follows:

(i) For the year ended 31 December 2006:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Shen Heting	169	19	308	496
— Mr. Jiang Longsheng	—	—	—	—
— Mr. Wen Keqin	—	—	—	—
— Mr. Liu Li	—	—	—	—
Supervisors				
— Mr. Han Changlin	163	19	298	480
— Mr. Peng Haiqing	93	16	57	166
— Mr. Shao Jinhui	150	19	195	364
	575	73	858	1,506

(ii) For the year ended 31 December 2007:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	58	—	—	58
— Mr. Wang Weimin	90	7	181	278
— Mr. Shen Heting	198	21	356	575
— Mr. Jiang Longsheng	110	—	—	110
— Mr. Wen Keqin	97	—	—	97
— Mr. Liu Li	99	—	—	99
Supervisors				
— Mr. Han Changlin	184	21	341	546
— Mr. Peng Haiqing	171	19	61	251
— Mr. Shao Jinhui	185	21	265	471
	1,192	89	1,204	2,485

(iii) For the year ended 31 December 2008:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	172	—	—	172
— Mr. Wang Weimin	377	23	—	400
— Mr. Shen Heting	236	23	490	749
— Mr. Jiang Longsheng	122	—	—	122
— Mr. Wen Keqin	107	—	—	107
— Mr. Liu Li	107	—	—	107
— Mr. Chen Yongkuan	—	—	—	—
Supervisors				
— Mr. Han Changlin	214	23	434	671
— Mr. Peng Haiqing	151	10	112	273
— Mr. Shao Jinhui	266	23	350	639
	1,752	102	1,386	3,240

(iv) For the six months ended 30 June 2008:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	96	—	—	96
— Mr. Wang Weimin	126	11	—	137
— Mr. Shen Heting	127	11	—	138
— Mr. Jiang Longsheng	70	—	—	70
— Mr. Wen Keqin	60	—	—	60
— Mr. Liu Li	62	—	—	62
Supervisors				
— Mr. Han Changlin	118	11	—	129
— Mr. Peng Haiqing	73	11	—	84
— Mr. Shao Jinhui	97	11	—	108
	829	55	—	884

(v) For the six months ended 30 June 2009:

Name	Basic salaries, housing allowances, other allowances and benefits-in-kind	Contributions to pension plans	Discretionary bonuses	Total
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand
Directors				
— Mr. Liu Benren	94	—	—	94
— Mr. Wang Weimin	121	13	—	134
— Mr. Shen Heting	122	13	—	135
— Mr. Jiang Longsheng	66	—	—	66
— Mr. Wen Keqin	66	—	—	66
— Mr. Liu Li	65	—	—	65
— Mr. Guo Wenqing	113	13	—	126
— Mr. Chen Yongkuan	54	—	—	54
— Mr. Cheung Yukming	—	—	—	—
Supervisors				
— Mr. Han Changlin	113	13	—	126
— Mr. Peng Haiqing	77	11	—	88
— Mr. Shao Jinhui	92	13	—	105
	983	76	—	1,059

(b) Five highest paid individuals

None of the Directors' and Supervisors' emoluments as disclosed in Note 38(a) above was included in the emoluments paid to the five highest paid individuals. The five individuals whose emoluments were the highest in the Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand (Unaudited)	RMB 'thousand
Basic salaries, housing allowances, other allowances and benefits-in-kind	2,860	3,051	3,498	501	820
Contributions to pension plans	62	83	97	55	62
Discretionary bonuses	4,268	7,681	3,735	4,158	2,532
	7,190	10,815	7,330	4,714	3,414

The emoluments of the above individuals fell within the following bands:

	Number of Individuals				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008 (Unaudited)	2009
Nil to HK$1,000,000	—	—	—	2	5
HK$1,000,001 to HK$2,000,000	5	3	5	3	—
HK$2,000,001 to HK$3,000,000	—	1	—	—	—
HK$3,000,001 to HK$4,000,000	—	—	—	—	—
HK$4,000,001 to HK$5,000,000	—	1	—	—	—
	5	5	5	5	5

39. Earnings per share

(a) Basic

The basic earnings per share for each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 is calculated based on the profit attributable to the equity holders of the Company and on the assumption that 12,870 million shares issued upon the establishment of the Company in connection with the Reorganisation were deemed to have been in issue since 1 January 2006.

Basic earnings per share for the year ended 31 December 2008 and the six months ended 30 June 2009 is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit attributable to equity holders of the Company	1,920	3,855	3,200	2,056	2,137
Weighted average number of ordinary shares in issue (million)	12,870	12,870	12,881	12,870	13,000
Basic earnings per share (RMB)	0.15	0.30	0.25	0.16	0.16

(b) Diluted

As the Company had no dilutive ordinary shares for the Relevant Periods, diluted earnings per share for the relevant periods is the same as basic earnings per share.

40. Dividends

Dividends of nil, RMB34 million and nil as disclosed in the consolidated income statements for each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 respectively represent dividends declared by Parent to its then equity holders.

The rates of dividend and the number of shares ranking for dividends for each of the years ended 31 December 2006 and 2007 and the six months ended 30 June 2008 are not presented as such information is not considered meaningful for the purpose of this report.

The dividend declared by the Company for the year ended 31 December 2008 was RMB256 million (RMB0.02 per state legal person share).

The dividend declared by the Company for the six months ended 30 June 2009 was RMB1,875 million (RMB0.14 per state legal person share).

41. Cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Profit for the year/period	3,207	5,792	3,183	2,380	2,573
Adjustments for:					
— Income tax expense	651	1,698	840	605	684
— Share of profit from associates	(26)	(70)	(120)	(52)	(40)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
— Fair value gain on financial assets at fair value through profit or loss	(84)	(11)	—	—	—
— Gain on disposal of subsidiaries	—	(317)	(42)	(3)	—
— Loss/(gain) on disposal of associates	—	2	(13)	—	—
— Excess of fair value of the share of the identifiable net assets acquired over the cost of acquisition	(13)	(29)	—	—	(110)
— (Gain)/loss on disposal of available-for-sale financial asset	(29)	(311)	(528)	(120)	21
— Gain on disposal of held-to-maturity financial asset	—	—	(11)	(8)	—
— Net loss/(gain) on disposal of property, plant and equipment	21	(190)	(75)	(46)	(37)
— Dividends income on available-for-sale financial assets	(25)	(57)	(32)	(6)	(8)
— Dividends income on financial assets at fair value through profit or loss	(52)	(96)	(1)	—	—
— Provision for impairment of financial assets	2	—	2	2	—
— Gain on debt restructuring	(162)	(2)	(88)	(59)	(25)
— Interest income	(290)	(380)	(460)	(177)	(204)
— Interest expense	1,025	1,324	3,009	1,259	1,179
— Net foreign exchange losses/(gains) on borrowings	5	(7)	(4)	2	(6)
— Exchange losses on cash and cash equivalents	7	122	318	137	46
— Provision for impairment of trade and other receivables	477	516	407	290	404
— (Reversal of)/provision for impairment of inventories	(16)	131	644	122	(7)
— Provision for impairment of property, plant and equipment	33	5	—	—	—
— Provision for impairment of investment properties	10	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
— Depreciation of property, plant and equipment	1,224	1,361	1,602	814	768
— Depreciation of investment properties	19	27	28	17	11
— Amortisation of land use rights	41	79	142	70	70
— Amortisation of intangible assets	13	16	27	11	19
— Amortisation of mining rights	—	6	6	2	3
— Amortisation of government grants	(23)	(18)	(214)	(67)	(125)
— Amortisation of other non-current assets	13	36	25	26	13
— Provision for other non-current assets	4	—	—	—	—
— Foreseeable losses on construction contracts	74	1	93	104	(10)
— Income from liabilities forgiven	(4)	(22)	(177)	(13)	(12)
— Other exchange losses/(gains)	44	(130)	(176)	(105)	(18)
Cash flows from operating activities before changes in working capital	6,146	9,476	8,385	5,185	5,189
Cash flows from operating activities before changes in working capital	6,146	9,476	8,385	5,185	5,189
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
— Inventories, property under development and completed properties held for sale	(2,186)	(7,018)	(6,922)	(3,226)	55
— Trade and other receivables	(3,880)	(17,981)	(10,195)	(10,435)	243
— Contract work-in-progress	(2,017)	2,874	(1,109)	(4,692)	(5,277)
— Early retirement and other supplemental benefit obligations	(341)	(442)	(598)	(175)	(229)
— Trade and other payables	5,619	20,067	17,105	11,252	(1,636)
— Provisions	6	(19)	4	4	8
— Financial assets at fair value through profit or loss	(52)	368	22	(24)	—
— Government grants	31	174	189	59	58
— Interest received	287	379	457	175	203
Cash generated from/(used in) operations	3,613	7,878	7,338	(1,877)	(1,386)

42. Business combinations other than common control combinations

During the Relevant Periods, certain equity interests in subsidiaries now comprising the Group were acquired from third parties for the purpose expanding into new markets. Acquisitions of equity interests in these subsidiaries were accounted for using the acquisition method of accounting effective from the dates when the subsidiaries were controlled by the Group. Details are as follows:

(a) For the year ended 31 December 2006

In 2006, the Group acquired equity interests in the following companies:

Company name	Acquisition Date	Percentage of equity interests acquired	Cash Consideration
			RMB 'million
Zhejiang Chunnan Water Treatment Engineering Co., Ltd	1 January 2006	90%	100
MCC Nanjing Real Estate Co., Ltd	1 January 2006	84%	84
Beijing Tianrun Construction Engineering Co., Ltd	1 January 2006	100%	24
Shanghai Wuye Shishihuagong Equipment Examination and Repairing Co., Ltd	31 January 2006	90%	4
Beijing Shengpeng Real Estate Development Co., Ltd	8 March 2006	100%	263
Beijing Guangyuanli Real Estate Development Co., Ltd	7 September 2006	100%	185
Shanghai Baoye Qicheng Gas Co., Ltd	1 November 2006	49%	2
MCC Minera Sierra Grande S.A.	17 November 2006	70%	778
Beijing Haike Real Estate Development Co., Ltd	21 November 2006	100%	30
			1,470

The acquired businesses contributed revenue of RMB600 million and loss of RMB11 million to the Group for the period from the respective acquisition dates to 31 December 2006.

If the acquisitions had occurred on 1 January 2006, the Group's revenue for the year would have been RMB91,707 million and profit for the year would have been RMB3,206 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2006, together with the consequential tax effects.

	RMB 'million
Cash consideration	1,470
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	60
Property, plant and equipment	925
Mining rights	230
Intangible assets	15
Investments in associates	3
Deferred income tax assets	4
Inventories	66
Properties under development	1,713
Trade and other receivables	223
Deferred income tax liabilities	(344)
Trade and other payables	(1,762)
Borrowings	(5)
Total identifiable net assets	1,128
Non-controlling interests in acquirees	(231)
Goodwill	586
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 32)	(13)
	1,470

The goodwill of RMB586 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB13 million is attributable to a bargain deal.

(b) For the year ended 31 December 2007

In 2007, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash Consideration
			RMB 'million
Qingdao Jinzehuadi Real Estate Development Co., Ltd	1 January 2007	50%	44
Chaoyang Jinchang Mining Group Co., Ltd	18 January 2007	87%	98
MCC Nanfang (Xiangtan) Steel Engineering Co., Ltd	1 March 2007	51%	3
Ningchengxian Hongda Mining Co., Ltd	31 March 2007	21%	21
Guangzhou Baiyunshan Financial Company	26 April 2007	100%	105
Chongqing chengshao Real Estate Development Co., Ltd	30 April 2007	70%	7
Sichuan Nonggeshan Multi-Metal Mining Co., Ltd	3 June 2007	51%	52
Beijing Hargongda Yataikongjian Real Estate Development Co., Ltd	6 June 2007	100%	834
Beijing Huachengtong Real Estate Company	30 June 2007	100%	290
Beijing Xinan Real Estate Development Co., Ltd	29 August 2007	100%	38
			1,492

The acquired businesses contributed revenue of RMB128 million and profit of RMB5 million to the Group for the period from the respective acquisition dates to 31 December 2007.

If the acquisitions had occurred on 1 January 2007, the Group's revenue for the year would have been RMB125,058 million and profit for the year would have been RMB5,792 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

	RMB 'million
Cash consideration	1,492
Fair value of equity interests held before the business combination	44
	1,536

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	211
Property, plant and equipment	228
Mining rights	124
Inventories	8
Properties under development	2,534
Trade and other receivables	248
Other non-current assets	10
Deferred income tax liabilities	(221)
Trade and other payables	(923)
Borrowings	(964)
Total identifiable net assets	1,255
Non-controlling interest in acquirees	(178)
Goodwill	488
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 32)	(29)
	1,536

The goodwill of RMB488 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB29 million is attributable to a bargain deal.

(c) For the year ended 31 December 2008

For the year ended 31 December 2008, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB 'million
Dalian Phoelin Safety Evaluation and Examination Co., Ltd	31 March 2008	100%	3
Shanghai Wu Gang Engineering and Management Co., Ltd	31 July 2008	100%	37
Shanghai Yi Gang Electrical and Mechanical Co., Ltd	31 July 2008	100%	84
Beijing Huayuan Hotel Co., Ltd	30 September 2008	100%	123
MCC Baoding Capital Papermaking Co., Ltd	18 October 2008	100%	6
			253

The acquired businesses contributed revenue of RMB160 million and loss of RMB3 million to the Group for the period from the respective acquisition dates to 31 December 2008.

If the acquisitions had occurred on 1 January 2008, the Group's revenue for the period would have been RMB158,310 million and profit for the year would have been RMB3,192 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

	RMB 'million
Cash consideration	253

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	65
Property, plant and equipment	338
Land use rights	268
Inventories	42
Trade and other receivables	182
Deferred income tax liabilities	(33)
Trade and other payables	(604)
Borrowings	(30)
Total identifiable net assets	228
Goodwill	25
	253

The goodwill of RMB25 million is attributable to the profitability of some acquired businesses and the synergies expected to arise after the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

(d) For the six months ended 30 June 2009

For the six months ended 30 June 2009, the Group acquired equity interests in the following companies:

Company name	Acquisition date	Percentage of equity interests acquired	Cash consideration
			RMB 'million
Changchun Jingcheng Machinery Co., Ltd	8 April 2009	55%	—*
Tianjin Binhai Jintang Instruction Co., Ltd	22 June 2009	90%	90
			90

* Cash consideration is less than RMB1 million

The acquired businesses contributed revenue of nil and loss of RMB1 million to the Group for the period from the respective acquisition dates to 30 June 2009.

If the acquisitions had occurred on 1 January 2009, the Group's revenue for the period would have been RMB74,866 million and profit for the period would have been RMB2,572 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of

the acquirees to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

	RMB 'million
Cash consideration	90

	RMB 'million
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	286
Trade and other receivables	113
Trade and other payables	(99)
Total identifiable net assets	300
Non-controlling interest in acquirees	(100)
Excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition (Note 32)	(110)
	90

The excess of fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition of RMB110 million is attributable to a bargain deal.

43. Disposal of subsidiaries

(a) For the year ended 31 December 2007

In 2007, the Group disposed equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales proceeds
			RMB 'million
Beijing XinAoXiJun Real Estate Development Co., Ltd	29 April 2007	100%	403
Wuhan Construction and Installation Engineering Co., Ltd	30 September 2007	38%	19
Wuhan Yiye Construction and Installation Co., Ltd	30 September 2007	35%	9
Shanghai Baogang Metallurgy Construction Company Kunshan welding Factory	30 September 2007	82%	8
Wuhan Jingye Subgrade and Foundation Engineering Co., Ltd	30 September 2007	40%	8
Handan Huaye Xinxing Building Materials Co., Ltd	30 September 2007	70%	3
MCC Shijiu Construction Shenzhen Company	30 September 2007	100%	—*
Beijing Haidian District YeJian Environmental Protection Equipment Factory	30 September 2007	100%	—*
Wuhan Jingye Construction and Engineering Company	30 September 2007	54%	—*
Xiamen Jingye Construction and Engineering Company	30 September 2007	100%	1
Beijing China Metallurgical Environmental Protection Technology Company	30 September 2007	100%	—*
Beijing Youya Construction Technology Co., Ltd	30 September 2007	50%	—*
Beijing Jingye Construction & Design Institute	30 September 2007	100%	3
Beijing Xingjian Lianhe Metal Product Factory	30 September 2007	100%	—*
MCC Baogang Shanghai TeYouFeici Metal Processing Factory	10 October 2007	72%	18
			472

* All sales proceeds are less than RMB1 million

Details of net assets disposed of and gain on disposal are as follows:

	RMB 'million
Sales proceeds	
— Cash received	421
— Cash to be received	51
Total sales proceeds	472
Less: Net assets disposed — as shown below	(155)
Gain on disposal	317

The effect of the disposal is as follows:

	RMB 'million
Cash and cash equivalents	40
Property, plant and equipment	67
Other non-current assets	14
Inventories	250
Properties under development	3,011
Trade and other receivables	1,117
Borrowings	(2,251)
Trade and other payables	(2,026)
Net assets	222
Non-controlling interests	(67)
Net assets disposed	155
Sales proceeds in cash	421
Less: Cash and cash equivalents of subsidiaries disposed	(40)
Net cash inflow on disposal of subsidiaries	381

(b) For the year ended 31 December 2008

For the year ended 31 December 2008, the Group disposed equity interests in the following companies:

Company name	Disposal date	Percentage of equity interests disposed	Sales Proceeds RMB 'million
Gu'an En Fei Industry Manufacture Co., Ltd	20 March 2008	92%	11
MCC Shenyang Real Estate Co., Ltd	31 October 2008	100%	31
			42

Details of net assets disposed of and gain on disposal are as follows:

	RMB 'million
Sales proceeds — cash received	11
— cash to be received	31
Less: Net assets disposed — as shown below	—*
Gain on disposal	42

The effect of the disposal is as follows:

	RMB 'million
Cash and cash equivalents	72
Property, plant and equipment	4
Land use right	6
Properties under development	447
Trade and other receivables	12
Trade and other payables	(564)
Current income tax liabilities	24
Net assets	1
Non-controlling interests	(1)
Net assets disposed	—*
Sales proceeds	11
Less: Cash and cash equivalents of subsidiaries disposed	(72)
Net cash outflow on disposal of subsidiaries	(61)

* Net assets disposed are less than RMB1 million

44. Financial guarantee

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Outstanding guarantees (i)	2,135	2,681	2,534	1,958

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Outstanding guarantees (ii)	12,324	15,522

(i) The Group has acted as the guarantor mainly for various external borrowings made by certain fellow subsidiaries of its Parent and certain third parties.

(ii) The Company has acted as the guarantor for various external borrowings made by certain subsidiaries of the Company and certain third parties.

45. Contingencies

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Pending lawsuits/arbitrations	58	77	188	217

The Group have been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision as set out in Note 29 have been made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on

management's judgments and the legal advice. No provision has been made for pending lawsuits when the outcome of the lawsuits cannot be reasonably estimated or management believes the outflow of resources is not probable.

46. Commitments

(a) Capital commitments

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Contracted but not yet incurred				
— Property, plant and equipment	12,873	11,406	35,468	35,734
— Land use rights	—	55	—	388
— Mining rights	—	—	5,445	5,434
— Intangible assets	—	3,190	1,736	1,312
Total	12,873	14,651	42,649	42,868

(b) Investment commitments

The Group has the following investment commitments at the respective balance sheet dates:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Investment commitments	1,395	128	2,529	1,025

(c) Operating leasing commitments

The Group leases various offices, warehouses, residential properties and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Less than 1 year	14	24	4	6
1 year to 5 years	20	3	11	14
Over 5 years	28	27	27	26
Total	62	54	42	46

47. Related party disclosures

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government which also controls a

significant portion of the productive assets and entities in the PRC (collectively referred as the "state-owned enterprises").

In accordance with IAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("other state-owned enterprises"). For the purpose of related party disclosures, the Group has in place procedures to identify the immediate ownership structure of its customers and suppliers to determine whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structures and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in this report, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the Relevant Periods and balances as at 31 December 2006, 2007 and 2008 and 30 June 2009 arising from related party transactions.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Significant related party transactions

During the Relevant Periods, the Group had the following significant transactions with related parties:

With Parent and fellow subsidiaries

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	18	36	346	167	204
Purchases of goods or services	15	19	33	21	21
Guarantees provided to fellow subsidiaries (i)	—	—	400	400	—
Loans to fellow subsidiaries (ii)	17	708	—	—	—
Rental expense	—	—	17	7	10
Interest income from loan to fellow subsidiaries	5	15	13	3	—

(i) Up to 30 June 2009, all the guarantees provided to fellow subsidiaries have been released.

(ii) As at 31 December 2008, all the loans to fellow subsidiaries have been repaid.

With associates

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	—	—	2	1	85
Purchases of goods or services	82	112	121	38	22
Loans to associates	—	20	610	361	50
Guarantees provided to associates	20	—	—	—	—
Interest income	—	—	52	3	37

Impairment charges of receivables due from associates amounting to RMB1 million, RMB7 million, nil, nil and RMB3 million were recognised as expenses for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

With non-controlling interests

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	139	216	14	4	642
Purchases of goods or services	53	—	105	37	35
Loans from non-controlling interests	—	—	180	9	—
Guarantee from non-controlling interests	—	—	—	—	56
Interest expense	—	—	19	—	—

Impairment charges of receivables due from non-controlling interests amounting to RMB12 million, RMB13 million, nil, nil and RMB1 million were recognised as expenses for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

With other state-owned enterprises

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million (Unaudited)	RMB 'million
Sales of goods or provision of services	12,749	20,501	11,824	7,953	6,877
Purchases of goods or services	2,132	1,193	1,529	269	242
Interest income	270	291	290	118	132
Interest expense	574	796	1,947	1,040	1,130
Guarantees provided to other state-owned enterprises	951	1,169	524	414	—
Guarantees provided by other state-owned enterprises	290	400	676	651	50

Impairment charges of receivables due from other state-owned enterprises amounting to RMB27 million, RMB24 million, RMB61 million, RMB25 million and RMB36 million were recognised as expenses for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively.

(b) Balances with related parties

Group

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade and other receivables				
Trade receivables due from				
— Parent and fellow subsidiaries	2	2	7	55
— Associates	5	7	—	43
— Non-controlling interests	29	42	1	96
— Other state-owned enterprises	1,986	1,855	1,682	2,349
Less: provision	(75)	(114)	(142)	(124)
	1,947	1,792	1,548	2,419
Other receivables due from				
— Parent and fellow subsidiaries	29	1,165	783	14
— Associates	143	168	789	918
— Non-controlling interests	16	353	798	789
— Other state-owned enterprises	345	346	461	410
Less: provision	(1)	(2)	(10)	(12)
	532	2,030	2,821	2,119
	2,479	3,822	4,369	4,538

As at 31 December 2006, 2007 and 2008 and 30 June 2009, loans to fellow subsidiaries, associates and non-controlling interests of RMB85 million, RMB769 million, RMB662 million, and RMB747 million respectively included in other receivables due from fellow subsidiaries, associates

and non-controlling interests bear interests at rates ranging from 6% to 9% per annum with loan periods from 6 months to 3 years.

Apart from a loan to a fellow subsidiary of RMB300 million as at 31 December 2007 which is guaranteed by Parent, loans to fellow subsidiaries, associates and non-controlling interests as at 31 December 2006, 2007 and 2008 and 30 June 2009 are unsecured.

Other than loans to fellow subsidiaries, associates and non-controlling interests, other receivables due from Parent and fellow subsidiaries, associates, non-controlling interests and other state-owned enterprise are unsecured, interest free and have no fixed term of repayment.

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade and other receivables		
Trade receivables due from subsidiaries	82	906
Loans to subsidiaries	—	5,304
Other receivables due from subsidiaries	16,648	11,416
	16,730	17,626

As at 30 June 2009, loans to subsidiaries bear interests at rates ranging from 5% to 9% per annum with loan periods from 4 months to 27 months.

Other receivables due from subsidiaries are unsecured, interest free and have no fixed term of repayment.

Group

	As at 31 December			As at 30 June
	2006	2009	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Trade and other payables				
Trade payables due to				
— Parent and fellow subsidiaries	4	2	22	22
— Associates	55	69	70	44
— Non-controlling interests	6	11	1	16
— Other state-owned enterprises	183	324	620	548
	248	406	713	630
Other payables due to				
— Parent and fellow subsidiaries	19	31	2,955	2,885
— Associates	4	1	—	—
— Non-controlling interests	12	329	467	385
— Other state-owned enterprises	2,154	2,568	2,286	1,370
	2,189	2,929	5,708	4,640
	2,437	3,335	6,421	5,270

Other payables due to Parent and fellow subsidiaries, associates, non-controlling interest and other state-owned enterprise are unsecured, interest free and have no fixed term of repayment.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Borrowings				
— Other state-owned enterprises	15,278	30,986	37,995	48,263

The maturities of the Group's borrowings from other state-owned enterprises at respective balance sheet dates are set out as follows:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Within 1 year	11,013	25,263	28,521	32,716
1 year to 2 years	1,012	2,857	1,896	3,654
2 years to 5 years	2,696	1,859	6,440	9,037
Wholly repayable within 5 years	14,721	29,979	36,857	45,407
Over 5 years	557	1,007	1,138	2,856
	15,278	30,986	37,995	48,263

Company

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Trade and other payables		
Trade payables due to subsidiaries	73	61
Other payables due to		
— Parent	2,914	2,824
— Subsidiaries	8,941	8,381
	11,855	11,205
	11,928	11,266

Other payables due to Parent, Baosteel and subsidiaries are unsecured, interest free and have no fixed term of repayment.

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Dividend payable		
— Parent	253	2,110
— Baosteel	3	21
	256	2,131

	As at 31 December 2008	As at 30 June 2009
	RMB 'million	RMB 'million
Borrowings		
— Subsidiaries	1,000	1,000

The Company's borrowings from subsidiaries as at 31 December 2008 are unsecured, bear interest at 5.04% per annum and repayable in May 2009. The Company's borrowings from subsidiaries as at 30 June 2009 are unsecured, bear interest at 4.86% per annum and repayable in August 2009.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB 'million	RMB 'million	RMB 'million	RMB 'million
Other balances with other state-owned enterprises				
— Restricted cash	612	552	1,024	1,520
— Cash and cash equivalents	17,389	22,094	22,574	22,522
	18,001	22,646	23,598	24,042

(c) Key management compensation

Key management includes directors (executive and non-executive), supervisors, president, vice presidents, secretary to the Board of Directors and chief accountant of the Company. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB 'thousand	RMB 'thousand	RMB 'thousand	RMB 'thousand (Unaudited)	RMB 'thousand
Basic salaries, housing allowances, other allowances and benefits-in-kind	878	1,644	2,926	1,419	1,546
Contributions to pension plans	117	151	175	115	141
Discretionary bonuses	1,401	1,954	3,765	—	—
	2,396	3,749	6,866	1,534	1,687

48. Particulars of principal subsidiaries and associates

(a) Subsidiaries

As at the date of this report, the Group has direct and indirect equity interests in the following principal subsidiaries:

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
Non-listed companies —							
Central Research Institute of Building and Construction Co., Ltd, MCC Group	PRC/ 16 October 2002/ Limited liability company	RMB600	100%	—	Design and research/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Beijing MCC Equipment Research & Design Corporation Ltd.	PRC/ 7 January 2002/ Limited liability company	RMB235	100%	—	Design and research/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008
China Enfi Engineering Co., Ltd	PRC/ 22 February 2002/ Limited liability company	RMB800	100%	—	Engineering, procurement and construction ("EPC")/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
Cheng Du Surveying Geotechnical Research Institute Co.,Ltd. of MCC	PRC/ 20 March 2000/ Limited liability company	RMB25	100%	—	Surveying and design/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Surveying Geotechnical Research Institute Co.,Ltd. of MCC	PRC/ 26 December 2002/ Limited liability company	RMB80	100%	—	Surveying and design/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
China Second Metallurgical Construction Corporation Ltd. (The 2nd China Metallurgical Construction Company)	PRC/ 14 September 2001/ Limited liability company	RMB433	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Tongsin Resources Ltd.	British Virgin Islands / 18 January 2007/ Limited liability company	USD38	100%	—	Resource development/ overseas	Riaz Ahmad & Company Chartered Accountants Pricewaterhouse-Coopers in Pakistan	2007 2008
MCC Overseas Ltd.	PRC/ 30 September 2006/ Limited liability company	RMB80	100%	—	Engineering and construction/ overseas	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC International Incorporation Ltd	PRC/ 31 October 2006/ Limited liability Company	RMB80	100%	—	Engineering and Construction/ overseas	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Mining (Western Australia) Pty Ltd	Australia/ 8 February 2007/ Limited liability company	USD1	100%	—	Resource development/ overseas	Pricewaterhouse-Coopers in Australia	2007 2008
Beijing central Engineering and Research Incorporation of Iron & Steel Industry Ltd	PRC/ 1 September 2001/ Limited liability company	RMB100	100%	—	Design and services/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008
Chongqing Iron and Steel Designing Institute Co., Ltd	PRC/ 23 August 1958/ Limited liability company	RMB366	100%	—	Design and services/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Iron and Steel Design & Research Incorporation Limited	PRC/ 1951/ Limited liability company	RMB63	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Maanshan I & S Design & Research Institute Co., Ltd	PRC/ 1 July 1962/ Limited liability company	RMB61	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Baotou Engineering and Research Corp. of Iron & Steel Industry	PRC/ 31 March 1984/ Limited liability company	RMB50	100%	—	Design and services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Anshan Engineering & Research Incorporation of Metallurgical Industry	PRC/ 1956/ Limited liability company	RMB69	100%	—	Design and services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Anshan Coking and Refractory Engineering Consulting Corporation	PRC/ 1953/ Limited liability company	RMB96	100%	—	Design and services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
Changsha Metallurgical Design & Research Institute Co., Ltd	PRC/ 20 May 1993/ Limited liability company	RMB167	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Research Institute of Metallurgical Construction Co, Ltd	PRC/ 16 March 2001/ Limited liability company	RMB55	100%	—	Design and services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Shenyang Institute of Geotechnical Investigation Corporation MCC	PRC/ 12 July 1991/ Limited liability company	RMB48	100%	—	Surveying and design/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China Third Metallurgical Construction Co, Ltd	PRC/ 21 March 1952/ Limited liability company	RMB79	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 5th Metallurgical Construction Co., Ltd	PRC/ 22 September 1980/ Limited liability company	RMB120	100%	—	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 13th Metallurgical Construction Corporation	PRC/ 11 August 1981/ Limited liability company	RMB133	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China No. 18 Metallurgical Construction Co., Ltd	PRC/ 23 September 1965/ Limited liability company	RMB291	100%	—	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 19th Metallurgical Construction Co., Ltd	PRC/ June 1966/ Limited liability company	RMB1,094	100%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
China 22nd Metallurgical Construction Corporation Limited	PRC/ 3 February 1978/ Limited liability company	RMB500	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
North China Metallurgical Construction Co., Ltd	PRC/ 18 September 1974/ Limited liability company	RMB66	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Tiangong Construction Corporation Limited	PRC/ 19 June 2006/ Limited liability company	RMB510	98%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Huaye Resources Development Co., Ltd	PRC/ 5 December 2005/ Limited liability company	RMB268	98%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
CCTEC Engineering Co., Ltd	PRC/ 28 December 2001/ Joint stock company	RMB68	96%	2%	EPC/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Chenggong Construction Co., Ltd	PRC/ 17 April 2007/ Limited liability company	RMB300	94%	—	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co.,Ltd	2007 2008
MCC Shijiu Construction Co., Ltd	PRC/ 1 January 2007/ Limited liability company	RMB120	93%	2.5%	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2007 2008
MCC Jingtang Construction Corporation Limited	PRC/ 11 April 2007/ Limited liability company	RMB300	90%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
MCC Great Land United Consulting and Engineering Co., Ltd	PRC/ 20 February 2006/ Limited liability company	RMB20	90%	—	Technical services/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Capital Engineering & Research Incorporation Limited	PRC/ 28 November 2003/ Limited liability company	RMB1,290	87%	—	EPC/ PRC	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Hi-Tech Engineering Co., Ltd	PRC/ 24 November 2005/ Limited liability company	RMB236	87%	13%	Metallurgical engineering and construction/ PRC	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	PRC/ 12 October 2004/ Limited liability company	RMB176	86%	—	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Wuhan Metallurgical Construction Co., Ltd of MCC Group	PRC/ 18 November 2005/ Limited liability company	RMB10	85%	—	Research/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
WISDRI Engineering & Research Incorporation Limited	PRC/ 12 March 2004/ Limited liability company	RMB1,000	85%	—	EPC/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Northern Engineering & Technology Corporation, MCC	PRC/ 6 February 2005/ Limited liability company	RMB151	85%	—	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Shanghai Baoye Construction Corp., Ltd.	PRC/ 15 January 2003/ Limited liability company	RMB360	85%	1%	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
Huatian Engineering & Technology Corporation MCC	PRC/ 1 July 2004/ Limited liability company	RMB189	83%	—	EPC/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
BERIS Engineering & Research Corporation	PRC/ 22 December 2004/ Limited liability company	RMB130	83%	—	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Zhong Ye Changtian International Engineering Co.,Ltd	PRC/ 5 June 2003/ Limited liability company	RMB161	92%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
China First Metallurgical Construction Corporation (The 1st China Metallurgical Construction Company)	PRC/ 25 September 1990/ Limited liability company	RMB300	87%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Xiang Xi Mining Co., Ltd	PRC/ 29 September 2006/ Limited liability company	RMB60	50%	—	Resource development/ PRC	Tianzhi International Certified Public Accountants Co., Ltd Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC (Guang Xi) Mawu expressway construction & development Co., Ltd	PRC/ 26 October 2006/ Limited liability company	RMB1,148	89%	—	Infrastructure investment/ PRC	Beijing Xinghua Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Northeastern Construction Co.,Ltd	PRC/ 29 March 2007/ Limited liability company	RMB168	100%	—	Metallurgical engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008
CISDI Engineering Co., Ltd	PRC/ 18 March 2003 Joint stock company	RMB1,000	73%	—	EPC/ PRC	ShineWing Certified Public Accountants Co., Ltd	2006 2007 and 2008

Company name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation	Auditor	Year of audit
			Directly held	Indirectly held			
		million					
China Metallurgical Construction Co., Ltd	PRC/ 3 November 2006/ Limited liability company	RMB203	82%	18%	Metallurgical engineering and construction/ PRC	Beijing Wulian Fangyuan Certified Public Accountants Co., Ltd	2007 2008
Shen Kan Engineering & Technology Corporation, MCC	PRC/ 27 January 2005/ Limited liability company	RMB20	70%	10%	EPC/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China MCC 17 Construction Co., Ltd (The 17th China Metallurgical Construction Company)	PRC/ 1 October 1992/ Limited liability company	RMB300	67%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Minera Sierra Grande S.A.	Argentina / 17 November 2006/ Limited liability company	ARP70	70%	—	Resource development/ overseas	Etudio Pascual y Asco. S.R.L.	2007 2008
China MCC 20 Construction Co., Ltd (The 20th China Metallurgical Construction Company)	PRC/ 1 June 1972/ Limited liability company	RMB390	69%	—	Metallurgical engineering and construction/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Finance Corporation Ltd.	PRC/ 11 May 2007/ Limited liability company	RMB1,500	86%	14%	Financial management services/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008
MCC-JJJ Mining Development Company Limited	PRC/ 6 August 2007/ Limited liability company	RMB1,662	61%	—	Resources development/ PRC	Reanda Certified Public Accountants Co., Ltd	2007 2008
MCC Baosteel Technology Services Co., Ltd (Shanghai Baosteel Metallurgical Construction Corporation)	PRC/ 4 June 1986/ Limited liability company	RMB285	60%	23%	Maintenance services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Real Estate Co., Ltd	PRC/ 5 September 2001/ Limited liability company	RMB2,000	90%	10%	Property development/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
China MCC International Economic and Trade Co., Ltd	PRC/ 7 December 2002/ Limited liability company	RMB120	55%	45%	Trading services/ PRC	Tianzhi International Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Communication Engineering Technology Co., Ltd	PRC/ 26 December 2005/ Limited liability company	RMB120	45%	55%	Infrastructure engineering and construction/ PRC	Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
MCC Huludao Nonferrous Metals Group Co., Ltd	PRC/ 15 November 2002/ Limited liability company	RMB1,661	51%	—	Non-ferrous processing/ PRC	Liaoning Hua Qing Certified Public Accountants Co, Ltd Reanda Certified Public Accountants Co., Ltd	2006 2007 and 2008
Ramu NiCo Management (MCC) Limited	Papua New Guinea/ 17 August 2005/ Limited liability company	—(1)	100%	—	Nico mineral mining and smelting/ overseas	BDO Papua New Guinea	2006 2007 and 2008
MCC Australia Holding Pty Ltd.	Australia/ 10 July 2008/ Limited liability company	AUD10	100%	—	Resources development/ overseas	Pricewaterhouse-Coopers in Australia	2008

(1) The paid-in capital of this company is 1,000 Kina.

(b) Associates

As at the date of this report, the Group has equity interests in the following principal associates (all are unlisted):

Name	Place and date of incorporation and type of legal entities	Issued/ paid-in capital	Attributable equity interest		Principal activities and place of operation
			Directly held	Indirectly held	
		million			
MCC(Xiangtan) Heavy Industrial Equipment Co., Ltd	PRC/ 12 November 2007/ Limited liability company	RMB250	51%	—	Equipment fabrication / PRC
Tianjin SERI Machinery Equipment Corporation Ltd	PRC/ 12 May 2000/ Limited liability company	RMB130	50%	—	Equipment fabrication / PRC
New Century Hotel Co, Ltd	PRC/ 21 January 1987/ Limited liability company	RMB72	60%	—	Hotel Services/ PRC
Shanghai MCC Shinton Investment Co., Ltd	PRC/ 7 January 2008/ Limited liability company	RMB300	33%	—	Investment Services/ PRC

The English names of certain subsidiaries and the associates referred to in this report represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

49. Transaction with non-controlling interests

During the Relevant Periods, transactions with non-controlling interests mainly comprised of further capital contributions to subsidiaries by the Group and/or non-controlling interests, acquisition of additional equity interests in subsidiaries from non-controlling interests and disposal of equity interests in subsidiaries to non-controlling interests.

50. Ultimate holding company

The Directors regard China Metallurgical Group Corporation as being the ultimate holding company of the Company, which is owned and controlled by SASAC of the State Council.

51. Subsequent events

The following events took place subsequent to [•] and up to the date of this report:

[•]

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009. Save as disclosed in this report, no dividends have been declared or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX III: PROFIT FORECAST

The forecast of the consolidated profit attributable to the equity holders of our Company for the year ending December 31, 2009 is set out in the section headed "Financial Information — Profit forecast for the year ending December 31, 2009" in this document.

I. BASES AND ASSUMPTIONS

The Directors have prepared the forecast of the consolidated profit attributable to the equity holders of our Company for the year ending December 31, 2009 based on the audited consolidated results of our Company for the six months ended June 30, 2009 and a forecast of the consolidated results of our Company for the remaining six months ending December 31, 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Company as set out in Note 3 of Section II of the Accountant's Report, the text of which is set out in Appendix I to this document, and on the following principal bases and assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which our Company currently operates or which are otherwise material to the business of our Company;
- There will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which our Company operates or with which our Company has arrangements or agreements, which may materially adversely affect our Company's business or operations;
- There will be no material changes in inflation rates, interest rates or foreign exchange rates from those currently prevailing in the context of our Company's operations;
- There will be no material changes in the bases or applicable rates of taxation, surcharges or other government levies in the countries or territories in which our Company operates, except as otherwise disclosed in this document;
- There will be no wars, military incidents, pandemic diseases or natural disasters that will have a material impact on our Company's business and operating activities;
- The operations of our Company will not be adversely affected by occurrences such as labor shortages and disputes, or any other factors outside the control of the management of our Company. In addition, our Company will be able to recruit enough employees to meet its operating requirements; and
- There will be no other unforeseen factors or force majeure, which would adversely affect our Company's businesses.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 June 2009 of the property interests of the Group.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

Date

The Board of Directors
Metallurgical Corporation of China Ltd.
No. 11 Gaoliangqiao Xiejie
Haidian District
Beijing, 100081
PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Metallurgical Corporation of China Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), Hong Kong and overseas countries, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 June 2009 (the "date of valuation").

In valuing the property interests in Group I which are held by the Group in the PRC, we have categorized the property interests of the Group into various sub-groups according to the business nature of the Group (namely engineering and construction business, resources development business, equipment manufacturing business and property development & other business). The remaining properties are classified according to the nature or location of the properties of the Group in the PRC, or Hong Kong and overseas countries.

Our valuation of the property interests represents the market value which we would define as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Land

The concept of freehold and leasehold land does not exist in China. Private land ownership in China was abolished in the collectivization movement during the 1950's. Since then, the only form of ownership in land has been 'socialist public ownership' of which there are two generic types: state-owned and collectively owned. Land was 'allocated' free of charge by the state to the designated users (commonly state-owned enterprises) for an

indefinite period. The users in return could not in any way transfer the land to other parties. Normally, when dealing with the valuation of such land, we will deem it to have 'no commercial value.'

In January 1995, the "PRC, Administration of Urban Real Property Law" came into effect, reinforcing previous legislation and establishing land as a commodity. By possessing 'land use rights' users, including state-owned enterprises, could assign, lease or mortgage land. Normally, to obtain such land use rights, a premium had to be paid whereupon the 'allocated' land could be reclassified as 'granted' land. The land is granted by the state and the premium is based upon the standard land prices (which are periodically reviewed) set by the Land Administration Bureau. Such land can be valued by reference to the standard land prices in each locality and prices paid in the market for it.

In occasional cases on a discretionary basis, allocated land held by certain state-owned enterprises can be injected by the State to those enterprises as capital investment for incorporation into a joint stock company in return for shares. We have defined such land as "State-capital-injection land" (作價出資). After the injection, the land use rights of the State-capital-injection land of specified tenure terms will be held by the joint stock company and a new relevant Land Use Rights Certificate will be issues to the joint stock company. The joint stock company may transfer, lease and mortgage the land use rights in accordance with the relevant land regulations and laws of the PRC in relation to granted land use rights.

We have valued the property interests in portions of Groups I and II and Group III, which are held by the Group for owner occupation and for sale respectively, using the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of the properties in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefor been valued on the basis of depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interests in Group IV which are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the developments.

In relation to the property interests in Group V, which are held by the Group for future development in the PRC, we have also valued each of these property interests using the direct comparison approach, assuming sale of each of these property interests in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions that are available in the relevant market.

For the purpose of our valuation, the property interests held by the Group for future development are related to those for which the Construction Works Commencement Permits have not been issued even though the State-owned Land Use Rights Certificates have been obtained.

The property interests in Group VI, which are property interests to be acquired by the Group in the PRC, relate to those properties for which the Group has entered into agreements with the relevant government authorities, while the Group has not yet obtained the State-owned Land Use Rights Certificates and/or the payment of the land premium has not yet been fully settled as at the date of valuation. We have attributed no commercial value to these property interests.

We have attributed no commercial value to the property interests in Groups VII and VIII which are rented by the Group in the PRC, Hong Kong and overseas countries, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 and Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited except for those in respect of which exemptions and waivers have been applied for and granted in respect of Rules 5.01, 5.06(1), (2), (3) and (4), 19A.27(4), and section 38, section 342A and paragraph 34(2), 34(3) of the Third Schedule of Companies Ordinance; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this document of which a summary is included in the Summary of Values and the certificate for leased properties.

According to the aforesaid waivers and exemptions, we have summarized and disclosed the property interests in Group I, Group II, Group VII, and Group VIII. For other property interests in Group III, Group IV, Group V and Group VI relating to property development & other business, each property interest in the valuation report has been disclosed in full according to the relevant rules.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents relating to the property interests and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates ("LURCs"), Building Ownership Certificates ("BOCs"), Real Estate Title Certificates ("RETCs") and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance

that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jia Yuan Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rates adopted in our valuations are approximately HK$1 = RMB0.8815, SGD1 = RMB4.7139 AUD1 = RMB5.5426, PGK1 = US$0.3704 and US$1 = RMB6.8319 which were approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC, extensive property valuation experience in Hong Kong and the United Kingdom, relevant valuation experience in the Asia-Pacific region, certain African countries.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
	Properties held by the Group's engineering and construction business		
1.	Various properties held by the Group's engineering and construction business in the PRC	12,950,063,000	8,499,060,000
	Properties held by the Group's resources development business		
2.	Various properties held by the Group's resources development business in the PRC	3,140,633,000	694,118,000
	Properties held by the Group's equipment manufacturing business		
3.	Various properties held by the Group's equipment manufacturing business in the PRC	968,989,000	813,953,000
	Properties held by the Group's property development & other business		
4.	Various properties held by the Group's property development & other business in the PRC	66,942,000	63,918,000
	Properties held by the Company		
5.	Various properties held by the Company in the PRC	5,215,000	5,166,000
	Sub-total:	**17,131,842,000**	**10,076,215,000**

Group II — Property interests held and occupied by the Group in Hong Kong and overseas countries

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
6.	Various properties held by the Group in Hong Kong	18,503,000	18,503,000
7.	Various properties held by the Group in Pakistan, Singapore, Australia, Argentina, Papua New Guinea	178,914,000	178,804,000
	Sub-total:	**197,417,000**	**197,307,000**

Group III — Property interests held for sale by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
Properties held by the Group's engineering and construction business			
8.	The unsold portion of Xin'ao Lancheng Phases I and II No. 68 Chuncheng Street Lvyuan District Changchun City Jilin Province The PRC	170,764,000	132,974,000
9.	2 residential units of Block A of Liuxi Garden No. 182 North Avenue Xinghualing District Taiyuan City Shanxi Province The PRC	13,232,000	12,967,000
10.	6 garages and 2 retail units within Pingtang Garden located at the western side of Changqing Road Yushan District Ma'anshan City Anhui Province The PRC	No commercial value	No commercial value
11.	5 garages within Yixin Garden located at the junction of Xiyuan Road and Changqing Road Ma'anshan City Yushan District Anhui Province The PRC	No commercial value	No commercial value
12.	A retail unit within Kangle Garden located at the junction of Kangle Road and Huayuan Road Ma'anshan City Huashan District Anhui Province The PRC	No commercial value	No commercial value
13.	The unsold portion of Binhai Garden Phase I located at Xingyuan Road Nanpu Economic Development Zone Tangshan City Hebei Province The PRC	109,551,000	98,596,000
14.	Hangyu Mansion No. 20 & 22 Jinrong Street Xicheng District Beijing The PRC	2,117,500,000	1,905,750,000
15.	5 residential units of Building nos. 17, 18, 20 and 21 within Swan Bay International Phase I located at the northern side of Beiguantuo River and the eastern side of Renmin Roade Suzhou City Anhui Province The PRC	1,760,000	846,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
16.	4 retail units within Xinxin Dongnan Mingyuan located at the northern side of Huayuan Road Huashan District Ma'anshan City Anhui Province The PRC	No commercial value	No commercial value
Properties held by the Group's property development & other business			
17.	7 residential units and 23 retail units within Jingtaixili located at Anlelin Road Chongwen District Beijing The PRC	280,480,000	277,703,000
18.	The unsold portion of ULO Park located at B11-1, Wangjing Chaoyang District Beijing The PRC	640,133,000	633,796,000
	Sub-total:	**3,333,420,000**	**3,062,632,000**

Group IV — Property interests held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
Properties held by the Group's engineering and construction business			
19.	Xintong International Garden under construction located at Liyuan Village Liyuan Town Tongzhou District Beijing The PRC	1,440,107,000	1,296,096,000
20.	Gushang Jiangnan under construction located at the northern side of Jianguo Avenue Xianshuigu Town Jinnan District Tianjin The PRC	144,707,000	41,285,000
21.	Jade Belt Bay Phase I under construction located at the western side of Haiyang Road and the southern side of Beihuan Road Haigang District Qinhuangdao City Hebei Province The PRC	197,815,000	110,658,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
22.	Binhai Garden Phase II under construction located at Xingyuan Road Nanpu Economic Development Zone Tangshan City Hebei Province The PRC	91,867,000	82,680,000
23.	Wutong Dadao Phases I to III under construction located at the eastern side of Youyi Road the western side of Dali Road, the southern side of Yuhua Road and the northern side of Chaoyang Road Lubei District Tangshan City Hebei Province the PRC	1,331,067,000	1,256,660,000
24.	Blocks D, E, F and G under construction Changchunyuan of Liuxi Garden located at the western side of Xinjian Road and the southern side of North Avenue Xinghualing District Taiyuan City Shanxi Province The PRC	39,447,000	38,658,000
25.	Xiangteng City Square Phase I under construction located at 207/2 Qiu Hongxiang Village Nanxiang TownJiading District Shanghai The PRC	54,706,000	26,423,000
26.	Zhongye Shangcheng under construction located at lots 20/2 and 20/3 16 Jiefang (the east to Jin'er Road, the south to Weiwu Road, the north to Zhouhai Road and the west to Laiyang Road) Gaohang Town Pudong New District Shanghai The PRC	904,291,000	780,946,000
27.	Linyin Dadao under construction No. 130 Baihe Road Chongqing Economic and Technological Development Zone Chongqing The PRC	690,500,000	548,326,000
28.	Zhongding Mountain Villa under construction located at Weituo Alley Xuanwu District Nanjing City Jiangsu Province The PRC	1,797,508,000	1,454,903,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
29.	Xin'ao Yijiang Panyuan under construction located at Daokouhu Qingshan District Wuhan City Hubei Province The PRC	668,988,000	517,462,000
30.	Swan Bay International Waterfront Phase I (excluding Building nos. 17, 18, 20 and 21) under construction located at the western side of Xichang Bei Road Yongyongqiao District, the eastern side of Renmin Road Suzhou City Anhui Province The PRC	59,894,000	28,803,000
31.	Zhongye Yanjing under construction located at 2nd Ring Road Guihua Village Xujia Town Dujiangyan City Sichuan Province The PRC	No commercial value	No commercial value
32.	Qingshan Bishui under construction located at Binjiang Dong Road Longtan District Jilin City Jilin Province The PRC	130,771,000	122,925,000
33.	Phases III & IV of Xin'ao Lancheng under construction No. 68 Chuncheng Street Lvyuan District Changchun City Jilin Province The PRC	269,370,000	209,758,000
34.	Zicui Gaoqingyuan under construction located at the western side of Jinxiu Road and the northern side of Gaoqing Road Nanxin Village Beicai Town Pudong New District Shanghai The PRC	111,198,000	105,560,000
35.	Yundong 365 under construction No. 6 Yejinsancun Shipingqiao Jiulongpo District Chongqing The PRC	70,770,000	70,770,000
36.	A parcel of land and 2 buildings (Shanghai Automobile Square) under construction located No. 1108 Hutai Road Zhabei District Shanghai The PRC	216,100,000	81,513,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
Properties held by the Group's property development & other business			
37.	Jinyuchi Project Phase II under construction located at Dadushi Street Chongwen Distirct Beijing The PRC	1,516,467,000	1,501,454,000
38.	Hualin Technology Mansion under construction No. 15 Xiaguangli Chaoyang District Beijing The PRC	593,000,000	587,129,000
39.	Xuelian Mansion Phase II under construction located at Jia 1 Shuguangxili Chaoyang District Beijing The PRC	1,223,000,000	1,210,892,000
40.	Guancheng Center under construction Haidian District Madianqiao Beijing The PRC	2,016,583,000	1,996,619,000
41.	4 parcels of land and various buildings (Hexi Lianhua Village Project) under construction located at Lianhua Village Jianye District Nanjing City Jiangsu Province The PRC	238,000,000	141,396,000
	Sub-total:	**13,806,156,000**	**12,210,916,000**

Group V — Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
Properties held by the Group's engineering and construction business			
42.	A parcel of land (New Century Square Phase I) No. 3 Ankang Bystreet Longsha District Qiqihar City Heilongjiang Province The PRC	42,380,000	23,707,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
43.	2 parcels of land (Jade Belt Bay Phase II) located at the western side of Haiyang Road and the southern side of Beihuan Road Haigang District Qinhuangdao City Hebei Province The PRC	465,722,000	260,525,000
44.	3 parcels of land (Weimingdao Residential Area) located at the southern side of Changjiangdong Road the northern side of Binhai Avenue Huangdao District Qingdao City Shandong Province The PRC	211,961,000	103,734,000
45.	A parcel of land (Chongqing Zaochen) located at Wujiang Zhi Road Xiaojiaping Jiangbei District Chongqing The PRC	144,140,000	100,898,000
46.	5 parcels of land (Bei Lu Yuan) located at Yuan Yang Zu Tuan Jing Kai Yuan North New District Chongqing The PRC	440,030,000	349,428,000
47.	3 parcels of land (Kunshan Zhongye International Square) located at the western side of Taihu Road, the northern side of Zhenchuan Road, the southern side of East Qianjin Road Development Zone Kunshan City Jiangsu Province The PRC	85,136,000	61,477,000
48.	3 parcels of land and a portion of a parcel of land (Swan Bay International Waterfront Phases II to V) located at the western side of Xichang Bei Road and the eastern side of Renmin Road Yongyongqiao District Suzhou City Anhui Province The PRC	127,172,000	61,157,000
49.	Undeveloped land portion of Dongnan Mingyuan located at the northern side of Huayuan Road Huashan District Ma'anshan City Anhui Province The PRC	4,211,000	2,809,000
50.	2 parcels of land (Zhongye Yushan Shangyuan) located at the northern side of Changjiang Road and the southern side of Runxin Garden Yushan Town Changshu City Jiangsu Province The PRC	122,673,000	105,940,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
51.	2 parcles of land (Haixi International City) located at Shidun Shili Village Mayang Zoology Tourist Zone Changtai County Zhangzhou City Fujian Province The PRC	33,702,000	23,760,000
52.	A parcel of land (Anlu Huafu) located at Hegang Village Economic Development Zone Anlu City Hubei Province The PRC	31,248,000	24,170,000
53.	A parcel of land (Xiangteng City Square Phase II) located at 207/2 Qiu, Hongxiang Village Nanxiang Town Jiading District Shanghai The PRC	454,000,000	219,282,000
54.	A parcel of land (Lugu Jingyuan) located at Tongxinpo Xi Road Yuelu District Changsha City Hunan Province The PRC	142,311,000	130,442,000
55.	A parcel of land (Aishang Dongcheng) located at the southern side of Huanhu Road Yangluo Street, Xinzhou District Wuhan City Hubei Province The PRC	45,596,000	24,688,000
56.	A parcel of land (Zhongye Shengqiaoweisi) located at the southern side of Heyang Road and the eastern side of Qingwei Road Chengyang District Qingdao City Shandong Province The PRC	188,035,000	184,030,000
57.	Two parcels of land located at Pingjiang Dong Road Xin'ao Village Yangluo Street Xinzhou District Wuhan City Hubei Province The PRC	12,195,000	6,604,000

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
Properties held by the Group's property development & other business			
58.	A parcel of land located at Anlelin Road Chongwen District Beijing The PRC	18,538,000	18,354,000
59.	A parcel of land and a building (Huayuan Hotel Project) No. 28 Xiaoyun Road Chaoyang District Beijing The PRC	408,819,000	404,772,000
	Sub-total:	**2,977,869,000**	**2,105,777,000**

Group VI — Property interests to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
		RMB	RMB
Properties held by the Group's engineering and construction business			
60.	A parcel of land located at the mid section of the north bank of Cihu Lake Huangshi City Hubei Province The PRC	No commercial value	No commercial value
61.	A parcel of land located at the eastern side of Bukui Nan Avenue Longsha District Qiqihar City Helongjiang Province The PRC	No commercial value	No commercial value
62.	Two parcels of land located at the southern side of Tengfei Road Tanggu District Tianjin City The PRC	No commercial value	No commercial value
	Sub-total:	**Nil**	**Nil**

Group VII — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 30 June 2009
		RMB
63.	391 properties rented by the Group in the PRC	No commercial value
	Sub-total:	**Nil**

Group VIII — Property interests rented and occupied by the Group in overseas countries

No.	Property	Capital value in existing state as at 30 June 2009
		RMB
64.	7 properties rented by the Group in Singapore, Papua New Guinea, and Australia,	No commercial value
	Sub-total:	**Nil**

	Capital value in existing state as at 30 June 2009	Capital value attributable to the Group as at 30 June 2009
	RMB	RMB
Grand-total:	**37,446,704,000**	**27,652,847,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

Properties held by the Group's engineering and construction business

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
1.	Various properties held by the Group's engineering and construction business in the PRC	The properties comprise 482 parcels of land with a total site area of approximately 16,500,498.83 sq.m. for various terms for industrial, office, commercial, residential, composite, scientific research and design, railway, storage uses and 2,715 buildings or units and various ancillary structures which were completed in various stages between 1940s and 2008. The buildings have a total gross floor area of approximately 3,267,001.83 sq.m. Details of uses and gross floor areas of them are listed as follows: **Use** / **No. of Item** / **Gross Floor Area (sq.m.)** Office 684 1,372,684.28 Production 583 1,105,681.69 Ancillary 570 347,764.69 Others 878 440,691.16 **Total: 2,715 3,267,001.83** The structures mainly include chimneys, pipelines, parking lots, roads and gates. The properties also comprise 73 buildings under construction (the "CIP"). The CIP is scheduled to be completed between September 2009 and December 2010. The total gross floor area of the CIP upon completion will be approximately 1,097,997.31 sq.m. The total construction cost of the CIP is estimated to be approximately RMB3,554,821,000, of which approximately RMB2,804,064,152.80 has been paid as at the date of valuation.	The properties are currently occupied by the Group for production, office, ancillary facilities and other purposes except for portions of these properties which are rented to various independent third parties or connected parties. (Refer to note 5).	12,950,063,000 Interest attributable to the Group: RMB8,499,060,000

Notes:

1. The properties are held and occupied by the following directly controlled subsidiaries of the Company (the "DCS Companies") and their subsidiaries:

Company	Interest attributable to the Group
Central Research Institute of Building and Construction Co., Ltd, MCC Group	100%
Wuhan Research Institute of Metallurgical Construction Co., Ltd.	100%
Shenyang Institute of Geotechnical Investigation Corporation, MCC	100%
Cheng Du Surveying Geotechnical Research Institute CO., LTD of MCC	100%
China Enfi Engineering Co., Ltd.	100%

Company	Interest attributable to the Group
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	100%
Wuhan Iron and Steel Design & Research Incorporation Limited	100%
Baotou Engineering & Research Corp. of Iron and Steel Industry	100%
MCC Maanshan I&S Design and Research Institute Co., Ltd.	100%
Anshan Coking and Refractory Engineering Consulting Corporation	100%
Anshan Engineering & Research Incorporation of Metallurgical Industry	100%
Changsha Metallurgical Design & Research Institute Co., LTD	100%
China Second Metallurgical Construction Corporation Limited	100%
China Third Metallurgical Construction Co., LTD.	100%
China 5th Metallurgical Construction Co., Ltd.	100%
China 13th Metallurgical Construction Corporation	100%
China No. 18 Metallurgical Construction Co., Ltd.	100%
China 19th Metallurgical Construction Co., Ltd.	100%
China 22nd Metallurgical Construction Corporation Limited	100%
North China Metallurgical Construction Co., Ltd	100%
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	100%
Shen Kan Engineering & Technology Corporation, MCC	78.70%
Capital Engineering & Research Incorporation Limited	87%
CISDI Engineering Co., Ltd.	72.54%
WISDRI Engineering & Research Incorporation Limited	84.50%
BERIS Engineering and Research Corporation	83%
Huatian Engineering & Technology Corporation, MCC	82.54%
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	86%
Northern Engineering & Technology Corporation, MCC	85.10%
Zhong Ye Chang Tian International Engineering Co., LTD	91.66%
CCTEC Engineering Co., LTD.	98.15%
China First Metallurgical Construction Corporation	86.67%
MCC Northeastern Construction Co., LTD	100%
MCC Chenggong Construction Co., Ltd	94.30%
MCC Tiangong Construction Corporation Limited	98%
China MCC 17 Construction Co., LTD	66.7%
MCC Shijiu Construction Co., Ltd.	95%
China MCC20 Construction Co., Ltd.	69%
MCC Jingtang Construction Corporation Limited	90%
MCC Huaye Resources Development Co., Ltd.	97.87%
Shanghai Baoye Construction Corp., Ltd	86.36%
MCC Hi-Tech Engineering Co., Ltd.	100%

2. Among 482 parcels of land of the properties,

   a. 232 parcels of land with a total site area of approximately 10,533,750 sq.m. are granted land with valid LURCs;

   b. 7 parcels of land with a total site area of approximately 113,773.39 sq.m. are contracted to be granted to the Group;

   c. 7 parcels of land with a total site area of approximately 1,360,927.74 sq.m. without valid LURCs are intended by the Group to acquire the relevant granted land use rights;

   d. There are 182 parcels of land with a total site area of approximately 3,897,547.78 sq.m. with LURCs in allocated nature, the land use rights of which have been approved by relevant government authorities to be injected into the Company as injected state capital in reorganization (the "state-capital-injection land"), including 157 parcels of land with a total site area of approximately 3,038,656.06 sq.m. for which the Group has obtained the LURCs in state-capital-injection nature and the remaining 25 parcels of land with a total site area of approximately 858,891.72 sq.m. for which the Group is applying for the LURCs in state-capital-injection nature;

e. 3 parcels of land with a total site area of approximately 34,449.87 sq.m. with LURCs in allocated nature are approved by relevant government authorities to continue being used as allocated land (the "allocated land");

f. 5 parcels of land with a total site area of approximately 41,713.79 sq.m. with LURCs in allocated nature are intended by the Group to apply for the valid LURCs in granted nature;

g. a parcel of land with a site area of approximately 481 sq.m. is leased to the Group with LURC in leased nature (the "leased land"); and

h. 45 parcels of land with a total site area of approximately 517,855.26 sq.m. are intended to be leased to the Group from China Metallurgical Group Corporation (the "Parent", the controlling shareholder of the Company), which are in allocated nature. The relevant tenancy agreements are under negotiation with the Parent.

3. Among 2,715 buildings or units of the properties,

a. the Group has obtained BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries for 1,724 buildings or units with a total gross floor area of approximately 1,945,221.11 sq.m., which are erected on the land with LURCs in granted and state-capital-injection nature;

b. there are 155 buildings or units with a total gross floor area of approximately 175,190.53 sq.m. with BOCs or RETCs (under the names or in the process of changing to the names of the DCS Companies and/or their subsidiaries), which are erected on the land without valid title certificates or land leased and intended to be leased;

c. there are 541 buildings or units with a total gross floor area of approximately 517,608.09 sq.m. with BOCs or RETCs which are in the process of changing the BOCs or RETCs to the names of the DCS Companies and/or their subsidiaries; and

d. for the remaining 295 buildings or units with a total gross floor area of approximately 628,982.10 sq.m., we have not been provided with any title certificates.

4. For the CIP of the properties, permissions by the relevant local authorities have been given to commence the construction regarding a total planned gross floor area of approximately 456,423.78 sq.m.

5. Pursuant to various Tenancy Agreements, portions of the buildings of properties with a total gross floor area of approximately 233,167.10 sq.m. and the land with a total site area of 173,102.04 sq.m. are rented to various tenants for various terms with the expiry dates between July 2009 and December 2010 at a total annual rental of RMB74,323,350.30 for production, office, ancillary and other uses.

6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

Land

a. the land use right of the granted land with LURCs in granted nature are legally owned by the Group and the Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of these land use rights under the valid terms stipulated in the LURCs under the PRC laws;

b. for the land contracted to be granted, the Group has paid the relevant land premium in full and there will be no impediment for the Group to obtain the LURCs in granted nature; after obtaining the valid LURCs, the Group will have the legal rights to use, transfer, lease, mortgage or otherwise dispose of these land use rights;

c. for the land without valid LURCs, the Group will have the legal rights to use these land use rights after obtaining relevant LURCs.

d. for the land with LURCs in state-capital-injection nature, the Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights under the valid terms stipulated in the LURCs under the PRC laws; for the land for which the Group is applying for the valid LURCs in state-capital-injection nature, there is no material impediment for the Group to obtain relevant LURCs; after obtaining the valid LURCs, the Group will have the legal rights to occupy, use, transfer, lease, mortgage or otherwise dispose of these land use rights;

e. for the allocated land which are approved by relevant government authorities to continue being used as allocated land, the Group is entitled to occupy and use the relevant land use rights;

f. for the allocated land for which the Group is applying for the valid LURCs in granted nature, the Parent has undertaken to compensate for all losses or damages arising from the lack of valid title certificates and acquire the title certificates within 6 months since the incorporation of the Company, and there would be no material adverse effects and legal risks on the normal operation of the Group;

g. for the leased land, the Group can legally occupy and use the land under the valid term stipulated in the Leased Land Use Rights Certificates under the PRC laws;

h. for the land intended to be leased to the Group, the Group will have legal rights to legally occupy and use the land upon entering into valid tenancy agreements under the PRC laws;

Buildings

i. for the buildings or units with BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries which are erected on the land with LURCs in granted and state-capital-injection nature, the Group can legally occupy and use them as well as freely transfer, lease, mortgage and otherwise dispose of them;

j. for the buildings or units with BOCs or RETCs which are erected on the land without valid legal land title or leased and intended to be leased and are in the process of changing the BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries, the Group has the rights to occupy and use them;

k. for the buildings or units without BOCs or RETCs, the Parent has undertaken to compensate for all losses or damages arising from the lack of valid title certificates and there would be no material adverse effects and legal risks on the normal operation of the Group and no legal disputes owing to these buildings or units without BOCs or RETCs;

l. there is no material legal impediment for the Group to apply for changing relevant BOCs and RETCs and LURCs under the names of the DCS Companies and their subsidiaries; and

m. the buildings or units with a total gross floor area of 202,252.86 sq.m. and the land use rights regarding the sites with a total site area of 1,346,836.13 sq.m. are subject to various mortgages.

7. In valuing the properties, we have attributed commercial value to the land with LURCs in granted and state-capital-injection nature together with the buildings or units with valid BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries and the CIP with valid construction permits erected on the land with legal titles. For the remaining portions of the properties, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) and the capital value of the units and portions of the CIP as at the date of valuation would be in the sum of RMB2,708,728,000 assuming all relevant title certificates had been obtained and they can be freely transferred.

VALUATION CERTIFICATE

Properties held by the Group's resources development business

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
2.	Various properties held by the Group's resources development business in the PRC	The properties comprise 53 parcels of land with a total site area of approximately 4,007,185.45 sq.m. for various terms for industrial, commercial, residential, education, public facility and other ancillary service uses and 1,047 buildings or units and various ancillary structures which were completed in various stages between 1940s and 2008. The buildings have a total gross floor area of approximately 870,459.99 sq.m. Details of uses and gross floor areas of them are listed as follows: **Use** / **No. of Item** / **Gross Floor Area (sq.m.)** Office 101 127,346.98 Production 317 464, 955.61 Ancillary 590 241,762.34 Others 39 36,395.06 **Total: 1,047 870,459.99** The structures mainly include chimneys, pipelines, roads and gates. The properties also include a building which is still under construction as at the date of valuation (the "CIP"). The CIP is scheduled to be completed in October 2009. The gross floor area of the CIP upon completion will be approximately 23,846.71 sq.m. The total construction cost of the CIP is approximately RMB96,180,000 which has been paid as at the date of valuation.	The properties are currently occupied by the Group for production, office, ancillary facilities and other purposes.	3,140,633,000 Interest attributable to the Group: RMB694,118,000

Notes:

1. The properties are held and occupied by the following directly controlled subsidiary of the Company and its subsidiaries:

Company	Interest attributable to the Group
MCC Huludao Nonferrous Metals Group Co., LTD. ("MCC Huludao Group")	51.06%

2. Among 53 parcels of land of the properties,
   a. 25 parcels of land with a total site area of approximately 3,597,976.79 sq.m. are granted land with valid LURCs;
   b. there are 13 parcels of land with a total site area of approximately 321,235.68 sq.m., for which the Group has obtained the valid LURCs in state-capital-injection nature; and
   c. 15 parcels of land with a total site area of approximately 87,972.98 sq.m. are leased to the Group with LURC in leased nature;
3. Among 1,047 buildings or units of the properties, the Group has obtained BOCs under the names of MCC Huludao Group and/or its subsidiaries for 934 buildings or units with a total gross floor area of approximately 790,636.97 sq.m., which are erected on the land with LURCs in granted and state-capital-injection nature; there are 109 buildings or units with a total gross floor area of approximately

76,648.57 sq.m. with BOCs which are in the process of changing the BOCs under the names of MCC Huludao Group and/or its subsidiaries; there is a building with a gross floor area of approximately 961.70 sq.m. with BOC which is erected on the land with LURC in leased nature. For the remaining 3 buildings with a total gross floor area of approximately 2,212.75 sq.m., we have not been provided with any title certificate.

4. For the CIP of the properties, we have not been provided with any construction commencement permit as at the date of valuation.
5. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. the land use right of the granted land with LURCs in granted nature are legally owned by the Group and the Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of these land use rights under the valid terms stipulated in the LURCs under the PRC laws;
   b. for the land with LURCs in state-capital-injection nature, the Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the land use rights under the valid terms stipulated in the LURCs under the PRC laws;
   c. for the leased land, the Group can legally occupy and use the land under the valid terms stipulated in the LURCs under the PRC laws;
   d. for the buildings or units with BOCs under the names of MCC Huludao Group and/or its subsidiaries which are erected on the land with LURCs in granted and state-capital-injection nature, the Group can legally occupy and use them and freely transfer, lease, mortgage and otherwise dispose of them;
   e. for the buildings or units with BOCs which are in the process of changing the BOCs under the names of MCC Huludao Group and/or its subsidiaries, the Group has the rights to occupy and use them;
   f. for a building without BOC, the Parent, has undertaken to compensate for all losses or damages arising from the lack of valid title certificate and there would be no material adverse effects and legal risks on the normal operation of the Group and no legal disputes owing to the building without BOC;
   g. there is no material legal impediment for the Group to apply for changing relevant BOCs and LURCs under the names of the Company and its subsidiaries; and
   h. the land with a total site area of 2,634,876.57 sq.m. are subject to various mortgages.
6. In valuing the properties, we have attributed commercial value to the land with LURCs in granted and state-capital-injection nature together with the buildings or units with valid BOCs under the names of MCC Huludao Group and/or its subsidiaries erected on the land with legal titles. For the remaining portions of the properties, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) and the capital value of the units and the CIP as at the date of valuation would be RMB113,233,000 assuming all relevant title certificates had been obtained and they can be freely transferred.

VALUATION CERTIFICATE

Properties held by the Group's equipment manufacturing business

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
3.	Various properties held by the Group's equipment manufacturing business in the PRC	The properties comprise 33 parcels of land with a total site area of approximately 854,307.94 sq.m. for various terms for industrial, office, commercial, residential, scientific research and design, education, and other ancillary service uses and 417 buildings or unites and various ancillary structures which were completed in various stages between 1960s and 2008. The buildings have a total gross floor area of approximately 373,830.60 sq.m. Details of uses and gross floor areas of them are listed as follows: Use / No. of Item / Gross Floor Area (sq.m.) Office: 44 / 97,725.38 Production: 58 / 119,573.89 Ancillary: 193 / 54,007.95 Others: 122 / 102,523.38 **Total: 417 / 373,830.60** The structures mainly include chimneys, pipelines, roads, carports, and gates. The properties also comprise 3 buildings which are still under construction as at the date of valuation (the "CIP"). The CIP is scheduled to be completed between November 2009 and December 2010. The total gross floor area of the CIP upon completion will be approximately 146,712 sq.m. The total construction cost of the CIP is estimated to be approximately RMB234,952,000, of which approximately RMB98,971,302.42 has been paid as at the date of valuation.	The properties are currently occupied by the Group for production, office, ancillary facilities and other purposes except for portions of these properties which are rented to various independent third parties. (Refer to note 5).	968,989,000 Interest attributable to the Group: RMB813,953,000

Notes:

1. The properties are held and occupied by the following directly controlled subsidiaries of the Company (the "DCS Companies") and their subsidiaries:

Company	Interest attributable to the Group
Chongqing Iron and Steel Designing Institute Co., Ltd.	100%
Beijing MCC Equipment Research & Design Corporation Ltd.	100%
MCC Baosteel Technology Services Co., Ltd.	79.58%

2. Among 33 parcels of land of the properties,
   a. 14 parcels of land with a total site area of approximately 600,851.54 sq.m. are granted land with valid LURCs;
   b. there are 9 parcels of land with a total site area of approximately 144,973.10 sq.m. with LURCs in allocated nature, the land use rights of which have been approved by relevant government authorities to be injected into the Company as injected state capital in Reorganization (the "state-capital-injection land"), including 8 parcels of land with a total site area of approximately 36,788.21 sq.m. for which the Group has obtained the LURCs in state-capital-injection nature and the remaining a parcel of land with a site area of approximately 108,184.89 sq.m. for which the Group is applying for the valid LURC in state-capital-injection nature;
   c. 4 parcels of land with a total site area of approximately 50,530.30 sq.m. with LURCs in allocated nature and the Group is applying for the valid LURCs in granted nature; and
   d. 6 parcels of land with a total site area of approximately 57,953 sq.m. are intended to be leased to the Group from the Parent (the controlling shareholder of the Company), which are in allocated nature. The relevant tenancy agreements with the Parent are under negotiation.
3. Among 417 buildings or units of the properties,
   a. the Group has obtained BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries for 313 buildings or units with a total gross floor area of approximately 260,657.49 sq.m., which are erected on the land with LURCs in granted and state-capital-injection nature;
   b. there are 8 buildings or units with a total gross floor area of approximately 13,776.88 sq.m. with BOCs or RETCs (under the names or in the process of changing to the names of the DCS Companies and/or their subsidiaries), which are erected on the land without valid title certificates or land leased and intended to be leased;
   c. there are 70 buildings or units with a total gross floor area of approximately 77,042.59 sq.m. with BOCs or RETCs which are in the process of changing the BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries; and
   d. for the remaining 26 buildings or units with a total gross floor area of approximately 22,353.64 sq.m., we have not been provided with any title certificates.
4. For the CIP of the properties, permission by the relevant local authorities have been given to commence the construction regarding a total planned gross floor area of approximately 111,994 sq.m.
5. Pursuant to various Tenancy Agreements, portions of the building of the properties with a total gross floor area of approximately 25,100.49 sq.m. and the land with a total site area of approximately 10,572 sq.m. are rented to various tenants for various terms at a total annual rental of RMB6,007,380 for production, office, ancillary and other uses.
6. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   Land

   a. the land use right of the granted land with LURCs in granted nature are legally owned by the Group and the Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of these land use rights under the valid terms stipulated in the LURCs under the PRC laws;
   b. for the land with LURCs in state-capital-injection nature, the Group is entitled to use, transfer, lease, mortgage or otherwise dispose of the land use rights under the valid terms stipulated in the LURCs and the PRC laws, for the land for which the Group is applying for the valid LURC in state-capital-injection nature, there is no material impediment for the Group to obtain relevant LURCs; after obtaining the valid LURCs, the Group will have the legal rights to use, transfer, lease, mortgage or otherwise dispose of these land use rights;
   c. for the allocated land for which the Group is applying for the valid LURCs in granted nature, the Parent, has undertaken to compensate for all losses or damages arising from the lack of valid title certificates and acquire the title certificates within 6 months since the incorporation of the Company, and there would be no material adverse effects and legal risks on the normal operation of the Group;
   d. for the land intended to be leased, the Group will have legal rights to legally occupy and use the land upon entering into valid tenancy agreements under the PRC laws;

   Buildings

   e. for the buildings or units with BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries which are erected on the land with LURCs in granted and state-capital-injection nature, the Group can legally occupy and use them as well as freely transfer, lease, mortgage and otherwise dispose of them;
   f. for the buildings or units with BOCs or RETCs which are erected on the land without valid legal land title or land intended to be leased and are in the process of changing the BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries, the Group has the rights to occupy and use them;
   g. for the buildings or units without BOCs or RETCs, the Parent, has undertaken to compensate for all losses or damages arising from the lack of valid title certificates and there would be no material adverse effects and legal risks on the normal operation of the Group and no legal disputes owing to these buildings or units without BOCs or RETCs;

h. there is no material legal impediment for the Group to apply for changing relevant BOCs and RETCs and LURCs under the names of the Company and their subsidiaries; and

i. the properties with title certificates are not subject to any mortgage or any other encumbrance.

7. In valuing the properties, we have attributed commercial value to the land with LURCs in granted and state-capital-injection nature together with the buildings or units with valid BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries and the CIP with valid construction permits erected on the land with legal titles. For the remaining portions of the properties, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) and the capital value of the units and portions of the CIP as at the date of valuation would be RMB144,184,000 assuming all relevant title certificates had been obtained and they can be freely transferred.

VALUATION CERTIFICATE

Properties held by the Group's real estate development & other business

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
4.	Various properties held by the Group's real estate development & other business in the PRC	The properties comprise 19 office units in 4 buildings with a total gross floor area of approximately 4,798.05 sq.m. which were completed in various stages between 1993 and 2008. The land use rights of the properties have been granted for various terms for commercial and office uses.	The properties are currently occupied by the Group for office purpose except for a unit with a gross floor area of approximately 133.39 sq.m. which is rented to an independent third party. (Refer to note 3).	66,942,000 Interest attributable to the Group: RMB63,918,000

Notes:

1. The properties are held and occupied by the following directly controlled subsidiaries of the Company (the "DCS Companies") and their subsidiaries:

Company	Interest attributable to the Group
MCC Real Estate Co., Ltd.	99.01%
China MCC International Economic and Trade Co., LTD.	94.47%

2. For the 19 units of the properties, the Group has obtained BOCs or RETCs under the names of the DCS Companies and/or their subsidiaries with a total gross floor area of approximately 4,798.05 sq.m., which are erected on the land with LURCs in granted nature.
3. Pursuant to a Tenancy Agreement, a unit with a gross floor area of approximately 133.39 sq.m. is rent to an independent third party for a term expiring on 9 December 2009 at an annual rental of RMB106,925.40 for office use.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. the Group can legally occupy and use the properties as well as freely transfer, lease, mortgage and otherwise dispose of them; and
   b. the properties are not subject to any mortgage or any other encumbrance.

VALUATION CERTIFICATE

Properties held by the Company

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
5.	Various properties held by the Company in the PRC	The properties comprise 8 units in 2 buildings with a total gross floor area of approximately 848.80 sq.m. which were completed in various stages between 1995 and 2005. The land use rights of the properties have been granted for 70 years for residential use.	The properties are currently occupied by the Group for residential purpose.	5,215,000 Interest attributable to the Group: RMB5,166,000

Notes:

1. For the 8 units of the properties, the Group has obtained BOCs under the name of the Company with a total gross floor area of approximately 848.80 sq.m. and the properties are erected on the land with LURCs in granted nature.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. the Group can legally occupy and use the properties as well as freely transfer, lease, mortgage and otherwise dispose of them; and
   b. the properties are not subject to any mortgage or any other encumbrance.

VALUATION CERTIFICATE

Group II — Property interests held and occupied by the Group in Hong Kong and overseas countries

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
6.	Various properties held by the Group in Hong Kong	The properties comprise an office unit and 5 residential units completed between 1969 and 1989. The units have a total gross floor area of approximately 601 sq.m. Details of uses and gross floor areas of the properties are listed as follows: Use / No. of Item / Gross Floor Area (sq.m.) Office / 1 / 210.00 Residential / 5 / 391.00 **Total:** / **6** / **601.00**	The properties are currently occupied by the Group for office and residential purposes.	18,503,000 Interest attributable to the Group: RMB18,503,000

Note:

1. The exchange rate adopted in our valuation for the properties in HK$1 = RMB0.8815, which was approximately the prevailing exchange rate as at the date of valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
7.	Various properties held by the Group in Pakistan, Australia, Singapore, Argentina, Papua New Guinea	The properties comprise the following 4 parts. Part A includes 9 buildings and a unit with total gross floor area of approximately 34,660.25 sq.m. and relevant land for office, residential and hostel purposes. Part B includes 72 buildings and ancillary structures with a total gross floor area of approximately 76,082.95 sq.m. for production use. The structures mainly include water towers, wharfs, dams and lightning arrester. Part C includes a parcel of vacant land with a site area of approximately 20,254.76 sq.m. intended for production use. Part D includes 14 buildings under construction (the "CIP"). The CIP is scheduled to be completed between July 2009 and December 2009. The total gross floor area of the CIP upon completion will be approximately 53,006.37 sq.m.	The properties are currently occupied by the Group for office, production, residential and other ancillary purposes except for the vacant land and the CIP.	178,914,000 Interest attributable to the Group: RMB178,804,000

Note:

1. The exchange rates adopted in our valuation for the properties in SGD1 = RMB4.7139, AUD1 = RMB5.5426, PGK1 = US$0.3704 and US$1 = RMB6.8319 which were approximately the prevailing exchange rates as at the date of valuation.

VALUATION CERTIFICATE

Group III — Property interests held for sale by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
8.	The unsold portion of Xinao Lancheng Phases I and II No. 68 Chuncheng Street Lvyuan District Changchun City Jilin Province The PRC	The property comprises the unsold portion of Phases I and II of a residential development named Xin'ao Lancheng completed in various stages between October 2007 and December 2008, mainly including 687 residential units. The property has a total gross floor area of approximately 41,167.05 sq.m. The details are set out as follows: Gross Floor Area (sq.m.) Residential 11,104.84 Retail 10,672.50 Car parking spaces 5,664.02 Storage room 4,593.80 Ancillary facilities 9,131.89 **Total: 41,167.05** The land use rights of the property have been granted for a term of 50 years with the expiry date on 14 June 2055 for commercial and residential uses.	The property is currently vacant.	170,764,000 77.87% interest attributable to the Group: RMB132,974,000

Notes:

1. MCC Xin'ao Changchun Real Estate Co., Ltd. ("MCC Xin'ao (Changchun)") is a 77.87% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract and a Land Settlement and Compensation Agreement entered into between Changchun Municipal Bureau of Land and Resources and MCC Xin'ao (Changchun) dated 22 May 2007, the land use rights of a parcel of land with a site area of approximately 238,343 sq.m. were contracted to be granted to MCC Xin'ao (Changchun) for a term of 50 years expiring on 14 June 2055 for commercial and residential uses. The land consideration was RMB273,500,000. The land under the contract includes the land of Phases I to IV of Xin'ao Lancheng.
3. Pursuant to 4 State-owned Land Use Rights Certificates — Chang Guo Yong (2006) Di Nos. 060003643, 060003644, Chang Guo Yong (2007) Di Nos. 060009016 and 060009017, the land use rights of 4 parcels of land with a total site area of approximately 114,317 sq.m. (on which the property is situated) have been granted to MCC Xin'ao (Changchun).
4. Pursuant to 5 Pre-sales Permits — Chang Fang Shou Zheng (2007) Di Nos. 047 and 100 and Chang Fang Shou Zheng (2008) Di Nos. 062, 101 and 142 in favour of MCC Xin'ao (Changchun), the Group is entitled to freely sell the buildings under the permits.
5. Pursuant to 9 Construction Work Completion and Insepction Certificates dated between 10 September 2008 and 15 June 2009 in favor of MCC Xin'ao (Changchun), the buildings of Phase I with a total gross floor area of approximately 31,516.70 sq.m. have passed the acceptance inspection.
6. As advised by the Group, portions of the property with a total gross floor area of approximately 6,180.95 sq.m. were contracted to be sold at a total consideration of RMB29,664,651, but have not been handed over to the purchasers. In arriving at our opinion of the capital value of the property, we have taken into account the aforesaid contracted consideration of those portions of the property.
7. As advised by the Group, the ancillary facilities of the property are not saleable and thus we have not attributed any commercial value to them.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights;
   b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and
   c. The Group is entitled to freely sell the property under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
9.	2 residential units of Block A of Liuxi Garden No. 182 North Avenue Xinghualing District Taiyuan City Shanxi Province The PRC	The property comprises 2 unsold residential units within Block A of Liuxi Garden completed in about 2004. The property has a total gross floor area of approximately 307.54 sq.m. The land use rights of the property have been granted for various terms of 40 years expiring in December 2042 for commercial use and 50 years expiring in December 2052 for residential use.	The property is currently vacant.	13,232,000 98% interest attributable to the Group: RMB12,967,000

Notes:

1. Shanxi MCC Real Estate Co., Ltd. ("Shanxi MCC Real Estate") is a 98% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Bing Zheng Di Guo Yong (2003) Zi Di No. 00062, the land use rights of a parcel of land with a site area of approximately 3,428.25 sq.m. (on which the property is situated) have been granted to Shanxi MCC Real Estate for various terms of 40 years expiring in December 2042 for commercial use and 50 years expiring in December 2052 for residential use.
3. Pursuant to 2 Building Ownership Certificates — Fang Quan Zheng Bing Zi Di Nos. 00132828 and 00132829, 2 residential units with a total gross floor area of approximately 307.54 sq.m. are owned by Shanxi MCC Real Estate.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate and Building Ownership Certificates for the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
10.	6 garages and 2 retail units within Pingtang Garden located at the western side of Changqing Road Yushan District Ma'anshan City Anhui Province The PRC	The property comprises 6 garages with a total gross floor area of approximately 208.84 sq.m. and 2 unsold retail units with a total gross floor area of approximately 203.86 sq.m. within a residential and commercial development named Pingtang Garden completed in about 2002. The land use rights of the property have been granted for a term of 50 years expiring on 14 July 2051 for composite use.	The property is currently vacant except for a portion of the property with a gross floor area of 135.51 sq.m. are leased to an independent third party.	No commercial value

Notes:

1. Ma'anshan 17th Metallurgy Real Estate Development Co., Ltd. ("Ma'anshan 17th Metallurgy Real Estate") is a 66.7% intereset owned subsidiary of the Company. Ma'anshan 17th Metallurgy Real Estate has changed its name to China Metallurgy Real Estate Development (Anhui) Co., Ltd.
2. Pursuant to a State-owned Land Use Rights Certificate — Ma Guo Yong (2001) Zi Di No. 7935, the land use rights of a parcel of land with a site area of approximately 21,728.16 sq.m. (on which Pingtang Garden is situated) have been granted to China 17th Metallurgy Construction Co., Ltd., a subsidiary of the Company, for a term of 50 years expiring on 14 July 2051 for composite use.
3. Pursuant to 2 Construction Work Completion and Inspection Certificates — 2002 Yan Shou Nos. 045 & 046, both dated 26 July 2002, the residential buildings with a total gross floor area of approximately 30,486 sq.m. have been completed and passed the acceptance inspection.
4. In the valuation of the property, we have attributed no commercial value to the property which has not obtained valid title certificates. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,617,000 assuming the property could be freely transferred.
5. Pursuant to a Tenancy Agreement dated 1 April 2009 entered into between China Metallurgy Real Estate Development (Anhui) Co., Ltd. (the "lessor") and Yangtze Electrical Maintenance Services Co., Ltd. (楊子電器維修服務有限公司, the "lessee"), an independent third party, the lessor agreed to lease the property with a gross floor area of 135.51 sq.m. at an annual rent of RMB20,400 commencing on 1 April 2009 and expiring on 1 April 2010.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
11.	5 garages within Yixin Garden located at the junction of Xiyuan Road and Changqing Road Yushan District Ma'anshan City Anhui Province The PRC	The property comprises 5 unsold garages of a residential and commercial development named Yixin Garden completed in about 2003. The property has a total gross floor area of approximately 177.85 sq.m. The land use rights of the property have been granted for a term of 50 years expiring in December 2051 for composite use.	The property is currently vacant.	No commercial value

Notes:

1. Ma'anshan 17th Metallurgy Real Estate Development Co.,Ltd. ("Ma'anshan 17th Metallurgy Real Estate") is a 66.7% interest owned subsidiary of the Company. Ma'anshan 17th Metallurgy Real Estate has changed its name to China Metallurgy Real Estate Development (Anhui) Co., Ltd.
2. Pursuant to a State-owned Land Use Rights Certificate — Ma Guo Yong (2001) Zi Di No. 9914, the land use rights of a parcel of land with a site area of approximately 9,787.43 sq.m. (on which Yixin Garden is situated) have been granted to Ma'anshan 17th Metallurgy Real Estate for a term of 50 years expiring in December 2051 for composite use.
3. Pursuant to a Construction Work Completion and Inspection Certificate — 2003 Yan Shou No. 49 dated 19 January 2003, the buildings with a total gross floor area of approximately 10,543 sq.m. have been completed and passed the acceptance inspection.
4. In the valuation of the property, we have attributed no commercial value to the property which has not obtained any title certificates. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB469,000 assuming the garages could be freely transferred.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
12.	A retail unit within Kangle Garden located at the junction of Kangle Road and Huayuan Road Huashan District Ma'anshan City Anhui Province The PRC	The property comprises a retail unit on Levels 1 to 4 of a building with a gross floor area of approximately 297.85 sq.m. within a residential and commercial development named Kangle Garden completed in about 2005. The land use rights of the property have been granted for a term of 50 years expiring on 13 October 2053 for residential and commercial uses.	The property is currently vacant except for a portion of the property with a gross floor area of 148.93 sq.m. is leased to an independent third party.	No commercial value

Notes:

1. Ma'anshan 17th Metallurgy Real Estate Development Co., Ltd. ("Ma'anshan 17th Metallurgy Real Estate") is a 66.7% interest owned subsidiary of the Company. Ma'anshan 17th Metallurgy Real Estate has changed its name to China Metallurgy Real Estate Development (Anhui) Co., Ltd.
2. Pursuant to a State-owned Land Use Rights Certificate — Ma Guo Yong (2003) Zi Di No. 13818, the land use rights of a parcel of land with a site area of approximately 35,148.89 sq.m. (on which Kangle Garden is situated) have been granted to Ma'anshan 17th Metallurgy Real Estate, for a term of 50 years expiring on 13 October 2053 for residential and commercial uses.
3. Pursuant to a Construction Work Completion and Inspection Certificate — 2005 Yan Shou No. 063 dated 25 October 2005, the buildings with a total gross floor area of approximately 65,700 sq.m. have been completed and passed the acceptance inspection.
4. In the valuation of the property, we have attributed no commercial value to the property which has not obtained valid title certificate. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,306,000 assuming the property could be freely transferred.
5. Pursuant to a Tenancy Agreement dated 1 July 2009 entered into between China Metallurgy Real Estate Development (Anhui) Co., Ltd. (the "lessor") and Wangchuanxia (汪傳霞, the "lessee"), an independent third party, the lessor agreed to lease a portion of the property with a gross floor area of 148.93 sq.m. at an annual rent of RMB36,000 commencing on 1 July 2009 and expiring on 30 June 2010.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
13.	The unsold portion of Binhai Garden Phase I located at Xingyuan Road Nanpu Economic Development Zone Tangshan City Hebei Province The PRC	The property comprises the unsold portion of Binhai Garden Phase I completed in 2007, mainly including 473 residential units and 20 retail units. The property has a total gross floor area of 47,585.35 sq.m. The details are set out as follows: Gross Floor Area (sq.m.) Residential 39,514.19 Retail 1,775.19 Car Parking spaces 492.66 Basement 5,803.31 **Total: 47,585.35** The land use rights of the property have been granted for residential use for a term expiring on 20 May 2073.	The property is currently vacant.	109,551,000 90% interest attributable to the Group: RMB98,596,000

Notes:

1. Tangshan Hongyuan Real Estate Co., Ltd. ("Tangshan Hongyuan") is a 90% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Ji Tang Guo Yong (2007) Di No. 0183, the land use rights of a parcel of land with a site area of approximately 109,574.94 sq.m. have been granted to Tangshan Hongyuan for residential use expiring on 20 May 2073. The land includes the land of the property and property no. 28 (Binhai Garden Phase II) with a site area of approximately 39,365 sq.m. .
3. Pursuant to 3 Pre-sales Permits — (Tang) Fang Yu Shou Zheng Nos. 371, 385 and 466 in favour of Tangshan Hongyuan, the Group was entitled to sell the property.
4. Pursuant to 22 Construction Work Completion and Inspection Certificates all dated 26 December 2008, 20 residential buildings and 2 commercial buildings with a total gross floor area of approximately 105,035 sq.m. regarding Binhai Garden Phase I have been completed and passed the acceptance inspection.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate for the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights; and
   b. The Group is entitled to freely sell the property under the Pre-sales Permits..

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
14.	Hangyu Mansion Nos. 20 & 22 Jinrong Street Xicheng District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 8,227.80 sq.m. and a 24-storey office building erected thereon completed in 2008. The building has a gross floor area of approximately 93,382.59 sq.m. including a basement with a gross floor area of 19,213.86 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 6 March 2054 for composite use.	The property is currently vacant.	RMB2,117,500,000 90% interest attributable to the Group: RMB1,905,750,000

Notes:

1. Beijing Hagongda Yataikongjian Real Estate Co., Ltd. ("Beijing Hagongda Yataikongjian") is a 90% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Jing Xi Guo Yong (2005) Geng Di No. 20236, the land use rights of a parcel of land with a site area of approximately 8,227.80 sq.m. have been granted to Beijing Hagongda Yataikongjian for a term of 50 years expiring on 6 March 2054 for composite use.
3. Pursuant to a Construction Work Completion and Inspection Certificate — No. 20080001 dated 4 January 2008, the building with a gross floor area of approximately 99,780 sq.m. has been completed and passed the acceptance inspection.
4. Pursuant to a Pre-sales Permit — Jing Fang Shou Zheng Zi (2007) No. 215 in favour of Beijing Hagongda Yataikongjian, the Group is entitled to sell the property.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property land, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights; and
   b. The Group is entitled to freely sell the property under the Pre-sales Permit.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
15.	5 residential units of Building nos. 17, 18, 20 and 21 within Swan Bay International Phase I located at the northern side of Beiguantuo River and the eastern side of Renmin Roade Suzhou City Anhui Province The PRC	The property comprises 5 residential units of Building Nos. 17, 18, 20 and 21 within a residential and commercial development named Swan Bay International Phase I. The property has a gross floor area of approximately 754.67 sq.m. completed in April and May of 2009. The land use rights of the property have been granted for a term of 50 years expiring in February 2058 for residential use.	The property is currently vacant.	1,760,000 48.09% interest attributable to the Group: RMB846,000

Notes:

1. Wuye Kuntai (Suzhou) Real Estate Co., Ltd. ("Wuye Kuntai Suzhou") is a 48.09% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract — 2008-311 dated 2 February 2008 between State-owned Land Resources Bureau of Suzhou City and Wuye Kuntai Suzhou, the land use rights of the 5 parcels of land with a total site area of approximately 335,798.87 sq.m. were contracted to be granted to Wuye Kuntai Suzhou for a term of 50 years for residential use. The total land premium was RMB123,909,783. It includes the land of the property and property no. 30 and property no. 48.
3. Pursuant to a State-owned Land Use Rights Certificate — Suzhou Guo Yong (2008) Di No. 0810019, the land use rights of a parcel of land with a site area of approximately 112,263.87 sq.m. have been granted to Wuye Kuntai Suzhou for a term of 50 years expiring in February 2058 for residential use. As advised by the Group, a portion of the land with a site area of approximately 7,361 sq.m. was developed for construction of Building nos. 17, 18, 20 and 21 of Swan Bay International Phase I. The rests are included in property nos 36 and 54.
4. Pursuant to 4 Pre-sales Permits — (Su) Yu Shou Zheng Di Nos. 2008-214 to 2008-216, 2008-218, 2009-004 to 2009-007, 2009-015, 2009-016, 2009-019 and 2009-020 in favour of Wuye Kuntai Suzhou, it is entitled to freely sell 4 buildings with a total gross floor area of approximately 10,535 sq.m..
5. Pursuant to a Construction Work Completion and Inspection Certificate — 2009 Yan Shou Nos. 096 to 099 dated between 30 April 2009 and 4 May 2009, the buildings with a total gross floor area of approximately 11,186.8 sq.m. have been completed and passed the acceptance inspection.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate for the property, so the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the relevant land use rights; and
   b. The Group is entitled to freely sell the property to purchasers under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
16.	4 retail units within Xinxin Dongnan Mingyuan located at the northern side of Huayuan Road Huashan District Ma'anshan City Anhui Province The PRC	The property comprises 4 units on Level 1 of a residential building in a residential and commercial development named Xinxin Dongnan Mingyuan completed in about 2007. The property has a gross floor area of approximately 309.07 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 13 October 2053 for residential and commercial uses.	The property is currently vacant.	No commercial value

Notes:

1. Ma'anshan 17th Metallurgy Real Estate Development Co., Ltd. ("Ma'anshan 17th Metallurgy Real Estate) is a 66. 7% interest owned subsidiary of the Company. Ma'anshan 17th Metallurgy Real Estate has changed its name to China Metallurgy Real Estate Development (Anhui) Co., Ltd.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Ma'anshan 17th Metallurgy Real Estate, Ma'anshanXinxin Real Estate Development Co., Ltd. ("Ma'anshan Xinxin", an independent third party) and Ma'anshan Land Bureau dated 16 April 2004, the land use rights of a parcel of land with a site area of approximately 50,237.23 sq.m. have been contracted to be granted to Ma'anshan Xinxin for residential use. The land premium was RMB31,247,557.
3. Pursuant to an Agreement entered into between Ma'anshan Xinxin and Ma'anshan 17th Metallurgy Real Estate, the two parties agreed that 25% of the land with a site area of approximately 14,461.77 sq.m. would be developed by Ma'anshan 17th Metallurgy Real Estate.
4. Pursuant to a State-owned Land Use Rights Certificate — Ma Guo Yong (2004) No. 14053, the land use rights of a parcel of land with a site area of approximately 50,237.23 sq.m. were granted to Ma'anshan Xinxin and Ma'anshan 17th Metallurgy Real Estate for a term of 70 years expiring on 6 April 2074 for residential use.
5. Pursuant to a Construction Work Completion and Inspection Certificate — 2007 Yan Shou No. 109 issued in January 2007, the buildings with a total gross floor area of approximately 14,875 sq.m. have been completed and passed the acceptance inspection.
6. In the valuation of the property, we have attributed no commercial value to the property which has not obtained valid title certificate. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB1,543,000 assuming the property could be freely transferred.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate for the property, so the Group is entitled to occupy, use, lease, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
17.	7 residential units and 23 retail units within Jingtaixili located at Anlelin Road Chongwen District Beijing The PRC	The property comprises 7 residential units and 23 retail units within a residential development named Jingtaixili completed in 2006. The property has a total gross floor area of approximately 12,206.11 sq.m. The details are set out as follows: Residential: 1,532.71 sq.m. Retail: 10,673.40 sq.m. **Total: 12,206.11 sq.m.** The land use rights of the property have been granted for various terms of 70 years expiring on 3 December 2073 for residential use, 50 years expiring on 3 December 2053 for car parking spaces use and 40 years expiring on 3 December 2043 for ancillary use.	The property is currently vacant.	280,480,000 99.01% interest attributable to the Group: RMB277,703,000

Notes:

1. MCC Real Estate Co., Ltd. ("MCC Real Estate") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Certificates — Jing Chong Guo Yong (2006) Di No. 0048 and Jing Chong Guo Yong (2007 Chu) Zi Di No. 0001, the land use rights of 2 parcels of land with a total site area of approximately 45,184.48 sq.m. (on which Jingtaixili is situated) have been granted to MCC Real Estate for various terms of 70 years expiring on 3 December 2073 for residential use, 50 years expiring on 3 December 2053 for car parking spaces use and 40 years expiring on 3 December 2043 for ancillary use.
3. Pursuant to 5 Building Ownership Certificates — Jing Fang Quan Zheng Chong Gu Zi Di Nos. 00372, 00497, 00499, 00500 and 00501, 7 residential units and 23 retail units with a total gross floor area of approximately 12,206.11 sq.m. are owned by MCC Real Estate.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates and Building Ownership Certificates for the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
18.	The unsold portion of ULO Park located at B11-1, Wangjing Chaoyang District Beijing The PRC	The property comprises the unsold portion of ULO Park, including 98 retail units, 78 office units and 455 underground car parking lots. ULO Park is a commercial complex completed in June 2009. The property has a total gross floor area of approximately 66,841.64 sq.m. The details are set out as follows: Office: 22,787.46 sq.m. Retail: 18,467.89 sq.m. Car parking spaces: 25,586.29 sq.m. **Total: 66,841.64 sq.m.** The land use rights of the property have been granted for various terms of 40 years expiring on 30 August 2044 for commercial use and 50 years expiring on 30 August 2054 for office and car parking spaces uses.	The property is currently vacant.	640,133,000 99.01% interest attributable to the Group: RMB633,796,000

Notes:

1. Beijing Shengpeng Real Estate Co., Ltd. ("Beijing Shengpeng") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract — Jing Di Chu He Zi (2004) No. 1221 entered into between Beijing Municipal Land and Resources Bureau and Beijing Shengpeng dated 31 August 2004, the land use rights of ULO Park with a site area of approximately 35,400 sq.m. were contracted to be granted to Beijing Shengpeng for various terms of 40 years expiring on 30 August 2044 for commercial use and 50 years expiring on 30 August 2054 for office and car parking spaces uses. The land consideration was RMB10,974,000.
3. Pursuant to a State-owned Land Use Rights Certificate — Jing Chao Qi Guo Yong (2005 Chu) Di No. 0221, the land use rights of a parcel of land with a site area of approximately 35,211.57 sq.m. have been granted to Beijing Shengpeng for various terms of 40 years expiring on 30 August 2044 for commercial use and 50 years expiring on 30 August 2054 for office and car parking spaces uses. .
4. Pursuant to 2 Construction Work Planning Permits — 2006 Gui Jian Zi No. 0443 and 2007 Gui Jian Zi No. 0309 in favour of Beijing Shengpeng, 9 buildings with a total gross floor area of approximately 213,057.30 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — (2006) Shi (Chao) Jian Zi Nos. 0094 and 0118 in favour of Beijing Shengpeng, permissions by the relevant local authority were given to commence the construction work.
6. Pursuant to 2 Pre-sales Permits — Jing Fang Shou Zheng Zi (2006) No. 458 and Jing Fang Shou Zheng Zi (2007) No. 414 in favour of Beijing Shengpeng, the Group is entitled to sell the property.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property land, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights;
   b. The Group has obtained requisite approvals for the development of the property from relevant government authorities; and
   c. The Group is entitled to freely sell the property to purchasers.

VALUATION CERTIFICATE

Group IV — Property interests held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
19.	Xintong International Garden under construction located at Liyuan Village Liyuan Town Tongzhou District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 79,504.39 sq.m. and 15 residential buildings and 3 ancillary buildings which are being constructed thereon. As advised by the Group, the property (known as Xintong International Garden) is scheduled to be completed in January 2010. Upon completion, the development will have a total gross floor area of approximately 225,320.00 sq.m. and the details are set out as follows:	The property is currently under construction.	1,440,107,000 90% interest attributable to the Group: RMB1,296,096,000

	Planned Gross Floor Area
	(sq.m.)
Residential	179,851.00
Retail	9,074.00
Car Parking spaces	31,931.00
Other	4,463.98
Total:	**225,319.98**

As advised by the Group, the total construction cost is estimated to be approximately RMB646,457,000, of which RMB392,342,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for a term of 70 years expiring on 10 February 2072 for residential use.

Notes:

1. Beijing Huachengtong Real Estate Co., Ltd. ("Beijing Huachengtong") is a 90% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Jing Tong Guo Yong (2003 Chu) Zi Di No. 027, the land use rights of a parcel of land with a site area of approximately 79,504.39 sq.m. have been granted to Beijing Huachengtong for a term of 70 years expiring on 10 February 2072 for residential use.
3. Pursuant to 9 Construction Work Planning Permits and 6 Notifications of Construction Work Planning — 2007 Gui (Tong) Jian Zi No. 0038 and 2007 Gui (Tong) Fu Han Zi No. 0092, 2007 Gui (Tong) Jian Zi No. 0056, 2007 Gui (Tong) Fu Han Zi No. 0091, 2007 Gui (Tong) Jian Zi No. 0065, 2007 Gui (Tong) Fu Han Zi No. 0088, 2007 Gui (Tong) Jian Zi No. 0087, 2007 Gui (Tong) Fu Han Zi No. 0090, 2007 Gui (Tong) Jian Zi No. 0088, 2007 Gui (Tong) Fu Han Zi No. 0089, 2007 Gui (Tong) Jian Zi No. 0113, 2007 Gui (Tong) Fu Han Zi No. 0087, 2007 Gui (Tong) Jian Zi No. 0128, 2008 Gui (Tong) Jian Zi No. 0054 and 2008 Gui (Tong) Jian Zi No. 0155 in favour of Beijing Huachengtong, 18 buildings with a total gross floor area of approximately 225,319.98 sq.m. have been approved for construction.
4. Pursuant to 9 Construction Work Commencement Permits — (2007) Shi Jian Zi Nos.1306, 1814 and 1815, (2008) Shi Jian Zi Nos. 0028, 0029, 1198 and 1228, (2009) Shi Jian Zi Nos. 0183 and 0184 in favour of Beijing Huachengtong, permissions by the relevant local authority were given to commence the construction of the property.
5. Pursuant to 4 Pre-sales Permits — Jing Fang Xiao Zheng Zi (2008) Nos.137, 244, 366 and Jing Fang Shou Zheng Zi (2009) No.168 in favour of Beijing Huachengtong, the Group is entitled to sell the portions of development which a total gross floor area of approximately 123,350.52 sq.m.
6. Pursuant to a Construction Work Completion and Inspection Table — 2009 Tong No. 052, 3 residential buildings and a clubhouse with a total gross floor area of approximately 30,852 sq.m. have been completed and passed the acceptance inspection.

7. As advised by the Group, portions of the property comprising various residential units with a total gross floor area of 86,320.77 sq.m. were contracted to be sold at a total consideration of RMB714,103,706, but have not been handed over to the purchasers. In the course of our valuation, we have taken into account of the aforesaid contracted consideration of those portions of the property.
8. Pursuant to a Mortgage Agreement entered into between Beijing Huachengtong and Beijing Economic and Technological Development Branch of China Construction Bank (the "mortgagee"), the land use rights of the property with a site area of approximately 79,504.39 sq.m. and portions of the development with a total gross floor area of approximately 160,257.59 sq.m. are subject to a mortgage for a maximum loan amount of RMB450,000,000 for a term from 17 February 2009 to 16 August 2011.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights upon acquiring the consent of the mortgagee;
   b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and
   c. The Group is entitled to freely sell the portions of the property under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
20.	Gushang Jiangnan under construction located at the northern side of Jianguo Avenue Xianshuigu Town Jinnan District Tianjin The PRC	The property comprises a parcel of land with a site area of approximately 184,738.77 sq.m. which is planned to be developed with various residential and retail buildings in 3 phases named as Gushang Jiangnan, and Phase I which is being constructed thereon. Phase I is on a portion of a parcel land with a site area of approximately 32,384.10 sq.m.. As advised by the Group, Phase I is scheduled to be completed in December 2010. Upon completion, Phase I will have a total gross floor area of 77,445.17 sq.m. and the details are set out as follows: **Planned Gross Floor Area** **(sq.m.)** Residential 73,445.17 Retail 1,800.00 Ancillary facilities 2,200.00 **Total: 77,445.17** As advised by the Group, the total construction cost of Phase I is estimated to be approximately RMB235,030,000 of which RMB19,356,000 had been paid as at the date of valuation. The land use rights of Phase I have been granted for terms of 40 years expiring on 22 July 2048 for commercial use and 70 years expiring on 22 July 2078 for residential use.	Phase I is currently under construction and the remaining portions of the land with a total site area of approximately 152,354.67 sq.m. are vacant.	144,707,000 28.53% interest attributable to the Group: RMB41,285,000

Notes:

1. Tianjin MCC Xinhua Real Estate Co., Ltd. ("Tianjin MCC Xinhua") is a 28.53% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Tianjin Jinnan District Planning and Land Resources Bureau and Tianjin MCC Xinhua dated 31 July 2007, the land use rights of a parcel of land with a site area of approximately 184,738.77 sq.m. were contracted to be granted to Tianjin MCC Xinhua for terms of 70 years for residential use and 40 years for commercial use. The total land consideration was RMB589,900,000. According to the Grant Contract, Tianjin MCC will be paid a total amount of RMB335,610,000 for finishing the relocation of the original residents on the land of the property. Meanwhile, portions of the whole development of the property land with a total gross floor area of approximately 101,700 sq.m. will be assigned to the aforesaid original residents.
3. As advised by the Group, Tianjin MCC Xinhua had paid the foregoing land consideration with a total amount of RMB515,622,800 as at the date of valuation except a portion for urban infrastructure fees in the amount of RMB74,277,200. And pursuant to a confirmation letter Tianjin Jinnan District Construction Administrative Committee, the urban infrastructure fees for Phase I development in the amount of RMB11,038,800 has been exempted by the local government stimulus policies.
4. Pursuant to a State-owned Land Use Rights Certificate — Jin Nan Dan Guo Yong (2008) No. 109, the land use rights of a parcel of land with a site area of approximately 32,384.10 sq.m. have been granted to Tianjin MCC Xinhua for terms of 40 years and 70 years respectively expiring on 22 July 2048 and 22 July 2078 for commercial and residential uses.
5. Pursuant to a Construction Work Planning Permit — 2008 Jin Nan Jian Zheng 104 in favour of Tianjin MCC Xinhua, 10 buildings of Phase I with a total planned gross floor area of approximately 73,445.17 sq.m. have been approved for construction.

6. Pursuant to a Construction Work Commencement Permit — 12112021200812017 in favour of Tianjin MCC Xinhua, permission by the relevant local authority was given to commence the construction work for Phase I development.
7. As advised by the Group, the Land Use Rights Certificates and other relevant permits that are needed for development of the vacant portion of the property land will be obtained by Tianjin MCC Xinhua once the relevant government authorities finish the demolition work for the land.
8. Pursuant to a Mortgage Agreement-No. 112060900010 entered into between Agricultural Bank of China Heping Subbranch of Tianjin Branch and Tianjin MCC Xinhua dated 14 May 2009, the land of Phase I development with a site area of approximately 32,384.1 sq.m. is subject to a mortgage for maximum loan amount of RMB150,000,000 for a term from 20 May 2009 to 19 May 2009.
9. In the valuation of this property, we have attributed no commercial value to the vacant portion of the property land which has not obtained any title certificates. However, for reference purpose, we are of the opinion that the capital value of it as at the date of valuation would be RMB533,044,000 assuming they could be freely transferred.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
    a. The Group has obtained the State-owned Land Use Rights Certificate of Phase I of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights upon obtaining the consent of the mortgagee; and
    b. The Group has obtained requisite approvals for the development of Phase 1 of the property from the relevant government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
21.	Jade Belt Bay Phase I under construction located at the western side of Haiyang Road and the southern side of Beihuan Road Haigang District Qinhuangdao City Hebei Province The PRC	The property comprises a portion of a parcel of land with a site area of approximately 46,106 sq.m. and 6 buildings and other ancillary facilities which are being constructed thereon. As advised by the Group, the development (known as Jade Bett Bay Phase I) is scheduled to be completed in June 2011. Upon completion, the development will have a total gross floor area of approximately 110,097.79 sq.m. and the details are set out as follows:	The property is currently under construction.	197,815,000 55.94% interest attributable to the Group: RMB110,658,000

	Planned Gross Floor Area
	(sq.m.)
Residential	89,766.38
Ancillary facilities	830.30
Car parking spaces	12,590.91
Storage room	6,910.20
Total	**110,097.79**

As advised by the Group, the total construction cost is estimated to be approximately RMB249,442,000, of which RMB36,448,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for various terms of 40 years expiring on 28 August 2047 for commercial use and 70 years expiring on 28 August 2077 for residential use.

Notes:

1. Qinhuangdao Zhongye Xiadu Real Estate Development Co., Ltd. ("Qinhuangdao Zhongye Xiadu") is a 55.94% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Qinghuangdao Municipal Land and Resources Bureau and Qinhuangdao Zhongye Xiadu dated 28 August 2007, the land use rights of a parcel of land with a site area of approximately 115,054.86 sq.m. were contracted to be granted to Qinhuangdao Zhongye Xiadu for various terms of 40 years expiring on 28 August 2047 for commercial use and 70 years expiring on 28 August 2077 for residential use. The land premium was RMB343,439,700.
3. Pursuant to a State-owned Land Use Rights Certificate — Qin Ji Guo Yong (2008) Zi Di No. 169, the land use rights of a parcel of land with a site area of approximately 115,054.86 sq.m. have been granted to Qinhuangdao Zhongye Xiadu for various terms of 40 years expiring on 28 August 2047 for commercial use and 70 years expiring on 28 August 2077 for residential use. The land includes the land of the property and portion land of property no. 49 with a site area of approximately 68,948.86 sq.m.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 130302200803062 in favour of Qinhuangdao Zhongye Xiadu, 6 buildings with a total gross floor area of approximately 109,759 sq.m. have been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 130301S08105-01-02-01 in favour of Qinhuangdao Zhongye Xiadu, permission by the relevant local authorities was given to commence the development with a total planned gross floor area of approximately 109,758 sq.m.
6. Pursuant to a Pre-sales Permit — (Qin Fang) Yu Shou Zi (2009) Di No.022 in favour of Qinhuangdao Zhongye Xiadu, the Group is entitled to sell residential portions of property with a total planned gross floor area of 89,766.38 sq.m.
7. Pursuant to a Mortgage Agreement-No. 112060900010 entered into between Qinhuangdao Binhai Branch of Industrial and Commercial Bank of China and Qinhuangdao Zhongye Xiadu, the land use rights with a site area of approximately 105,000.57 sq.m. is subject to a mortgage for a maximum loan of RMB248,000,000 for a term from 19 March 2009 to 19 September 2012. It includes the land of the property and a portion of the land of the property no. 43.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property land, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights
   b. The Group has obtained requisite approvals for the development of the property from relevant government authorities; and
   c. The Group is entitled to freely sell the portions of the property under the Pre-sales Permit.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
22.	Binhai Garden Phase II under construction located at the western side of Nanyuan Road Nanpu Economic Development Zone Tangshan City Hebei Province The PRC	The property comprises a portion of a parcel of land with a site area of approximately 39,365 sq.m. and 14 residential buildings which are being constructed thereon. As advised by the Group, the development (known as Binhai Garden Phase II) is scheduled to be completed in December 2009. Upon completion, the development will have a total gross floor area approximately 60,765 sq.m. and the details are set out as follows: Planned Gross Floor Area Residential 56,814 Retail 2,953 Ancillary facilities 998 **Total: 60,765** The total construction cost is estimated to be approximately RMB85,884,000, of which RMB46,670,000 had been paid as at the date of valuation. The land use rights of the property have been granted for residential use expiring on 20 May 2073.	The property is currently under construction.	91,867,000 90% interest attributable to the Group: RMB82,680,000

Notes:

1. Tangshan Hongyuan Real Estate Co., Ltd. ("Tangshan Hongyuan") is a 90% interest owned subsidiary of the Company.
2. Pursuant to a Land Use Rights Transfer Contract entered into between Tangshan Zhongli Real Estate Co., Ltd. and Tangshan Hongyuan, the land use rights of a parcel of land with a site area of approximately 109,574.94 sq.m. have been contracted to be transfer to Tangshan Hongyuan for residential use expiring on 20 May 2073. The land consideration was RMB18,233,800.
3. Pursuant to a State-owned Land Use Rights Certificate — Ji Tang Guo Yong (2007) Di No. 0183, the land use rights of a parcel of land with a site area of approximately 109,574.94 sq.m. have been granted to Tangshan Hongyuan for residential use expiring on 20 May 2073. The land include the land of the property and property no. 13.
4. Pursuant to a Construction Work Planning Permit — GR2000070618007 in favour of Tangshan Hongyuan, 14 buildings with a total planned gross floor area of approximately 60,765 sq.m. have been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — 130222X0702201 in favour of Tangshan Hongyuan, permission by the relevant local authority was given to commence the construction work.
6. Pursuant to a Pre-sales Permit — (Tang) Fang Yu Shou Zheng Di No. 478 in favour of Tangshan Hongyuan, the Group is entitled to sell the development.
7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights;
   b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and
   c. The Group is entitled to freely sell the portions of the property under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
23.	Wutong Dadao Phases I to III under construction located at the eastern side of Youyi Road, the western side of Dali Road, the southern side of Yuhua Road and the northern side of Chaoyang Road Lubei District Tangshan City Hebei Province The PRC	The property comprises a parcel of land with a site area of approximately 175,851.10 sq.m. and various residential and retail buildings and ancillary facilities which are being constructed (Phases I, II and III) thereon. As advised by the Group, the development (known as Wutong Dadao) will have a total gross floor area of approximately 301,054.54 sq.m. upon completion and the details are set out as follows: Residential: 202,189.64 sq.m. Retail: 16,548.76 sq.m. Car parking spaces: 52,413.00 sq.m. Other: 29,903.14 sq.m. **Total: 301,054.54 sq.m.** As advised by the Group, the development including 3 phases is scheduled to be completed in July 2010. As advised by the Group, the total construction cost of the development is estimated to be approximately RMB1,151,709,000 of which RMB261,751,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring on 29 December 2046 for commercial use and 70 years expiring on 29 December 2076 for residential use.	The property is currently under construction and the remaining portion of the land with a site area of approximately 78,626.82 sq.m. is vacant.	1,331,067,000 94.41% interest attributable to the Group: RMB 1,256,660,000

Notes:

1. Tangshan MCC Real Estate Co., Ltd. ("Tangshan MCC Real Estate") is a 94.41% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Tangshan Municipal Land and Resources Bureau and Tangshan MCC Real Estate dated 30 December 2006, the land use rights of a parcel of land with a site area of approximately 175,851.10 sq.m. were contracted to be granted to Tangshan MCC Real Estate for various terms of 40 years expiring on 29 December 2046 for commercial use and 70 years expiring on 29 December 2076 for residential use. The land consideration was RMB991,800,204.
3. Pursuant to a State-owned Land Use Rights Certificate — Ji Tang Guo Yong (2007) Di No. 3332, the land use rights of a parcel of land with a site area of approximately 175,851.10 sq.m. have been granted to Tangshan MCC Real Estate for various terms expiring on 29 December 2046 for commercial use and 29 December 2076 for residential use.
4. Pursuant to 3 Construction Work Planning Permits — (2007) Nos. 110, 052 and (2009) No. 10 in favour of Tangshan MCC Real Estate, various buildings with a total gross floor area of approximately 301,054.54 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Shi 2008-6 and Shi 2008-44 in favour of Tangshan MCC Real Estate, permissions by the relevant local authority were given to commence the construction work of Phases I and II with a total planned gross floor area of approximately 191,074.63 sq.m..

6. Pursuant to 5 Pre-sales Permits — (Tang) Fang Yu Shou Zheng Di Nos. 454, 465, 435, 482 and 457 in favour of Tangshan MCC Real Estate, the Group is entitled to sell portions of development with a total planned gross floor area of 145,167 sq.m.
7. As advised by the Group, portions of the property with a total gross floor area of 88,412.63 sq.m. were contracted to be sold at a total consideration of RMB747,303,510 but have not been handed over to the purchasers. In the course of our valuation, we have taken into account of the contracted consideration of those portions of the property.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia,* the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights;
   b. The Group has obtained requisite approvals for Phases I and II of the property from the relevant government authorities; and
   c. The Group is entitled to freely sell the portions of the property under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
24.	Blocks D, E, F and G under construction Changchunyuan of Liuxi Garden located at the western side of Xinjian Road and the southern side of North Avenue Xinghualing District Taiyuan City Shanxi Province The PRC	The property comprises a portion of 4 parcels of land with a total site area of approximately 16,376 sq.m. on which 4 buildings and ancillary retail and car parking spaces are being constructed thereon. As advised by the Group, the development is scheduled to be completed in December 2009. Upon completion, the development will have a total gross floor area of approximately 97,872 sq.m. and the details are set out as follows: **Planned Gross Floor Area** **(sq.m.)** Residential 77,610.00 Retail 17,192.00 Car parking spaces 8,808.00 **Total: 103,610.00** As advised by the Group, the total construction cost is estimated to be approximately RMB197,915,000, of which RMB111,085,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring in July 2048 for commercial use and 50 years expiring in July 2058 for residential use.	The property is currently under construction.	39,447,000 98% interest attributable to the Group: RMB38,658,000

Notes:

1. Shanxi MCC Real Estate Co., Ltd. ("Shanxi MCC Real Estate") is a 98% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts entered into between Taiyuan Municipal Land and Resources Bureau and Shanxi MCC dated 5 July 2008, the land use rights of 2 parcels of land with a total site area of 25,730.72 sq.m. have been contracted to be granted to Shanxi MCC for various terms of 40 years expiring in July 2048 for commercial use and 50 years expiring in July 2058 for residential use. The total land premium was RMB48,404,525.
3. Pursuant to 4 State-owned Land Use Rights Certificates — Bing Zheng Di Duo Yong (2008) Di Nos. 00269, 00271, 00272 and 00273, the land use rights of 4 parcels of land with a total site area of approximately 25,730.72 sq.m. have been granted to Shanxi MCC for various terms of 40 years expiring in July 2048 for commercial use and 50 years expiring in July 2058 for residential use.
   As advised by the Group, a portion of the above land with a site area of approximately 7,449.09 sq.m. have been developed and the buildings erected thereon have been sold to various purchasers. Therefore, we have excluded this portion from our valuation.
4. Pursuant to 4 Construction Work Planning Permits — Bing Gui Jian Zheng Xin Zi 2009 Di Nos. 0054 to 0056 and No. 0059, the development of the property with a total planned gross floor area of approximately 97,872 sq.m. has been approved for construction.
5. In the valuation of this property, we have attributed commercial value to the land of the property but no commercial value to the buildings under construction, as the Group has not obtained any construction permits. However, for reference purpose, we are of the opinion that their capital value (excluding the land) as at the date of valuation would be RMB137,986,000 assuming all relevant construction permits have been obtained and they could be freely transferred.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
25.	Phase I Xiangteng City Square under construction located at 207/2 Qiu Hongxiang Village Nanxiang Town Jiading District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 7,371.70 sq.m. with various buildings and structures which are being constructed thereon. As advised by the Group, the development (known as Xiangteng City Square Phase I) is scheduled to be completed in January 2010. Upon completion, the development will have a total gross floor area of approximately 21,007 sq.m. and the details are set out as follows: Planned Gross Floor Area (sq.m.) Residential 13,297.00 Retail 1,446.00 Basement 5,722.00 Others 542.00 **Total: 21,007.00** The total construction cost is estimated to be approximately RMB102,285,000, of which RMB20,046,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring on 15 August 2048 for commercial use, 50 years expiring on 15 August 2058 for office use and 70 years expiring on 15 August 2078 for residential use.	The property is currently under construction.	54,706,000 48.30% interest attributable to the Group: RMB26,423,000

Notes:

1. Shanghai Zhongye Xiangjia Investment Co., Ltd.("Shanghai Zhongye Xiangjia") is a 48.30% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 August 2008 entered into between the Housing and Land Resources Administration Bureau of Jiading District of Shanghai and Shanghai Zhongye Xiangjia, the land use rights of 2 parcels of land with a total site area of approximately 53,630.90 sq.m. were contracted to be granted to Shanghai Zhongye Xiangjia for various terms of 40 years, 50 years and 70 years for commercial, office and residential uses. It includes the land of the property and property no. 53.
3. Pursuant to a Shanghai Real Estate Title Certificate — Hu Fang Di Jia Zi (2009) Di No. 003384, the land use rights of a parcel of land with a site area of approximately 7,371.70 sq.m. have been granted to Shanghai Zhongye Xiangjia for various terms of 40 years expiring on 15 August 2048 for commercial use, 50 years expiring on 15 August 2058 for office use and 70 years expiring on 15 August 2078 for residential use.
4. Pursuant to a Construction Work Planning Permit — Hu Jia Jian (2009) FA No. 31011420090265 in favour of Shanghai Zhongye Xiangjia, various buildings with a total gross floor area of approximately 21,007 sq.m. were approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 0801JD002901 310114200809101419 in favour of Shanghai Zhongye Xiangjia, permission by the relevant local authority was given to commence the construction work.
6. Pursuant to a Mortgage Agreement No. 506127309003 entered into between Shanghai Minhang Bank of China Construction Bank and Shanghai Zhongye Xiangjia, the land use rights with a site area of 7,371.70 sq.m. and the development with a total gross floor area of approximately 15,243.74 sq.m. are subject to a mortgage for a maximum loan of RMB68,000,000 for a term from 5 May 2009 to 4 May 2012.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the Land Use Rights Certificate for the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights; and
   b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
26.	Zhongye Shangcheng under construction located at lots 20/2 and 20/3 16 Jiefang (the east to Jin'er Road, the south to Weiwu Road, the north to Zhouhai Road and the west to Laiyang Road) Gaohang Town Pudong New District Shanghai The PRC	The property comprises 2 parcels of land with a total site area of approximately 83,297 sq.m. on which a residential development is under construction. As advised by the Group, the development (known as Zhongye Shangcheng) is scheduled to be completed in December 2010. Upon completion, the development will have a total gross floor area of approximately 157,015.66 sq.m. The details are set out as follows: **Planned Gross Floor Area** **(sq.m.)** Residential: 119,954.83 Retail: 9,364.93 Car parking spaces: 20,107.01 Ancillary facilities: 7,588.89 **Total: 157,015.66** The total construction cost is estimated to be approximately RMB542,473,000, of which RMB111,654,000 had been paid as at the date of valuation. The land use rights of the property have been granted for terms of 40 and 70 years with the expiring dates on between 27 May 2047 and 27 May 2077 for commercial and residential uses respectively.	The property is currently under construction.	904,291,000 86.36% interest attributable to the Group: RMB780,946,000

Notes:

1. Shanghai Zhongye Xinyu Real Estate Co., Ltd., ("Shanghai Zhongye Xinyu") is an 86.36% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Pudong New District Construction and Traffic Committee and Shanghai Zhongye Xinyu dated 28 July 2007, the land use rights of the property were contracted to be granted to Shanghai Zhongye Xinyu for various terms of 40 and 70 years respectively for commercial and residential uses. The total land consideration was RMB348,000,000.
3. Pursuant to 2 Shanghai Real Estate Title Certificates — Hu Fang Di Pu Zi (2008) 000054, the land use rights of 2 parcels of land with a total site area of approximately 83,297 sq.m. have been granted to Shanghai Zhongye Xinyu for various terms of 40 and 70 years respectively with the expiring dates on 27 May 2054 and 27 May 2077 for commercial and residential uses respectively.
4. Pursuant to 3 Construction Work Planning Permits — Hu Pu Gui Jian Wai (2008) Nos. 15080905F80172, 15080905F80235 and 15080905F80236 in favour of Shanghai Zhongye Xinyu, the development of the property with a total gross floor area of approximately 157,051.66 sq.m. has been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits in favour of Shanghai Zhongye Xinyu, permissions by the relevant local authority were given to commence the construction work.
6. Pursuant to 3 Pre-sales Permit — Pu Dong Xin Qu Fang Di (2009) Yu Zi Nos. 0000094, 0000211 and 0000436 in favour of Shanghai Zhongye Xinyu, the Group is freely entitled to sell portions of the development with the total gross floor area of approximately 60,504.31 sq.m. to local and overseas purchasers.
7. Pursuant to the latest construction plan provided by Shanghai Zhongye Xinyu, the total planned gross floor area of the development upon completion is estimated to be approximately 157,383.65 sq.m..

8. Pursuant to the latest sales plan provided by Shanghai Zhongye Xinyu, the total estimated saleable area of the property is approximately 127,982.39 sq.m. and the saleable underground car-parking lot number is approximately 150.
9. Pursuant to 3 Pre-sales Permits — Pu Dong Xin Qu Fang Di (2009) Yu Zi Nos. 0000094, 0000211 and 0000436 in favour of Shanghai Zhongye Xinyu, the Group is entitled to sell portions of the property with a total planned gross floor area of 60,504.31 sq.m.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia,* the following:
    a. The Group has obtained the State-owned Land Use Rights Certificate for the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights;
    b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and
    c. The Group is entitled to fully sell the portions of the property under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2008
				RMB
27.	Linyin Dadao under construction No. 130 Baihe Road Nan'an District Chongqing The PRC	The property comprises four parcels of land with a total site area of approximately 40,081.20 sq.m. and 12 buildings which are being constructed thereon. As advised by the Group, the development (known as Linyin Dadao) is scheduled to be completed in September 2009. The development has a total planned gross floor area of approximately 171,253 sq.m. and the details are set out as follows:	The property is currently under construction.	690,500,000 79.41% interest attributable to the Group: RMB548,326,000

	Planned Gross Floor Area (sq.m.)
Residential	133,405.19
Retail	16,415.56
Car parking space and Basement	15,584.14
Ancillary facilities	5,848.11
Total:	**171,253.00**

The total construction cost is estimated to be approximately RMB376,949,000, of which RMB294,713,000 has been paid as at the date of valuation.

The land use rights of the property have been granted for terms expiring on 14 January 2057 for residential use and 14 January 2047 for commercial use.

Notes:

1. MCC Real Estate Chongqing Co., Ltd. ("MCC Real Estate Chongqing") is a 79.41% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 15 January 2007 entered into between Chongqing Housing and Land Administration Bureau and MCC Real Estate Chongqing, the land use rights of a parcel of land with a site area of approximately 50,340 sq.m., including a portion of a parcel of land with a site area of approximately 9,755 sq.m. which are contracted to be allocated to MCC Real Estate Chongqing, and the remaining portions with a site area of approximately 40,585 sq.m. which are contracted to be granted to MCC Real Estate Chongqing for terms of 50 years expiring on 14 January 2057 for residential use and 40 years expiring on 14 January 2047 for commercial use. The land consideration was RMB145,100,000.
3. Pursuant to 4 Real Estate Title Certificates—111 D fang Di Zheng 2007 Zi Di Nos. 07017 to 07020 issued by Chongqing Housing and Land Administration Bureau, the land use rights of 4 parcels of land with a total site area of approximately 40,081.20 sq.m. respectively have been granted to MCC Real Estate Chongqing for terms of 50 years expiring on 14 January 2057 for residential use and 40 years expiring on 14 January 2047 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Yu Gui Jian Zheng (2007) Jing Kai Zi Di No. 0329 in favour of MCC Real Estate Chongqing, 13 buildings with a total planned gross floor area of approximately 172,247.88 sq.m. have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits—Nos. 510214200711270101 and 510214200711270201 in favour of MCC Real Estate Chongqing, permission by the relevant local authority was given to commence the construction of the property with the planned gross floor area of 32,602.91 sq.m. and 139,644.97 sq.m. respectively.
6. Pursuant to 4 Pre-sales Permits—Yu Guo Tu Fang Guan(2008) Yu Zi Di No. 289, No. 398 and No. 622 and Yu Guo Tu Fang Guan (2009) Yu Zi Di No. 034 in favour of MCC Real Estate Chongqing, the Group is entitled to sell portions of the property in terms of the planned gross floor area of approximately 40,769.87 sq.m., 21,441.43 sq.m., 14,929.66 sq.m. and 56,264.23 sq.m. respectively.
7. As confirmed by MCC Real Estate Chongqing, 502 residential units of the property with a total gross floor area of approximately 39,671.38 sq.m. were contracted to be sold at a total consideration of RMB152,495,743, but have not been handed over to the purchasers as at the date of valuation. In the course of our valuation, we have taken into account of the aforesaid contracted prices of the portion of the property.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of land use rights of the property; and
   b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities and relevant pre-sales permit to sell the property under the PRC laws.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
28.	Zhongding Mountain Villa under construction located at Weituo Alley Xuanwu District Nanjing City Jiangsu Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 184,977.90 sq.m. on which a residential and commercial complex (known as Zhongding Mountain Villa) is being constructed thereon. As advised by the Group, the property is scheduled to be completed in April 2011. Upon completion, the development will have a total gross floor area of approximately 280,391.71 sq.m. and the details are set out as follows: **Planned Gross Floor Area (sq.m.)** Residential 151,971.63 Serviced apartment 5,993.98 Hotel 24,605.47 Ancillary facilities 4,228.39 Car parking spaces 43,400.79 Storage room 19,071.12 Other 31,120.33 **Total: 280,391.71** The total construction cost is estimated to be approximately RMB838,908,000, of which RMB161,364,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 70, 65, 40 years for residential, service apartment and commercial, office use respectively commencing from 30 July 2006.	The property is currently under construction.	1,797,508,000 80.94% interest attributable to the Group: RMB1,454,903,000

Notes:

1. MCC Real Estate Nanjing Co., Ltd.("MCC Real Estate Nanjing") is an 80.94% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between MCC Real Estate Nanjing and Nanjing Land and Resources Bureau dated 5 June 2006, the land use rights of the property were contracted to be granted to MCC Real Estate Nanjing for various terms of 70, 65, 40 years for residential, service apartment and commercial, office use respectively commencing from 30 July 2006. The land consideration was RMB1,290,000,000.
3. Pursuant to 3 State-owned Land Use Rights Certificates — Ning Xuan Guo Yong (2007) Zi Di Nos. 12311, 12312 and Ning Xuan Guo Yong (2008) Zi Di No. 02774, the land use rights of 3 parcels of land with a total site area of approximately 184,977.90 sq.m. have been granted to MCC Real Estate Nanjing for various terms of 70, 65, 40 years for residential, service apartment and commercial, office use respectively commencing from 30 July 2006.
4. Pursuant to 3 Construction Work Planning Permits — Ning Gui Cheng Zhong Jian Zhu 2007 No. 0102, Jian Zi Di Nos. 320102200810106 and 320102200811126 in favour of MCC Real Estate Nanjing, 54 buildings with a total gross floor area of approximately 236,979.56 sq.m. (including the portions below ground) have been approved for construction.
5. Pursuant to 2 Construction Work Commencement Permits — Ning Jian Ji Xu (2008) Nos. 069 and 194 in favour of MCC Real Estate Nanjing, permissions by the relevant local authority were given to commence the construction work regarding a total planned gross floor area of approximately 131,249.86 sq.m.
6. Pursuant to a Pre-sales Permit — Ning Fang Xiao Zi No. 200810159W in favour of MCC Real Estate Nanjing, the Group is entitled to sell the portions of development with a total planned gross floor area of approximately 17,145.34 sq.m.

7. As advised by the Group, portions of the property comprising a total gross floor area of 10,779.35 sq.m. were contracted to be sold at a total consideration of RMB140,010,604.90 but have not been handed over to the purchasers. In the course of our valuation, we have taken into account of the aforesaid contracted consideration of those portions of the property.
8. Pursuant to 4 mortgage contracts entered into between Nanjing Branch of China Minsheng Bank and MCC Real Estate Nanjing, 3 parcels of land with a total site area of approximately 162,667.50 sq.m. and the development with a total gross floor area of approximate 31,552.88 sq.m. are subject to a mortgage for a maximum loan of RMB1,000,000,000 for a term from 24 April 2009 to 24 April 2012.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia,* the following:
    a. The Group has obtained the State-owned Land Use Rights Certificates for the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights upon acquiring the consent of the mortgagees; and
    b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities and relevant pre-sales permit to sell the portions of the property under the PRC laws.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
29.	Xin'ao Yijiang Panyuan under construction located at Daokouhu Qingshan District Wuhan City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 70,954.81 sq.m. on which 11 residential buildings and various ancillary facilities are being constructed. As advised by the Group, the development is scheduled to be completed in September 2009. Upon completion, the property will have a total gross floor area of approximately 167,596.89 sq.m. The details are set out as follows: Residential: 153,467.28 sq.m. Ancillary facilities: 4,129.61 sq.m. Car parking spaces: 10,000.00 sq.m. **Total: 167,596.89 sq.m.** As advised by the Group, there are a portion of residential units with a total planned gross floor area of approximately 18,390.05 sq.m. which have been determined to be purchased by the local government to reallocate the original residents at a total consideration of RMB51,472,560 based on a fixed and preferential price. The total construction cost is estimated to be RMB416,294,000 of which approximately RMB308,556,000 had been paid up to the date of valuation. The land use rights of the property have been granted for a term of 70 years expiring on 17 April 2077 for residential use.	The property is currently under construction.	668,988,000 77.35% interest attributable to the Group: RMB517,462,000

Notes:

1. MCC Xin'ao (Wuhan) Real Estate Co., Ltd. ("MCC Xin'ao (Wuhan)") is a 77.35% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract — WCG-2007-014 entered into between Wuhan Municipal Bureau of Land Resource and Housing Management and MCC Xin'ao (Wuhan) dated 16 April 2007, the land use rights of the property with a site area of approximately 35,832 sq.m. were contracted to be granted to the MCC Xin'ao (Wuhan) for a term of 70 years expiring on 17 April 2077 for residential use. The total land consideration was RMB109,330,000.
3. Pursuant to a State-owned Land Use Rights Certificate — Wu Guo Yong (2007) No. 287 issued by Wuhan Municipal Bureau of Land Resource and Housing Management dated 18 April 2007, the land use rights of the property with a site area of approximately 70,954.81 sq.m. have been granted to MCC Xin'ao (Wuhan) for a term of 70 years expiring on 17 April 2077 for residential use.
4. Pursuant to a Construction Work Planning Permit — Wu Gui Qing Jian Zheng Zi (2007) No. 003 issued by Wuhan City Planning Bureau (Qinshan) in favour of MCC Xin'ao (Wuhan), 11 buildings with a total planned gross floor area of approximately 156,101 sq.m. were approved to construct.
5. Pursuant to 2 Construction Work Commencement Permits — Nos. 420107200512230031 4BJ4002 and 420107200802030031 4BJ4001 issued by Wuhan Construction Commission in favor of MCC Xin'ao (Wuhan), permissions were given for construction of the development with the total planned gross floor area of 169,780.08 sq.m.
6. Pursuant to 2 Pre-sales Permits — Wu Kai Guan Yu Shou (2008) No. 165 and Wu Kai Guan Yu Shou (2009) No. 102 that was issued by Wuhan City Development and Management Office, 9 residential buildings with a total gross floor area of approximately 153,467.28 sq.m.

have been approved for pre-sale. Approximately 18,390.05 sq.m. need to be purchased back by the local government. And the sale of this part would be at RMB2,800 per sq.m. by the contract between the local government department and MCC Xin'Ao (Wuhan).

7. As advised by the Group, 730 residential units of the residential buildings with a total gross floor area of approximately 60,618 sq.m. had been sold to various parties with a total consideration of RMB277,113,434 as at the date of valuation. In the course of our valuation, we have taken into account the aforesaid contracted consideration of the portions of the property.
8. Pursuant to a Mortgage Contract entered into between Wuhan Qingshan Branch of Bank of Communications and MCC Xin'ao (Wuhan), the land use rights with a site area of approximately 70,954.81 sq.m. of the property under the State-owned Land Use Rights Certificate — Wu Guo Yong (2007) No. 287, are subject to a mortgage for a maximum loan amount of RMB120,000,000 for a term from 26 June 2007 to 26 June 2009.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights upon obtaining the consent of the mortgagee;
   b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and
   c. The Group is entitled to freely sell the portion of the property under the Pre-Sales Permit.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
30.	Swan Bay International Waterfront Phase I (excluding Building Nos. 17, 18, 20 and 21) under construction located at the western side of Xichang Bei Road, the eastern side of Renmin Road Yongyongqiao District Suzhou City Anhui Province The PRC	The property comprises a portion of 2 parcels of land with a total site area of approximately 57,532.19 sq.m., 27 buildings and various structures which are being constructed thereon. As advised by the Group, the property is scheduled to be completed in December 2009. Upon completion, the development will have a total gross floor area of approximately 50,311 sq.m. and the details are set out as follows: Apartments: 34,106 sq.m. Townhouse: 5,722 sq.m. Semi-detached villa: 10,483 sq.m. **Total: 50,311 sq.m.** The total construction cost is estimated to be approximately RMB91,717,000 of which RMB32,841,000 had been paid as at the date of valuation. The land use rights of the property have been granted for a term of 50 years expiring on February 2058 for residential use.	The property is currently under construction.	59,894,000 48.09% interest attributable to the Group: RMB28,803,000

Notes:

1. Wuye Kuntai (Suzhou) Real Estate Co., Ltd. (the "Wuye Kuntai Suzhou") is a 48.09% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 2 February 2008 between State-owned Land Resources Bureau of Suzhou City and Wuye Kuntai Suzhou, the land use rights of the 5 parcels of land with a total site area of approximately 335,798.87 sq.m. were contracted to be granted to Wuye Kuntai Suzhou for a term of 50 years for residential use. The total land premium was RMB123,909,783. It includes the land of the property and property no.15 and property no. 48.
3. Pursuant to a State-owned Land Use Rights Certificate — Suzhou Guo Yong (2008) Di No. 0810018, the land use rights of a parcel of land with a site area of approximately 25,661.19 sq.m. were granted to Wuye Kuntai Suzhou for a term of 50 years expiring on February 2058 for residential use.
4. Pursuant to a State-owned Land Use Certificate — Suzhou Guo Yong (2008) Di No. 0810019, the land use rights of a parcel of land with a site area of approximately 112,263.87 sq.m. have been granted to Wuye Kuntai Suzhou for a term of 50 years expiring in February 2058 for residential use. A portion of the land with a site area of approximately 31,871 sq.m. is included in this property for development of 27 buildings. The rest is included in property no. 21 and property 54.
5. Pursuant to 27 Construction Work Planning Permits — Nos. Su Jian Gui Gong 2007-146 to 2007-149 and Jian Zi 341301200800200 to 341301200800211 in favour of Wuye Kuntai Suzhou, 27 buildings have been approved for construction.
6. Pursuant to 3 Construction Work Commencement Permits — Nos. 220009030017,220009060029 and 220008119072 in favour of Wuye Kuntai Suzhou, permissions by the relevant local authority were given to commence the construction work with a total gross floor area of approximately 44,155 sq.m.
7. Pursuant to 12 Pre-sales Permits — (Su) Yu Shou Zheng Di Nos. 2008-214 to 2008-216, 2008-218, 2009-004 to 2009-007, 2009-015, 2009-016, 2009-019 and 2009-020 in favour of Wuye Kuntai Suzhou, it is freely entitled to sell the portions of development with a total gross floor area of approximately 33,604 sq.m.
8. As advised by Wuye Kuntai Suzhou, portions of the property comprising a total gross floor area of 24,451.67 sq.m. have been pre-sold to various third parties at a total consideration of RMB63,900,921.93.

9. As advised by Wuye Kuntai Suzhou, 12 units of townhouse with a total planned gross floor area of approximately 8,501 sq.m. have not been constructed as at the dated of valuation.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
    a. The Group has obtained 2 State-owned Land Use Rights Certificates for the property as mentioned in notes 3 and 4, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights;
    b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and.
    c. The Group is entitled to freely sell the portions of the property under the Pre-sales Permits.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
31.	Zhongye Yanjing under construction located at 2nd Ring Road Guihua Village Xujia Town Dujiangyan City Sichuan Province The PRC	The property comprises a parcel of land with a site area of approximately 117,413.10 sq.m. and a subsidized residential development named Zhongye Yanjing which is being constructed thereon. As advised by the Group, the development is scheduled to be completed in April 2010. As advised by the Group, the development has a total planned gross floor area of approximately 234,997.99 sq.m. and the details are set out as follows: **Planned Gross Floor Area (sq.m.)** Residential 182,361.35 Retail 4,942.64 Car parking spaces 15,530.00 Other 32,164.00 **Total: 234,997.99** The total construction cost is estimated to be approximately RMB429,026,000, of which RMB50,477,000 had been paid as at the date of valuation. The land use rights of the property were contracted to be granted for a term of 70 years for residential use.	The property is currently under construct.	No Commercial Value

Notes:

1. MCC Chengdu Yanjing Zhiye Co. Ltd. ('" MCC Chengdu Yanjing") is a 94.30% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 April 2008 entered into between the Dujiangyan Bureau of Land Resources and MCC Chengdu Yanjing, the land use rights of a parcel of land with a site area of approximately 117,413.10 sq.m. were contracted to be granted to MCC Chengdu Yanjing for a term of 70 years for residential use. The land consideration was RMB232,478,400.
3. Pursuant to a Construction Land Planning Permit — No. 510181200821072 in favour of MCC Chengdu Yanjing, permission towards the planning of the property land with a site area of approximately 117,413.10 sq.m. has been granted to MCC Chengdu Yanjing.
4. Pursuant to 3 Construction Work Planning Permits — Du Gui Shuo Ming (2008) Di Nos. 23, 24 and 26 in favour of MCC Chengdu Yanjing, the buildings with a total gross floor area of approximately 28,595.62 sq.m. have been approved for construction.
5. Pursuant to a cooperative agreement entered into between Dujiangyan People's Government and MCC Chengdu Yanjing, the government and MCC Chengdu Yanjing will cooperate to build the price-limited commodity residence. Through the fixed land grant consideration of RMB6,000,000 per Mu, the sale price of the residence would be further determined by the two parties, mainly based on the actual construction cost and 8% investment return.
6. As confirmed by MCC Chengdu Yanjing, the total land consideration of RMB116,239,200 had been paid up to the date of valuation.
7. As at the date of valuation, the land use rights of the property has not been obtained by MCC Chengdu Yanjing. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB262,408,000, on the condition that the relevant title certificates have been obtained by MCC Chengdu Yanjing and MCC Chengdu Yanjing is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has entered into the State-owned Land Use Rights Grant Contract and paid up the land premium in part, so there is no material legal impediment for the Group to obtain the relevant State-owned Land Use Rights Certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
32.	Qingshan Bishui under construction located at Binjiang Dong Road Longtan District Jilin City Jilin Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 48,067.84 sq.m. on which various buildings are being constructed thereon. As advised by the Group, the development (known as Qinshan Bishui) is scheduled to be completed in December 2011. Upon completion, the development will have a total gross floor area of approximately 271,730 sq.m. and the details are set out as follows: Residential: 229,277.00 Retail: 1,788.00 Car parking spaces: 36,950.00 Others: 3,715.00 **Total: 271,730.00** (Planned Gross Floor Area) As advised by the Group, the total construction cost is estimated to be approximately RMB599,950,000, of which RMB17,306,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring on 10 March 2048 for commercial use and 70 years expiring on 10 March 2078 for residential use.	The property is currently under construction.	130,771,000 94% interest attributable to the Group: RMB122,925,000

Notes:

1. Jilin MCC Jingye Real Estate Co., Ltd. ("Jilin MCC Jingye") is a 94% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Jilin Municipal Land and Resources Bureau and Jilin MCC Jingye dated 10 March 2008 and a Construction Supplement Agreement entered into between Jilin City Longtan District People's Government and Jilin MCC Jingye dated 22 October 2007, the land use rights of a parcel of land with a site area of approximately 48,067.84 sq.m. were contracted to be granted to Jilin MCC Jingye for various terms of 40 years expiring on 10 March 2048 for commercial use and 70 years expiring on 10 March 2078 for residential use. The land premium was RMB18,393,800.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Ji Shi Guo Yong (2008) Di Nos. 220203001568 and 220203001567, the land use rights of 2 parcels of land with a total site area of approximately 48,067.84 sq.m. have been granted to Jilin MCC Jingye for various terms of 40 years expiring on 10 March 2048 for commercial use and 70 years expiring on 10 March 2078 for residential use.
4. Pursuant to a Construction Work Planning Permit — Ji Shi Jian Gui Zi (2008) Long Nos. 014-1, 014-2 and 014-3 in favour of Jilin MCC Jingye, the development with a total gross floor area of approximately 271,811 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — No. 220204200906040101, permission by the relevant local authority was given to commence the construction work with a total planned gross floor area approximately 101,115 sq.m.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
33.	Phases III & IV of Xin'ao Lancheng under construction No. 68 Chuncheng Street Lvyuan District Changchun City Jilin Province The PRC	The property comprises a parcel of land with a site area of approximately 124,011 sq.m. which is planned to be developed in 2 phases named as Phases III and IV of Xin'ao Lancheng and Phase III which is being constructed thereon. The property also includes Phase III is on a portion of land with a site area of approximately 59,611 sq.m.. As advised by the Group, Phase III is scheduled to be completed in December 2010. Upon completion, Phase III will have a total gross floor area of 136,571.34 sq.m. and the details are set out as follows: **Planned Gross Floor Area (sq.m.)** Residential 112,666.00 Other 23,905.34 **Total: 136,571.34** As advised by the Group, the total construction cost of Phase III is estimated to be approximately RMB292,787,000, of which RMB19,999,000 had been paid as the date of valuation. In addition, Phase IV will occupy the land with a site area of approximately 64,400 sq.m. and is scheduled to be finished in December 2013. The land use rights of the property have been granted for a term of 50 years expiring on 14 June 2055 for residential use.	The property is currently under construction.	269,370,000 77.87% interest attributable to the Group: RMB209,758,000

Notes:

1. MCC Xin'ao Changchun Real Estate Co., Ltd. ("MCC Xin'ao Changchun") is a 77.87% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract and a Land Settlement and Compensation Agreement entered into between Changchun City Bureau of State Land and Resources and MCC Xin'ao Changchun dated 22 May 2007, the land use rights of a parcel of land with a site area of approximately 238,343 sq.m. were contracted to be granted to MCC Xin'ao Changchun for a term of 50 years expiring on 14 June 2055 for commercial and residential uses. The total land consideration was RMB273,500,000. The land under the contract includes the land of Phases I to IV of Xin'ao Lancheng.
3. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2008) Di No. 060018248, the land use rights of a parcel of land with a site area of approximately 124,011 sq.m. have been granted to MCC Xinao Changchun for a term of 50 years expiring on 14 June 2055 for residential use.
4. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 220000200800304 and 220000200800305 in favour of MCC Xin'ao Changchun, the development of Phase III with a total planned gross floor area of approximately 136,571.16 sq.m. has been approved for construction.
5. Pursuant to 4 Construction Work Commencement Permits — Chang Jian Gong Zi (2009) Nos. 06023 to 06026, permissions by the relevant local authority were given to commence the construction work with a total planned gross floor area approximately 40,999.65 sq.m.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
34.	Zicui Gaoqingyuan under construction located at the western side of Jinxiu Road and the northern side of Gaoqing Road Nanxin Village Beicai Town Pudong New District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 23,819 sq.m. and various residential buildings and ancillary facilities which are being constructed thereon as at the date of valuation. As advised by the Group, the development (known as Zicui Gaoqingyuan) is scheduled to be completed in April 2010. Upon completion, the development will have a total gross floor area of approximately 45,583.20 sq.m. and the details are set out as follows: **Planned Gross Floor Area (sq.m.)** Residential 38,051.10 Car parking spaces 6,932.28 Ancillary facilities 599.82 **Total: 45,583.20** The total construction cost is estimated to approximately RMB98,234,000, of which RMB11,762,000 had been paid at the date of valuation. The land use rights of the property have been granted for a term of 70 years expiring on 29 April 2076 for residential use.	The property is currently vacant.	111,198,000 94.93% interest attributable to the Group: RMB105,560,000

Notes:

1. Shanghai Pufeng Real Estate Co., Ltd. ("Shanghai Pufeng") is a 94.93% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 30 April 2006 between Pudong New District Construction and Traffic Committee and Shanghai Pufeng, the land use rights of the property were contracted to be granted to Shanghai Pufeng for a term of 70 years expiring on 29 April 2076 for residential use at a total land premium of RMB11,923,065.
3. Pursuant to a Shanghai Real Estate Title Certificate — Hu Fang Di Pu Zi (2006) Di No. 089033, the land use rights of a parcel of land with a site area of approximately 23,819 sq.m. have been granted to Shanghai Pufeng for a term of 70 years expiring on 29 April 2076 for residential use.
4. Pursuant to a Construction Work Planning Permit — Hu Pu Gui Jian San (2008) No. 15080306F80059 in favour of Shanghai Pufeng, the development with a gross floor area of approximately 45,651.67 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit 0502PD02402D02 No. 3102242006080818109 dated 18 February 2009 in favour of Shanghai Pufeng, permission by the relevant local authority was given to commence the construction work.
6. According to a Commodity Supply Agreement dated 18 September 2008 entered into between Shanghai Pudong Land Resources Reserve Centre (the "Purchaser") and Shanghai Pufeng, portions of the residential units of the development with a total planned gross floor area of approximately 3,718.40 sq.m. were contracted to be purchased by the Purchaser at the unit price of RMB5,790 per sq.m.
7. According to a Commodity Supply Agreement dated 22 September 2008 entered into between Shanghai Pudong Construction Management Co., Ltd. (the "Purchaser") and Shanghai Pufeng, portions of the residential units of the development with a total planned gross floor area of approximately 34,332.70 sq.m. were contracted to be purchased by the Purchaser at the unit price of RMB5,790 per sq.m.
8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June, 2009
				RMB
35.	Yundong 365 under construction No. 6 Yejin Sancun Shipingqiao Jiulongpo District Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 11,700 sq.m. and 3 residential buildings which are being constructed thereon as at the date of valuation. As advised by the Group, the development (knows as Yundong 365) is scheduled to be completed in December 2010. As advised by the Group, the development has a total planned gross floor area of approximately 80,608.10 sq.m. and the details are set out as follows:	The property is currently under construction.	70,770,000 100% interest attributable to the Group: RMB70,770,000

Usage	Planned Gross Floor Area
	(sq.m.)
Residential	60,689.30
Retail	701.00
Car parking spaces	17,091.50
Other	2,126.30
Total:	**80,608.10**

The total construction cost is estimated to be approximately RMB142,352,000, of which RMB19,997,000 had been paid as at the date of valuation.

The land use rights of the property have been granted for terms of 50 years expiring in July 2058 for residential use and of 40 years expiring in July 2048 for commercial use.

Notes:

1. China Metallurgical Construction Chongqing Co., Ltd. ("MCC Construction Chongqing") is a 100% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 15 July 2008 entered into between Chongqing Housing and Land Administration Bureau and MCC Construction Chongqing, the land use rights of a parcel of land with a site area of approximately 11,700 sq.m. were granted to MCC Construction Chongqing for terms of 50 years expiring on 14 July 2058 for residential use and of 40 years expiring on 14 July 2048 for commercial use. The land consideration was RMB69,320,000.
3. Pursuant to a State-owned Land Use Rights Certificate — 105D Fang Di Zheng 2009 Zi Di No. 06523, the land use rights of a parcel of land with a site area of approximately 10,700 sq.m. have been granted to MCC Construction Chongqing for terms of 50 years expiring in July 2058 for residential use and of 40 years expiring in July 2048 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Jian No. 5001072009100021 in favour of MCC Construction Chongqing, the development with a total planned gross floor area of approximately 80,608.10 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — 510202200904170101 in favour of MCC Construction Chongqing, permission by the relevant local authority was given to commence the construction work.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.
   b. *

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
36.	A parcel of land and 2 buildings (Shanghai Automobile Square) under construction located at No. 1108 Hutai Road Zhabei District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 10,345.7 sq.m. on which a podium and 2 buildings are being constructed thereon. As advised by the Group, the property is scheduled to be completed in May 2011. Upon the completion, the development will have a total gross floor area of approximately 40,013 sq.m. and the details are set out as follows: Planned Gross Floor area (sq.m.) Retail 19,091.00 Commercial 6,773.00 Others 163.00 Basement 13,986.00 **Total 40,013.00** The total construction cost is estimated to be approximately RMB161,041,000, of which RMB7,669,000 had been paid as the date of valuation. The land use rights of the property have been granted for a term of 50 years expiring on 15 January 2058 for commercial and office uses.	The property is currently under construction.	216,100,000 37.72% interest attributable to the Group: RMB81,513,000

Notes:

1. Shanghai Union Auto Dadao Development Construction Co., Ltd. ("Shanghai Union") is a 37.72% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Shanghai Union and Zhabei Land and Resource Bureau dated 16 January 2008, the land use rights of a parcel of land with a site area of approximately 10,345.7 sq.m were contracted to be granted to Shanghai Union for commercial and office uses. The land consideration was RMB 209,300,000.
3. Pursuant to an Agreement dated 7 July 2006 entered into between Shanghai Wuye Construction Co., Ltd. and Shanghai Union Auto Group Co., Ltd. ("Shanghai Union Auto Group"), the two parties agreed that 51% of the land with a site area of approximately 20,666 sq.m. would be developed by Shanghai Union Auto Group. As advised, Shanghai Union Auto Group has changed the aforesaid share ratio to 40%. As advised by the Group, the parcel of land with a site area of 10,345,7 sq.m. has been granted to Shanghai Union. The remaining parcel of land will be transferred from Shanghai Union Auto Group to Shanghai Union when it completes the 25% of the development.
4. Pursuant to a State-owned Land Use Rights Certificate — Hu Fang Di Zha Zi No. 007598, the land use rights of a parcel of land with a site area of approximately 10,345.7 sq.m. have been granted to Shanghai Union for a term of 50 years expiring on 15 January 2058 for commercial and office uses..
5. Pursuant to a Construction Work Planning Permit — Zha Di (2008) 08080718E00847, in favour of Shanghai Union, the development with a total planned gross floor area of approximately 13,986 sq.m. for underground space have been approved for construction.
6. Pursuant to a Construction Work Commencement Permit — 0801ZB0012D01 310108200807280601, in favour of Shanghai Union, permission by the relevant local authority was given to commence the underground construction work.
7. In the valuation of the property, we have attributed no commercial value to the property which has not obtained relevant planning permission. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB15,498,000 assuming the property could be freely transferred.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Group has obtained the State-owned Land Use Rights Certificate of the property land, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
37.	Jinyuchi Project Phase II under construction located at Dadushi Street Chongwen Distirct Beijing The PRC	The property comprises a parcel of land with a site area of approximately 39,432.55 sq.m. on which various Chinese Courtyard, an apartment building, 3 residential buildings and an office building are being constructed thereon. As advised by the Group, the development (known as Jinyuchi Project Phase II) is scheduled to be completed in December 2009 except for Chinese Courtyard which was completed in December 2008. Upon completion, the development will have a total gross floor area of approximately 124,820.63 sq.m. and the details are set out as follows: Apartment: 54,661.60 sq.m. Chinese Courtyard: 3,955.24 sq.m. Residential: 50,134.90 sq.m. Office: 16,068.89 sq.m. **Total: 124,820.63 sq.m.** The total construction cost is estimated to be approximately RMB727,020,000, of which RMB270,302,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring on 27 August 2044 for commercial use, 50 years expiring on 27 August 2054 for office and underground car parking space uses and 70 years expiring on 27 August 2074 for residential use.	The property is currently under construction except for the Chinese Courtyard.	1,516,467 99.01% interest attributable to the Group: RMB1,501,454,000

Notes:

1. MCC Real Estate Co., Ltd.("MCC Real Estate") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Beijing Municipal Bureau of Land and Resources and Beijing Xin'ao Real Estate Co., Ltd. dated 28 August 2004, the land use rights of the property were contracted to be granted to Beijing Xin'ao Real Estate Co., Ltd. which is the former name of MCC Real Estate, for various terms of 40 years expiring on 27 August 2044 for commercial use, 50 years expiring on 27 August 2054 for office and underground car parking spaces uses and 70 years expiring on 27 August 2074 for residential use. The land consideration was RMB122,608,198.
3. Pursuant to a State-owned Land Use Rights Certificate — Jing Chong Guo Yong (2006) No. 0047, the land use rights of a parcel of land with a site area of approximately 39,432.55 sq.m. have been granted to MCC Real Estate for various terms of 40 years expiry on 27 August 2044 for commercial use, 50 years expiring on 27 August 2054 for office and underground car parking spaces uses and 70 years expiring on 27 August 2074 for residential use.
4. Pursuant to 3 Construction Work Planning Permits — 2006 Gui (Chong) Jian Zi No. 0082, 2007 Gui (Chong) Jian Zi No. 0031 and 2007 Gui (Chong) Jian Zi No. 0051 in favour of MCC Real Estate, 6 buildings with a total gross floor area of approximately 124,820.63 sq.m. have been approved for construction.
5. Pursuant to 3 Construction Work Commencement Permits — (2007) Shi Jian Zi No. 0444, (2007) Shi Jian Zi No. 1370 and (2008) Shi Jian Zi No. 0232 in favour of MCC Real Estate, permissions by the relevant local authority were given to commence the construction work.

6. Pursuant to 2 Pre-sales Permits — Jing Fang Shou Zheng Zi (2008) No. 426 and Jing Fang Shou Zheng Zi (2009) No. 48 in favour of MCC Real Estate, the Group is entitled to sell portions of the property with the planned gross floor area of approximately 53,515.40 sq.m. and 56,009.67 sq.m. respectively.
7. As advised by the MCC Real Estate, portions of the property comprising various residential units with a total gross floor area of 15,736.30 sq.m. were contracted to be sold at a total consideration of RMB 373,117,430, but have not been handed over to the purchasers. In arriving at our opinion on the capital value of the property, we have taken into account of the contracted consideration of those portions of the property.
8. Pursuant to a Mortgage Contract — 2007 Nian IZRLD Zi No. 038 entered into between MCC Real Estate and Beijing Chongwen Branch of Bank of China (the "mortgagee"), the land use rights of the property under the State-owned Land Use Rights Certificate — Jing Chong Guo Yong (2006) Di No. 0047, are subject to a mortgage for bank loan with an amount of RMB500,000,000 for a mortgage term of 3 years expiring on 10 July 2010.
9. Pursuant to a Construction Work Completion and Inspection Table — Chong Jun Bei Zi 2009 No. 002, the Chinese Courtyard with a total gross floor area of approximately 3,995.24 sq.m. have been completed and passed the acceptance inspection.
10. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
    a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights;
    b. The Group has obtained requisite approvals for the development of the property from the relevant government authorities; and
    c. The Group is entitled to freely sell the portions of the property under the Pre-sales Permit.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
38.	Hualin Technology Mansion under construction No. 15 Xiaguangli Chaoyang District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 9,800 sq.m. on which an office building was being constructed as at the date of valuation. As advised by the Group, the development (known as Huallin Technology Mansion) is scheduled to be completed in November 2009. Upon completion, the office building will have a gross floor area of approximately 59,598 sq.m. and the details are set out as follows: **Usage** / **Planned Gross Floor Area (sq.m.)** Office 50,340.00 Retail 1,856.00 Car parking spaces 7,402.00 **Total: 59,598.00** The land use rights of the property have been granted for various terms of 40 years expiring on 15 September 2034 for commercial use and 50 years with expiring on 15 September 2044 for office use.	The property is currently under construction.	593,000,000 99.01% interest attributable to the Group: RMB587,129,000

Notes:

1. Beijing Xin'an Real Estate Co., Ltd. ("Beijing Xin'an") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Jing Shi Chao Qi Guo Yong (2004 Chu) Di No. 10190, the land use rights of a parcel of land with a site area of approximately 9,800 sq.m. have been granted to Beijing Xin'an for various terms of 40 years expiring on 15 September 2034 for commercial use and 50 years with expiring on 15 September 2044 for office use.
3. Pursuant to a Construction Work Planning Permit — 2005 Gui Jian Zi No. 0285 in favour of Beijing Xin'an, a building with a gross floor area of approximately 59,598 sq.m. (including a basement) has been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — Jing Jian Kai Zi (94) Di No. 02062 in favour of Beijing Xin'an, permission by the relevant local authority was given to commence the construction work.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights; and
   b. The Group has obtained requisite approvals in respect of the development from the relevant government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
39.	Xuelian Mansion Phase II under construction Jia 1 Shuguangxili Chaoyang District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 9,414.05 sq.m. on which an office building is being constructed thereon. As advised by the Group, the development (known as Xuelian Masion) is scheduled to be completed in September 2009. Upon completion, the development will have a total gross floor area of approximately 92,700 sq.m. and the details are set out as follows:	The property is currently under construction.	1,223,000,000 99.01% interest attributable to the Group: RMB1,210,892,000

	Planned Gross Floor Area
	(sq.m.)
Office	63,297.00
Retail	1,703.00
Car parking spaces/Basement	27,700.00
Total:	**92,700.00**

As advised by the Group, the total construction cost is estimated to be approximately RMB681,970,000, of which RMB381,296,000 had been paid as at the date of valuation.

The main structure of the building has been completed and the internal installation works are under way.

The land use rights of the property have been granted for various terms of 40 years expiring on 26 November 2042 for commercial use and 50 years expiring on 26 November 2052 for office and car parking spaces uses.

Notes:

1. Beijing Guangyuanli Real Estate Co., Ltd.("Beijing Guangyuanli") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2003 Chu) Di No. 0089, the land use rights of a parcel of land with a site area of approximately 9,414.05 sq.m. have been granted to Beijing Guangyuanli for various terms of 40 years expiring on 26 November 2042 for commercial use and 50 years expiring on 26 November 2052 for office and car parking spaces uses.
3. Pursuant to 2 Construction Work Planning Permits — 2006 Gui Jian Zi Nos.0505 and 0506 in favour of Beijing Guangyuanli, a building with a total gross floor area of approximately 92,700 sq.m. has been approved for construction.
4. Pursuant to 2 Construction Work Commencement Permits — (2006) Shi (Chao) Jian Zi Nos.0199 and 0283 in favour of Beijing Guangyuanli, permissions by the relevant local authority were given to commence the construction work.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights upon acquiring the consent of mortgagees; and
   b. The Group has obtained requisite approvals for the development of the property from relevant government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
40.	Guancheng Center under construction located at Madianqiao Haidian District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 16,769.78 sq.m. on which an office & commercial building was being constructed as at the date of valuation. As advised by the Group, the development (known as Guancheng Center) is scheduled to be completed in October 2009. Upon completion, the development will have a planned gross floor area of approximately 143,492 sq.m. and the details are set out as follows: **Planned Gross Floor Area** **(sq.m.)** Office 54,281.00 Retail 13,955.00 Serviced apartment 50,464.00 Car parking spaces/Basement 24,792.00 **Total: 143,492.00** As advised by the Group, the total construction cost is estimated to be approximately RMB809,150,000, of which RMB433,987,000 had been paid as at the date of valuation. The land use rights of the property have been granted for various terms of 40 years expiring on 11 May 2047 for commercial use and 50 years expiring on 11 May 2057 for office and car parking spaces uses.	The property is currently under construction.	2,016,583,000 99.01% interest attributable to the Group: RMB1,996,619,000

Notes:

1. Beijing Haike Real Estate Co., Ltd. ("Beijing Haike") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Jing Hai Guo Yong (2003 Zhuan) Zi Di No. 2485, the land use rights of a parcel of land with a site area of approximately 16,769.78 sq.m. have been granted to Beijing Haike for various terms of 40 years expiring on 11 May 2047 for commercial use and a term of 50 years expiring on 11 May 2057 for office and car parking spaces uses.
3. Pursuant to a Construction Work Planning Permit — 2006 Gui Jian Zi No. 0423 in favour of Beijing Haike, a building with a gross floor area of approximately 143,492 sq.m. has been approved for construction.
4. Pursuant to a Construction Work Commencement Permit — (2006) Shi Jian Zi No. 2239 in favour of Beijing Haike, permission by the relevant local authority was given to commence the construction work.
5. Pursuant to a Mortgage Agreement — 2007 Nian Lishi Haike Yin Tuan Di Zi Di No. 01 entered into between Beijing Haike, Beijing Nanlishi Road Sub-branch of Industrial and Commercial Bank of China and Beijing Zhongguancun Sub-branch of Guangdong Development Bank (the "mortgagees"), the land use rights of the property with a site area of approximately 16,769.78 sq.m. are subject to a mortgage for a maximum loan amount of RMB600,000,000 for a term from 30 November 2007 to 29 November 2010.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights upon acquiring the consent of the mortgagees; and
   b. The Group has obtained requisite approvals in respect of the development from the relevant authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
41.	4 parcels of land and various buildings under construction (Hexi Lianhua Village Project) located at Lianhua Village Jianye District Nanjing City Jiangsu Province The PRC	The property comprises 4 parcels of land with a total site area of approximately 141,614.40 sq.m. on which an affordable residential development is under construction. As advised by the Group, the development (known as Lianhua Village Project) is scheduled to be completed in December 2010. Upon completion, the development will have a total gross floor area of approximately 374,212.52 sq.m. and the details are set out as follows: **Planned Gross Floor Area** Residential 310,877.87 Car parking spaces/basement 63,334.65 **Total: 374,212.52** The total construction cost is estimated to be approximately RMB719,468,000. No construction cost had been paid as at the date of valuation as the construction was just started. The land use rights of 3 parcels of the land with a total site area of approximately 105,329.70 sq.m. have been granted for a term of 70 years expiring on 30 June 2078 for residential and others uses. The remaining parcel of the land were contracted to be granted for residential use for a term of 70 years.	The property is currently under construction.	238,000,000 59.41% interest attributable to the Group: RMB141,396,000

Notes:

1. Nanjing Zhongye Zhengxing Real Estate Co., Ltd. ("Nanjing Zhongye Zhengxing") is a 59.41% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Nanjing Zhongye Zhengxing and Nanjing Land Resources Bureau dated 1 November 2007, the land use rights of 4 parcels of land with a total site area of approximately 141,614.40 sq.m were contracted to be granted to Nanjing Zhongye Zhengxing for a term of 70 years for residential and others uses. The total land consideration was RMB320,000,000. According to the Grant Contract, the residential and retail units of the development upon completion should be sold at fixed unit price of RMB3,980 per sq.m.
3. Pursuant to 3 State-owned Land Use Rights Certificates — Ning Jian Guo Yong (2008) Di Nos. 08031 to 08033, the land use rights of 3 parcels of land with a total site area of approximately 105,329.70 sq.m. have been granted to Nanjing Zhongye Zhengxing for a term of 70 years expiring on 30 June 2078 for residential and other uses.
4. In the valuation of the property, we have attributed no commercial value to a parcel of land with a site area of approximately 36,284.70 sq.m. for which we have not been provided the relevant State-owned Land Use Rights Certificate. However, for reference purpose, we are of the opinion that the capital value of the land as at the date of valuation would be RMB82,000,000 assuming the land could be freely transferred.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained 3 State-owned Land Use Rights Certificates for a portion of the property land as mentioned in note 3, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights; and
   b. The Group has entered into a State-owned Land Use Rights Grant Contract for the remaining portion of the property land. After fully paying the land premium and obtaining valid Land Use Rights Certificate, the Group will have the legal rights to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

Group V — Property interests held for future development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
42.	A parcel of land (New Century Square Phase I) No. 3 Ankang Bystreet Longsha District Qiqihar City Heilongjiang Province The PRC	The property comprises a parcel of land with a site area of approximately 11,068.90 sq.m. which is planned to be developed to a commercial and residential complex named as New Century Square Phase I). The land use rights of the property have been granted for various terms of 40 years expiring on 23 September 2047 for commercial use, 50 years expiring on 23 September 2057 for other use and 70 years expiring on 23 September 2077 for residential use.	The property is currently vacant.	42,380,000 55.94% interest attributable to the Group: RMB23,707,000

Notes:

1. Qiqihar MCC Real Estate Co., Ltd. ("Qiqihar MCC Real Estate") is a 55.94% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract — Qi Tu Gua (2007) Di No. 6 entered into between Qiqihar Municipal Bureau of Land and Resources and Qiqihar MCC Real Estate dated 24 September 2007, the land use rights of a parcel of land with a site area of approximately 9,784.20 sq.m. were contracted to be granted to Qiqihar MCC Real Estate for various terms of 40 years expiring on 23 September 2047 for commercial use, 50 years expiring on 23 September 2057 for other use and 70 years expiring on 23 September 2077 for residential use. The land premium was RMB22,837,770.
3. Pursuant to a State-owned Land Use Rights Certificate — Qi Tu Ji Guo Yong (2008) Di No. 0100409, the land use rights of a parcel of land with a total site area of approximately 11,068.90 sq.m. have been granted to Qiqihar MCC Real Estate for various terms of 40 years expiring on 23 September 2047 for commercial use, 50 years expiring on 23 September 2057 for other use and 70 years expiring on 23 September 2077 for residential use.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
43.	2 parcels of land (Jade Belt Bay Phase II) located at the western side of Haiyang Road and the southern side of Beihuan Road Haigang District Qinhuangdao City Hebei Province The PRC	The property comprises a portion of a parcel of land with a site area of approximately 68,948.86 sq.m. and a parcel of land with a site area of approximately 30,893.50 sq.m. which is planned to be developed and named as Jade Belt Bay Phase II. As advised by the Group, the development is planned to have a total planned gross floor area of approximately 481,657.30 sq.m. and the details are set out as follows: **Planned Gross Floor Area (sq.m.)** Residential 389,956.25 Retail 16,462.48 Car Parking space 42,206.09 Basement 29,050.46 Other 3,982.04 **Total: 481,657.30** The land use rights of the property have been granted for various terms of 40 years expiring on 28 August 2047 for commercial use and 70 years expiring on 28 August 2077 for residential use.	The property is currently vacant.	465,722,000 55.94% interest attributable to the Group: RMB260,525,000

Notes:

1. Qinhuangdao Zhongye Xiadu Real Estate Development Co., Ltd.("Qinhuangdao Zhongye Xiadu") is a 55.94% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts entered into between Qinghuangdao Municipal Bureau of Land and Resources and Qinhuangdao Zhongye Xiadu dated 28 August 2007, the land use rights of 2 parcels of land with a site area of approximately 115,054.86 sq.m. and 30,893.50 sq.m. respectively were contracted to be granted to Qinhuangdao Zhongye Xiadu for various terms of 40 years expiring on 28 August 2047 for commercial use and 70 years expiring on 28 August 2077 for residential use. The total land was RMB435,565,680.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Qin Ji Guo Yong (2008) Zi Di Nos. 194 and 169, the land use rights of 2 parcels of land with a site area of approximately 115,054.86 sq.m. and 30,893.50 sq.m. respectively have been granted to Qinhuangdao Zhongye Xiadu for various terms of 40 years expiring on 28 August 2047 for commercial use and 70 years expiring on 28 August 2077 for residential use. The land includes the land of the property and property no. 21 with an site area of approximately 46,106 sq.m.
4. Pursuant to a Mortgage Agreement — 2009 Nian Binhai (Di) Zi No. 0002 entered into between Qinhuangdao Binhai Branch of Industrial and Commercial Bank of China and Qinhuangdao Zhongye Xiadu, the land use rights with a site area of approximately 105,000.57 sq.m. is subject to a mortgage for a maximum loan of RMB248,000,000 for a term from March 19 2009 to September 19 2012. It includes a portion of a parcel of land the land of the property no. 21.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
44.	3 parcels of land (Weimingdao Residential Area) located at the southern side of Changjiangdong Road the northern side of Binhai Avenue Huangdao District Qingdao City Shandong Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 86,668 sq.m. which is planned to be developed and named as Weimingdao Residential Area. The land use rights of the property have been granted for a term of 50 years expiring on 6 June 2051 for residential use.	The property is currently vacant.	211,961,000 48.94% interest attributable to the Group: RMB103,734,000

Notes:

1. Qingdao Jinze Huadi Real Estate Co., Ltd. ("Qingdao Jinze Huadi") is a 48.94% interest owned subsidiary of the Company.
2. Pursuant to 3 State-owned Land Use Rights Grant Contracts entered into between Qingdao Municipal Bureau of Land and Resources and Qingdao Jinze Real Estate Co., Ltd., one of the shareholders of Qingdao Jinze Huadi , dated 1 July 2001 and 17 October 2006 respectively, the land use rights of 3 parcels of land with a total site area of approximately 86,668 sq.m., which includes approximately 31,574 sq.m. as zoned for planning area of landscaping, road and facilities, have been contracted to be granted to Qingdao Jinze for a term of 50 years for residential use. The total land premium was RMB45,500,700.
3. Pursuant to 3 Real Estate Title Certificates — Qing Fang Di Quan Shi Zi Di Nos.20078385 to 20078387, the land use rights of 3 parcels of land with a total site area of approximately 86,668 sq.m. have been granted to Qingdao Jinze Huadi for a term of 50 years expiring on 6 June 2051 for residential use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 370200200817121 in favour of Qingdao Jinze Huadi, 6 buildings of Phase I with a total gross floor area of approximately 77,183.75 sq.m. have been approved for construction.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has paid the land premium in respect of the property site in full and obtained the Real Estate Title Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights; and
   b. The Group has obtained requisite approvals for Phase I of the development of the property from relevant government authorities.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
45.	A parcel of land (Chongqing Zaochen) located at Wujiang Zhi Road Xiaojiaping Jiang bei District Chongqing The PRC	The property comprises a parcel of land with a site area of approximately 12,053.90 sq.m. which is planned to be developed with various residential and office buildings. As advised by the Group, the development (known as Chongqing Zaochen) is planned to have a total planned gross floor area of approximately 110,900 sq.m. and the details are set out as follows: Planned Gross Floor Area (sq.m.) Residential 97,057.2 Retail 2,112.9 Office 10,020.5 Other 1,709.4 **Total: 110,900.00** The land use rights of the property have been granted for various terms expiring on 6 June 2058 for residential use and 6 June 2048 for commercial use.	The property is currently vacant.	144,140,000 70% interest attributable to the Group: RMB100,898,000

Notes:

1. MCC Real Estate Chongqing Chengzhao Co., Ltd. ("MCC Real Estate Chongqing Chengzhao") is a 70% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 6 June 2008 entered into between Chongqing Housing and Land Administration Bureau and MCC Real Estate Chongqing Chengzhao, the land use rights of a parcel of land with a site area of approximately 13,248 sq.m., including a portion of a parcel of land with a site area of approximately 1,195 sq.m. were contracted to be allocated to MCC Real Estate Chongqing Chengzhao and the remaining portions with a site area of approximately 12,053.90 sq.m. were contracted to be granted to MCC Real Estate Chongqing Chengzhao for various terms of 50 years expiring on 6 June 2058 for residential use and of 40 years expiring on 6 June 2048 for commercial use. The land consideration was RMB98,780,000.
3. Pursuant to a Real Estate Title Certificate — 113 Fang Di Zheng 2008 Zi Di No. 19276 issued by Chongqing Housing and Land Administration Bureau, the land use rights of a parcel of land with a site area of approximately 12,053.9 sq.m. have been granted to MCC Real Estate Chongqing Chengzhao for various terms of 50 years expiring on 6 June 2058 for residential use and 40 years expiring on 6 June 2048 for commercial use.
4. Pursuant to an agreement entered into between China News and Broadcast Training Center and MCC Real Estate Chongqing Chengzhao dated 22 April 2007, MCC Real Estate Chongqing Chengzhao would pay RMB62,240,000 to China News and Broadcast Training Center for the removal expense and compensation. In addition, China News and Broadcast Training Center will obtain the residential, retail and car parking spaces with a total planned gross floor area of 7,500 sq.m. of the property upon completion.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights; and
   b.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
46.	5 parcels of land (Bei Lu Yuan) located at Yuan Yang Zu Tuan Jing Kai Yuan North New District Chongqing The PRC	The property comprises 5 parcels of land with a total site area of approximately 124,399.10 sq.m. which are planned to be developed into a residential development. As advised by the Group, the development (known as Bei Lu Yuan) is scheduled have a total planned gross floor area of approximately 292,935.15 sq.m. and the details are set out as follows:	The property is currently vacant.	440,030,000 79.41% interest attributable to the Group: RMB349,428,000

	Planned Gross Floor Area
	(sq.m.)
Residential	190,149.66
Car parking Spaces	47,093.68
Ancillary facilities	55,691.81
Total:	**292,935.15**

The total construction cost is estimated to be approximately RMB673,150,000, of which RMB14,118,000 has been paid as at the date valuation.

The land use rights of the property have been granted for various terms expiring on 8 June 2057 for residential use and 8 June 2047 for commercial use.

Notes:

1. MCC Real Estate Chongqing Co., Ltd ("MCC Real Estate Chongqing") is a 79.41% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 9 June 2007 entered into between Chongqing Housing and Land Administration Bureau and MCC Real Estate Chongqing, the land use rights of a parcel of land with a site area of approximately 138,461.90 sq.m., including a portion with a site area of approximately 14,062.90 sq.m. were contracted to be allocated to MCC Real Estate Chongqing and the remaining portions with a site area of approximately 124,399 sq.m. were contracted to be granted to MCC Real Estate Chongqing for various terms of 50 years expiring on 8 June 2057 for residential use and 40 years expiring on 8 June 2047 for commercial use. The land was RMB242,013,397.
3. Pursuant to 5 Real Estate Title Certificates — 113 Fang Di Zheng 2008 Zi Di Nos. 02274 to 02278 issued by Chongqing Housing and Land Administration Bureau, the land use rights of 5 parcels of land with a total site area of approximately 124,399.10 sq.m. respectively have been granted to MCC Real Estate Chongqing for terms of 50 years expiring on 8 June 2057 for residential use and 40 years expiring on 8 June 2047 for commercial use.
4. Pursuant to a Construction Work Planning Permit — Jian Zi Di Jian No. 500139200900007 in favour of MCC Real Estate Chongqing, the development with a planned total gross floor area of approximately 278,435.76 sq.m. has been approved for construction.
5. Pursuant to a Construction Work Commencement Permit — Bei Bu Xin Qu No. 2008100 in favour of MCC Real Estate Chongqing, permission by the relevant local authority was given to clean up the site.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
47.	3 parcels of land (Kunshan Zhongye International Square) located at the western side of Taihu Road, the northern side of Zhenchuan Road, the southern side of East Qianjin Road Development Zone Kunshan City Jiangsu Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 33,453 sq.m. which is planned to be developed into a commercial and residential complex. As advised by the Group, the development (known as Kushan Zhongye International Square) is scheduled to have a total planned gross floor area of approximately 117,356.67 sq.m. above ground and the details are set out as follows: **Planned Gross Floor Area (sq.m.)** Apartment 67,478.07 Retail/Clubhouse 10,931.70 Apartment (SOHO) 22,150.90 Apartment (Hotel) 16,796.00 **Total: 117,356.67** The land use rights of the property have been granted for a term of 40 years with various expiry dates of 9 October 2045, 14 March 2047 and 9 December 2047 for commercial use.	The property is currently vacant.	85,136,000 72.21% interest attributable to the Group: RMB61,477,000

Notes:

1. MCC Real Estate (Kunshan) Co., Ltd. ("MCC Kunshan") is a 72.21% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts — Kun Di Rang He (2006) Zi No. 77 and Kun Di Rang Cun He (2007) No. 95, entered into between MCC Kunshan and Kunshan Land Resources Bureau dated 15 December 2006 and 10 December 2007 respectively, the land use rights of 2 parcels of land with a total site area of approximately 26,786 sq.m. were contracted to be granted to MCC Kunshan for various terms with the expiry dates of 14 March 2047 and 9 December 2047 respectively for commercial use. The total land premium was RMB80,221,655.
3. Pursuant to a State-owned Land Use Rights Transfer Contract — (2007) Zhuan No 40, entered into between Kunshan Zhongrui Xinlian Technique Development Limited ("Party A") and MCC Kunshan ("Party B") dated 25 July 2007, the land use rights of a parcel of land with a site area of approximately 6,667 sq.m. was contracted to be transferred to Party B for a term of 40 years for commercial/office use at a consideration of RMB8,557,700.
4. Pursuant to 3 State-owned Land Use Rights Certificates — Kun Guo Yong (2007) Nos. 120071001099 and 120071001156 and Kun Guo Yong (2008) No. 120081001077, the land use rights of 3 parcels of land with total site area of approximately 33,453 sq.m. have been granted to MCC Kunshan for a term of 40 years with various expiry dates of 9 October 2045, 14 March 2047 and 9 December 2047 respectively for commercial use.
5. As advised by the Group, the development proposal for the property is in the process of applying for approval from relevant government authorities
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
48.	3 parcels of land and a portion of a parcel of land (Swan Bay International Waterfront Phases II to V) located at the western side of Xichang Bei Road the eastern side of Renmin Road Yongyongqiao District Suzhou City Anhui Province The PRC	The property comprises 3 parcels of land and a portion of a parcel of land with a total site area of approximately 270,905.68 sq.m. which is planned to be developed to a residential and retail complex in various phases. As advised by the Group, the development (known as Swan Bay International Waterfront Phases II to V) is scheduled to have a total planned gross floor area of approximately 344,954 sq.m. The details are set out as follows: Planned Gross Floor Area (sq.m.) Residential 290,985.00 Retail 32,000.00 Basement 7,629.00 Ancillary facilities 14,340.00 **Total: 344,954.00** The land use rights of the property have been granted for a term of 50 years expiring in February 2058 for residential use.	The property is currently vacant.	127,172,000 48.09% interest attributable to the Group: RMB61,157,000

Notes:

1. Wuye Kuntai (Suzhou) Real Estate Co., Ltd. ("Wuye Kuntai Suzhou") is a 48.09% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 2 February 2008 between the State-owned Land Resources Bureau of Suzhou City and Wuye Kuntai Suzhou, the land use rights of the 5 parcels of land with a total site area of approximately 335,798.87 sq.m. were contracted to be granted to Wuye Kuntai Suzhou for a term of 50 years for residential use. The total land premium was RMB123,909,783. It includes the land of the property and property no. 15 and property no. 30.
3. Pursuant to 3 State-owned Land Use Rights Certificates — Suzhou Guo Yong (2008) Di Nos. 0810016, 0810017, and 0810020, the land use rights of 3 parcels of land with a total site area of approximately 197,873.81 sq.m. were granted to Wuye Kuntai Suzhou for a term of 50 years expiring in February 2058 for residential use.
4. Pursuant to a State-owned Land Use Rights Certificate — Suzhou Guo Yong (2008) Di No. 0810019, the land use rights of a parcel of land with a site area of approximately 112,263.87 sq.m. have been granted to Wuye Kuntai Suzhou for a term of 50 years expiring in February 2058 for residential use. A portion of the land with an area of approximately 62,795.81 sq.m. is included in this property. The rests are included in property no. 30 with a site area of 31,871 sq.m. and in property no. 15 with a site are of 7,361 sq.m.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained 4 State-owned Land Use Rights Certificates of the property as mentioned in notes 3 and 4, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
49.	Undeveloped land portion of Dongnan Mingyuan located at the northern side of Huayuan Road Huashan District Ma'anshan City Anhui Province The PRC	The property comprises an undeveloped portion with a site area of approximately 2,388 sq.m. of a parcel of land with a site area of approximately 50,237.23 sq.m. As advised by the Group, a composite building is planned to be constructed on the land of the property. The development is scheduled have a total planned gross floor area of approximately 6,215 sq.m. The details are set out as follows: **Planned Gross Floor Area (sq.m.)** Retail 2,469.00 Office 2,410.00 Car parking spaces 1,336.00 **Total: 6,215.00** The total construction cost is estimated to be approximately RMB7,120,000. The land use rights of the property have been granted for a term of 70 years expiring on 6 April 2074 for residential use.	The property is currently vacant except for some existing buildings which will be demolished.	4,211,000 66.7% interest attributable to the Group: RMB2,809,000

Notes:

1. Ma'anshan 17th Metallurgy Real Estate Development Co., Ltd. ("Ma'anshan 17th Metallurgy Real Estate) is a 66.7% interest owned subsidiary of the Company. Ma'anshan 17th Metallurgy Real Estate has changed its name to MCC Real Estate (Anhui) Co., Ltd.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Ma'anshan 17th Metallurgy Real Estate, Ma'anshan Xinxin Real Estate Development Co., Ltd. ("Ma'anshan Xinxin", an independent third party) and Ma'anshan Land Bureau dated 16 April 2004, the land use rights of a parcel of land with a site area of approximately 50,237.23 sq.m. were contracted to be granted to Ma'anshan Xinxin for residential use. The land premium was RMB31,247,557.
3. Pursuant to an Agreement entered into between Ma'anshan Xinxin and Ma'anshan 17th Metallurgy Real Estate, the two parties agreed that 25% of the land with a total site area of approximately 14,461.77 sq.m. would be developed by 17th Metallurgy Real Estate.
4. Pursuant to a State-owned Land Use Rights Certificate — Ma Guo Yong (2004) No. 14053, the land use rights of a parcel of land with a site area of approximately 50,237.23 sq.m. have been granted to Ma'anshan Xinxin and 17th Metallurgy Real Estate for a term of 70 years expiring on 6 April 2074 for residential use.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
50.	2 parcels of land (Zhongye Yushan Shangyuan) located at the northern side of Changjiang Road and the southern side of Runxin Garden Yushan Town Changshu City Jiangsu Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 136,329 sq.m. which is planned to be developed with various residential buildings and ancillary facilities in two phases. As advised by the Group, the development (known as Zhongye Yushan Shangyuan) is scheduled to have a total planned gross floor area of approximately 70,872 sq.m. for Phase I and 129,089 sq.m. for Phase II (excluding underground portion) and the details are set out as following: **Planned Gross Floor Area Phase I** / **Planned Gross Floor Area Phase II** (sq.m.) / (sq.m.) Residential 62,057.00 / 111,323.00 Retail 4,831.00 / 10,402.00 Ancillary facilities 1,169.00 / 1,125.00 Basement 2,815.00 / 6,239.00 **Total: 70,872.00 / 129,089.00** The land use rights of a parcel of land with a site area of 50,441 sq.m. have been granted for various terms of 40 years expiring on 17 October 2047 for commercial and 70 years expiring on 17 October 2077 for residential uses.	One parcel of land of the property is currently vacant and the other parcels of land are currently erected with certain existing buildings which are to be demolished.	122,673,000 86.36% interest attributable to the Group: RMB105,940,000

Notes:

1. Changshu Zhongye Baorun Real Estate Co., Ltd. ("Changshu Baorun") is an 86.36% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 13 September 2007 entered into between Shanghai Baoye Construction Co., Ltd., a subsidiary of the Company ("Shanghai Baoye"), and Changshu Land Resources Bureau, the land use rights of the property with a total site area of 136,329 sq.m. were contracted to be granted to Shanghai Baoye for terms of 70 and 40 years for residential and commercial uses. The total land consideration was RMB404,900,000, of which RMB161,960,000 had been paid as at the date of valuation. In addition, 40% of the site area of the above land would be delivered to Shanghai Baoye before 18 October 2007, 30% of the site area of the land would be delivered before 14 March 2008 and the rest 30% would be delivered before 14 September 2008.
3. Pursuant to a Supplementary Contract dated 21 February 2008, the grantee of the land use rights of mentioned above was changed to Changshu Baorun.
4. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 320581200800077 in favour of Changshu Baorun, permission towards the planning of the property with a site area of approximately 136,329 sq.m. has been granted to Changshu Baorun.
5. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2009) Zi Di No. 000247, the land use rights of a parcel of land of with a site area of approximately 50,441 sq.m. have been granted to Changshu Baorun for various terms of 40 years expiring on 17 October 2047 for commercial and 70 years expiring on 17 October 2077 for residential uses.
6. Pursuant to a Construction Work Planning Permit — Changshu Zong 20090011, permission was given to approve the development of Phase I.
7. As advised by Changshu Baorun, a parcel of land of the property with a site area of 85,888 sq.m. had not been delivered to Changshu Baorun as at the date of valuation which is currently occupied by certain existing buildings which are to be demolished. As confirmed by Changshu Baorun, the resettlement outgoings of these buildings will be paid by the local government, and there is no requirement or responsibility for Changshu Baorun to pay for it. In addition, the construction of Phase I was commenced in late July of 2009.
8. In the valuation of the property, we have attributed no commercial value to the parcel of land of the property with a site area of 85,888 sq.m. which Changshu Zhongye Baorun has not obtained any proper title certificates. However, for reference purposes, we are of the opinion that

the capital value of the land as at the date of valuation would be RMB221,438,000 assuming all proper title certificates have been obtained, it could be freely transferred in clear site status.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. The Group has obtained a State-owned Land Use Rights Certificate for a portion of the property as mentioned in note 5, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights; and

   b. The Group has entered into a State-owned Land Use Rights Grant Contract for the remaining portion of the property land. After fully paying the land consideration and obtaining valid Land Use Rights Certificate, the Group will have the legal rights to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
51.	2 parcles of land (Haixi International City) located at Shidun Shili Village Mayang Zoology Tourist Zone Changtai County Zhangzhou City Fujian Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 80,000 sq.m. The land use rights of the property have been granted for various terms of 40 years expiring on 29 July 2048 for commercial use and 70 years expiring on 29 July 2078 for residential use.	The property is currently vacant.	33,702,000 70.50% interest attributable to the Group: RMB23,760,000

Notes:

1. MCC (Fujian) Real Estate Development Co., Ltd.("MCC (Fujian) Real Estate") is a 70.50% interest owned subsidiary of the Company.
2. Pursuant to 2 State-owned Land Use Rights Grant Contracts entered into between Changtai Municipal Bureau of Land and Resources and MCC (Fujian) Real Estate dated 29 July 2008, the land use rights of 2 parcels of land have been contracted to be granted to Zhongye (Fujian) Real Estate for various terms of 40 years expiring on 29 July 2048 for commercial use and 70 years expiring on 29 July 2078 for residential use. The total land consideration was RMB33,100,000.
3. Pursuant to 2 State-owned Land Use Rights Certificates — Tai Guo Yong (2008) Zi Di Nos. 01134 and 01135, the land use rights of 2 parcels of land with a total site area of approximately 80,000 sq.m. have been granted to MCC (Fujian) Real Estate for various terms of 40 years expiring on 29 July 2048 for commercial use and 70 years expiring on 29 July 2078 for residential use.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificates of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
52.	A parcel of land (Anlu Huafu) located at Hegang Village Economic Development Zone Anlu City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 44,912.50 sq.m. which is planned to be developed with various residential and retail buildings in 2 phases (known as Anlu Huafu). As advised by the Group, the development will have a total planned gross floor area of approximately 73,961.16 sq.m. and the details are set out as follows. The land use rights of the property have been granted for terms of 40 years expiring on 29 December 2045 for commercial use and 70 years expiring on 29 December 2075 for residential use.	The property is currently vacant.	31,248,000 77.35% interest attributable to the Group: RMB24,170,000

Notes:

1. Anlu Zhongye Xinao Huafu Real Estate Co., Ltd. ("Anlu Zhongye") is a 77.35% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — An Tu Guo Yong (2008) No. 0424 issued by Anlu City Land Resources Bureau dated 6 May 2008, the land use rights of the property with a site area of approximately 44,912.50 sq.m. have been granted to Anlu Zhongye for terms of 40 years expiring on 29 December 2045 for commercial use and 70 years expiring on 29 December 2075 for residential use.
3. Pursuant to a Construction Work Planning Permit — (2009) No. 009, 6 buildings of Phase I with a total planned gross floor area of approximately 23,834.63 sq.m. have been approved for construction.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
53.	A parcel of land (Xiangteng City Square Phase II) located at 207/2 Qiu Hongxiang Village Nanxiang Town Jiading District Shanghai The PRC	The property comprises a parcel of land with a site area of approximately 46,259.20 sq.m which is planned to be developed with various retail, office and residential buildings. As advised by the Group, the development (known as Xiangteng City Square Phase II) is scheduled to have a total planned gross floor area of approximately 177,814 sq.m. The details are set out as follows: Planned Gross Floor Area (sq.m.) Residential: 44,564.00 Office: 37,948.00 Commercial: 33,378.00 Car Parking: 40,990.00 Others: 20,934.00 **Total: 177,814.00** The total construction cost is estimated to be approximately RMB714,000,000. The land use rights of the property have been granted for various terms of 40 years expiring on 15 August 2048 for commercial use, 50 years expiring on 15 August 2058 for office use and 70 years expiring on 15 August 2078 for residential.	The property is currently vacant.	454,000,000 48.3% interest attributable to the Group: RMB219,282,000

Notes:

1. Shanghai Zhongye Xiangjia Investment Co., Ltd.("Shanghai Zhongye Xiangjia") is a 48.30% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 16 August 2008 entered into between the Housing and Land Resources Administration Bureau of Jiading District of Shanghai and Shanghai Zhongye Xiangjia Investment Co., Ltd., the land use rights of 2 parcels of land with a total site area of approximately 53,630.90 sq.m. were contracted to be granted to Shanghai Zhongye Xiangjia for various terms of 40 years, 50 years and 70 years for commercial, office and residential uses. It includes the land of the property and property no. 25.
3. Pursuant to a Construction Land Planning Permit — No. Hu Jia Di (2008) 24082008E1239 in favour of Shanghai Zhongye Xiangjia, permission towards the planning of the subject land with a site area of approximately 53,630.90 sq.m. has been granted to Shanghai Zhongye Xiangjia.
4. Pursuant to a Shanghai Real Estate Title Certificate — Hu Fang Di Jia Zi (2009) No. 007155, the land use rights of a parcel of land with a site area of approximately 46,259.2 sq.m. have been granted to Shanghai Zhongye Xiangjia for various term of 40 years expiring on 15 August 2048 for commercial use, 50 years expiring on 15 August 2058 for office use and 70 years expiring on 15 August 2078 for residential use.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, development, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
54.	A parcel of land (Lugu Jingyuan) located at Tongxinpo Xi Road Yuelu District Changsha City Hunan Province The PRC	The property comprises a parcel of land with site area of approximately 120,000.08 sq.m., on which a residential development is planned to be constructed. As advised by the Group, the development (known as Lugu Jingyuan) will have a total gross floor area of approximately 216,000 sq.m. Upon completion and the details are set out as follows: Residential: 190,000.00 sq.m. Basement: 23,000.00 sq.m. Ancillary facilities: 3,000.00 sq.m. **Total: 216,000.00 sq.m.** The land use rights of the property have been granted for a term of 70 years expiring on 20 November 2078 for residential use.	The property is currently vacant.	142,311,000 91.66% interest attributable to the Group: RMB130,442,000

Notes:

1. MCC Changsha Lugu Jingyuan Real Estate Co., Ltd. ("MCC Changsha Lugu Jingyuan") is a 91.66% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract dated 20 November 2008 entered into between Changsha Bureau of Land Resources and MCC Changsha Lugu Jingyuan, the land use rights of a parcel of land with a site area of approximately 120,000.08 sq.m. were contracted to be granted to MCC Changsha Lugu Jingyuan for a term of 70 years for residential use. The land consideration was RMB152,880,000.
3. Pursuant to a State-owned Land Use Rights Certificate — Chang Guo Yong (2009) Di No. 004172 issued by Changsha Land Administration Bureau, the land use rights of a parcel of land with the site areas of approximately 120,000.08 sq.m. have been granted to MCC Changsha Lugu Jingyuan for a term of 70 years expiring on 20 November 2078 for residential use.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
55.	A parcel of land located at the southern side of Huanhu Road Yangluo Street Xinzhou District Wuhan City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 26,319.08 sq.m., on which a residential and commercial development (known as Aishang Dongcheng) is planned to be constructed. The land use rights of the property have been granted for terms of 40 years for commercial use and 70 years expiring on 12 January 2049 and 12 January 2079 for residential use.	The property is currently vacant.	45,596,000 54.15% interest attributable to the Group: RMB24,688,000

Notes:

1. Wuhan Aoxin Real Estate Co., Ltd. ("Wuhan Aoxin") is a 54.15% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Wuhan Municipal Bureau (Xinzhou) of Land Resources and Housing Management and Wuhan Aoxin dated 13 January 2009, the land use rights of the property were contracted to be granted to Wuhan Aoxin for a term of 40 years expiring on 12 January 2049 for commercial use and 70 years expiring on 12 January 2079 for residential use. The total land consideration was RMB51,504,070.
3. Pursuant to a State-owned Land Use Rights Certificate — Wu Xin Guo Yong (2009) Di Zhuan No. 004, the land use rights of a parcel of land with a site area of approximately 26,319.08 sq.m. have been granted to Wuhan Aoxin for terms of 40 years and 70 years respectively expiring on 12 January 2049 and 12 January 2079 for commercial and residential uses.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the Land Use Rights Certificate of the property, so the Group is entitled to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2006
				RMB
56.	A parcel of land (Zhongye Shengqiaoweisi) located at the southern side of Heyang Road the eastern side of Qingwei Road Chengyang District Qingdao City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 88,217 sq.m. which is planned to be developed and named as Zhongye Shengqiao weisi). The land use rights of the property have been be granted for a term of 70 years expiring on 13 August 2078 for residential use.	The property is currently vacant.	188,035,000 97.87% interest attributable to the Group: RMB184,030,000

Notes:

1. MCC (Qingdao) Real Estate Co., Ltd. ("MCC (Qingdao) Real Estate") is a 97.87% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Qingdao Municipal Bureau of Land and Resources and MCC (Qingdao) Real Estate dated 13 August 2008, the land use rights of a parcel of land with a site area of approximately 88,217 sq.m. have been contracted to be granted to MCC (Qingdao) Real Estate for a term of 70 years expiring on 13 August 2078 for residential use. The land consideration was RMB172,552,452.
3. Pursuant to a Real Estate Title Certificate — Qing Fang Di Quan Shi Zi No. 200912629, the land use rights of a parcel of land with a site area of approximately 88,217 sq.m. have been granted to MCC (Qingdao) Real Estate for a term of 70 years expiring on 13 August 2078 for residential use.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. The Group has paid the land premium in respect of the property site in full and obtained the Real Estate Title Certificate of the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
57.	Two parcels of land located at Pingjiang Dong Road Xin'ao Village Yangluo Street Xinzhou District Wuhan City Hubei Province The PRC	The property comprises two parcels of land with a site area of approximately 25,312.52 sq.m. and 4,215.17 sq.m. respectively. The land use rights of the property have been granted for terms of 40 years for retail use and 70 for residential use.	The property is currently vacant.	12,195,000 54.15% interest attributable to the Group: RMB6,604,000

Notes:

1. Wuhan Zhong Ao Xin Real Estate Co., Ltd. ("Wuhan Zhong Ao Xin") is a 54.15% interest owned subsidiary of the Company.
2. Pursuant to two State-owned Land Use Rights Certificates — Wu Xin Guo Yong (2009) Di Geng Nos. 017 and 028 issued by Wuhan Bureau (Xinzhou) the land use rights of one parcel of land with a site area of approximately 25,312.52 sq.m. have been granted to Wuhan Zhong Ao Xin for a term of 70 years expiring on 25 June 2077 for residential use, and the land use rights of another parcel of land with a site area of approximately 4,215.17 sq.m. have been granted to Wuhan Zhong Ao Xin for terms of 40 years and 70 years for retail and residential uses.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia,* the following:
   a. The group has obtained the State-owned Land Use Rights Grant Contract of the properties, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

Properties held by the Group's property development & other business

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
58.	A parcel of land located at Anlelin Road Chongwen District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 2,973.05 sq.m. The land use rights of the property have been granted for a term of 40 years expiring on 9 August 2046 for commercial use.	The property is currently vacant.	18,538,000 99.01% interest attributable to the Group RMB18,354,000

Notes:

1. MCC Real Estate Co., Ltd. ("MCC Real Estate") is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract — Jing Di Chu (He) Zi (2006) Di No. 0429 entered into between Beijing Municipal Bureau of Land and Resources and MCC Real Estate dated 10 August 2006, the land use rights of the property were contracted to be granted to MCC Real Estate for a term of 40 years expiring on 9 August 2046 for commercial use. The land consideration was RMB38,151,600.
3. Pursuant to a State-owned Land Use Rights Certificate — Jing Chong Guo Yong (2009 Chu) Di No. 00075, the land use rights of a parcel of land with a site area of approximately 2,973.05 sq.m. have been granted to MCC Real Estate for a term of 40 years expiring on 9 August 2046 for commercial use.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate of the property land, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
59.	A parcel of land and a building (Huayuan Hotel Project) No. 28 Xiaoyun Road Chaoyang District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 9,394.426 sq.m. and a building erected thereon and completed in about 1999. The building has a gross floor area of approximately 22,052.29 sq.m. Apart from the building, there were other 2 buildings erected on the land as at the date of valuation, which are scheduled to be demolished by the Group for future re-development of the land. As advised by the Group, the total gross floor area of the development upon completion is approximately 35,789.17 sq.m. (excluding the building with a gross floor area of approximately 22,052.29 sq.m.) The land use rights of the property have been granted for a term of 40 years expiring on August 2045 for commercial use.	The property is currently vacant.	408,819,000 99.01% interest attributable to the Group: RMB404,772,000

Notes:

1. Beijing Huayuan Hotel Co., Ltd. is a 99.01% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Certificate — Jing Chao Guo Yong (2006 Chu) Di No. 0090, the land use rights of a parcel of land with a site area of approximately 9,394.426 sq.m. have been granted to Beijing Huayuan Hotel Co., Ltd. for a term of 40 years expiring on August 2045 for commercial use.
3. Pursuant to a Building Ownership Certificate — Jing Fang Quan Zheng Chao Qi 07 Zi Di No. 002272, a composite building with a gross floor area of approximately 22,052.29 sq.m. are owned by Beijing Huayuan Hotel Co., Ltd.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has obtained the State-owned Land Use Rights Certificate and Building Ownership Certificate for the property, so the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the property.

VALUATION CERTIFICATE

Group VI — Property interests to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
60.	A parcel of land located at the mid section of the north bank of Cihu Lake Huangshi City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 232,850.43 sq.m. which is planned to be developed into a commercial and residential complex (known as Cihu Bei'an). The land use rights of the property were contracted to be granted for terms of 40 years for commercial use and 70 years for residential use.	The property is currently vacant.	No Commercial Value

Notes:

1. Huangshi Zhongye Real Estate Co., Ltd. ("Huangshi Zhongye") is a 77.35% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Huangshi Land and Resources Bureau and Huangshi Zhongye dated 10 October 2008, the land use rights of the property were contracted to be granted to Huangshi Zhongye for various terms of 40 years for commercial use and 70 years for residential use. The total land consideration was RMB379,681,254.
3. As at the date of valuation, the property has not been assigned to the Group and thus the title certificate of the property has not been obtained by the Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB389,359,000 assuming all relevant title certificates have been obtained.
4. As confirmed by the Group, a sum of approximately RMB189,840,000 of land consideration had been paid up to the date of valuation.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
   a. The Group has entered into a State-owned Land Use Rights Grant Contract for the property land. After fully paying the land premium and obtaining valid Land Use Rights Certificate, the Group will have the legal rights to occupy, develop, transfer, lease, mortgage or otherwise dispose of the relevant land use rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
61.	A parcel of land located at the eastern side of Bukui Nan Avenue Longsha District Qiqihar City Helongjiang Province The PRC	The property comprises a parcel of land with a site area of approximately 49,620.50 sq.m. which is planned to be developed with various retail and residential buildings. The land use rights of the property were contracted to be granted for terms of 40 years for retail use and 70 for residential use.	The property is currently vacant.	No commercial value

Notes:

1. Qiqihar MCC Real Estate Co., Ltd. ("Qiqihar MCC Real Estate") is a 55.94% interest owned subsidiary of the Company.
2. Pursuant to a State-owned Land Use Rights Grant Contract — Qi Tu Pai (2009) No. 1 entered into between Qiqihar Municipal Bureau of Land and Resources and Qiqihar MCC Real Estate dated 16 April 2009, the land use rights of a parcel of land with a site area of approximately 49,620.5 sq.m. were contracted to be granted to Qiqihar MCC Real Estate for various terms of 40 years for commercial use, 50 years for other use and 70 years for residential use. The land was RMB55,000,000.
3. In valuation of this property, we have attributed no commercial value to the property which has not obtained any title certificates. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB56,244,000.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia,* the following:
   a. The Group has entered into the State-owned Land Use Rights Grant Contract and paid up the land premium in full, so there is no material legal impediment for the Group to obtain the State-owned Land Use Rights Certificate for the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
62.	Two parcels of land located at the southern side of Tengfei Road Tanggu District Tianjin City The PRC	The property comprises two parcels of land with a total site area of approximately 58,985 sq.m. and 62,787.4 sq.m. for residential and commercial uses. The land use rights of the property were contracted to be granted for terms of 40 years for retail use and 70 for residential use.	The property is currently vacant.	No Commercial Value

Notes:

1. Tianjin Binhai Jintang Construction Development Co., Ltd.) "Tianjin Binhai Jintang") is an 88.2% interest owned subsidiary of the Company.
2. Pursuant to two State-owned Land Use Rights Grant Contracts entered into between Tianjin Tanggu District Planning and Land Resources Bureau and Tianjin Binhai Jintang dated 27 February 2009, the land use rights of two parcels of land with the site area of approximately 58,985 sq.m. and 62,787.4 sq.m. respectively were contracted to be granted to Tianjin Binhai Xintang for terms of 70 years for residential use and 40 years for retail use. The total land consideration was RMB487,090,000. Upon completion, all residential section of the development will be sold to the original residents who lived in the development area before at the unit price of RMB5,000 per sq.m. And the local government will buy the total retail and ancillary facilities.
3. As advised by the Group, Tianjin Binhai Jintang had totally paid RMB487,090,000 for the land consideration up to the date of valuation.
4. Pursuant to two Construction Land Planning Permits — 2009 Tanggu Di Zheng Nos. 0011 and 0010 in favor of Tianjin Binhai Jintang, permission towards the planning of the property land with the site area of approximately 58,985 sq.m. and 62,787.4 sq.m. have been given to Tianjin Binhai Jintang.
5. As at the date of valuation, the property has not been assigned to the Group and thus the title certificate of the property has not been obtained by the Group. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB490,577,000 assuming all relevant title certificates have been obtained.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia,* the following:
   a. The Group has entered into two State-owned Land Use Rights Grant Contracts and paid up the land premium in full, so there is no material legal impediment for the Group to obtain the State-Owned Land Use Rights Certificate for the property.

VALUATION CERTIFICATE

Group VII — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at June 30, 2009
				RMB
63.	391 properties rented by the Group in the PRC	The properties comprise 384 buildings or units with a total gross floor area of approximately 355,874.93 sq.m., which were completed in various stages between 1968 and 2007. The properties also include 7 parcels of land with a total site area of approximately 236,031.87 sq.m. The properties are rented to the Group from various independent third parties and connected parties for various terms at a total annual rental of RMB23,505,879.	The properties are currently occupied by the Group for production, office, ancillary facilities and other purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements entered into between the Group and various independent third parties, 27 buildings or units with a total gross floor area of approximately 84,949.24 sq.m. and 1 parcel of land with a site area of approximately 26,579 sq.m. are rented to the Group from various independent third parties for various terms at a total annual rental of RMB8,990,245 for production, office, ancillary facilities and other uses.
2. Pursuant to various Tenancy Agreements entered into between the Group and the Parent, 357 buildings or units with a total gross floor area of approximately 270,925.69 sq.m. and 6 parcels of land with a total site area of approximately 209,452.87 sq.m. are leased to the Group for various terms at a total annual rental of RMB14,515,634 for production, office, ancillary facilities and other uses.
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. for the 74 buildings or units with a total gross floor area of approximately 94,181.63 sq.m. and 1 parcels of land with a total site area of approximately 4,739 sq.m., for which the relevant lessors have provided with valid title certificates, the Group has legal rights to use these buildings or units and the land under the PRC laws and the Tenancy Agreements; and
   b. for the 310 buildings with a total gross floor area of approximately 261,693.30 sq.m. and 6 parcels of land with a total site area of approximately 231,291.97 sq.m., for which the relevant lessors have not provided with valid title certificates, the Parent, has undertaken to resolve any issue arising from the title dissents for the leased properties and be responsible for any costs, expenses, claims and any other losses to the Group; there would be no adverse material effects and legal risks on the normal operation of the Group due to the aforesaid situation.

VALUATION CERTIFICATE

Group VIII — Property interests rented and occupied by the Group in overseas countries

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2009
				RMB
64.	7 properties rented by the Group in Singapore, Papua New Guinea, Australia and Pakistan	The properties comprise 7 units with a total gross floor area of 1,378.22 sq.m., which were completed in various stages between 1990 and 2006. The properties are rented to the Group from various independent third parties for various terms.	The properties are currently occupied by the Group for office and residential purposes.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements entered into between the Group and various independent third parties, 9 units with a total gross floor area of approximately 1,378.22 sq.m. are rented from various independent third parties for various terms at a total annual rental of RMB6,891,658.47 for office and residential uses.
2. The exchange rates adopted in our valuation for the properties include SGD1 = RMB4.7139, AUD1 = RMB5.5426, PGK1 = US$0.3704 and US$1 = RMB6.8319, which were approximately the prevailing exchange rates as at the date of valuation.

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

Metallurgical Corporation of China Ltd. ("MCC")

Global Mining Assets

Independent Technical Review Report ("ITRR")

July 2009
Project No. 3249M

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

TABLE OF CONTENTS

1 OVERVIEW AND EXECUTIVE SUMMARY V-23
1.1 Introduction V-23
1.2 Limitations and Exclusions V-23
1.3 Study Methodology V-24
1.4 Description of Assets V-24
1.5 Summary of Resources and ore Reserves V-24

2 MINERA SIERRA GRANDE IRON ORE MINE V-28
2.1 Background V-28
2.2 Assets V-28
2.3 Land Tenure and Mineral Rights V-29
2.4 Exploration and Mining History V-29
2.5 Geology V-32
2.6 Resources and Reserves V-32
2.6.1 Mineral Resources — In Situ Quantities V-32
2.6.2 Reserves — Mineable Quantities V-35
2.7 Mining V-35
2.7.1 General Description V-35
2.7.2 Forecast Production V-37
2.8 Mineral Processing V-38
2.8.1 Concentrate Production (Industrial Area I) V-38
2.8.2 Dewatering (Industrial Area II) V-41
2.9 Infrastructure and Services V-41
2.10 Capital and Operating Costs V-42
2.11 Safety and Environment V-44

3 RAMU NICKEL LATERITE PROJECT V-45
3.1 Background V-45
3.2 Assets V-45
3.3 Land Tenure and Mineral Rights V-45
3.4 Exploration and Mining History V-46
3.5 Geology V-48
3.5.1 Regional Geology V-48
3.5.2 Local Geology V-48
3.6 Resources and Reserves V-53
3.6.1 Mineral Resources — In Situ Quantities V-53
3.6.2 Reserves — Mineable Quantities V-54
3.7 Mining V-55
3.7.1 General Description V-55
3.7.2 Forecast Production V-59
3.8 Mineral Processing V-59
3.9 Infrastructure and Services V-67
3.10 Capital and Operating Costs V-68
3.11 Safety and Environment V-69

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

TABLE OF CONTENTS

4 AYNAK COPPER PROJECT V-70
4.1 Background V-70
4.2 Assets V-71
4.3 Land Tenure and Mineral Rights V-73
4.4 Exploration and Mining History V-73
4.5 Geology V-75
4.5.1 Regional Geology V-75
4.5.2 Local Geology V-75
4.6 Resources and Reserves V-77
4.6.1 Mineral Resources — In Situ Quantities V-78
4.6.2 Reserves — Mineable Quantities V-82
4.7 Mining V-82
4.7.1 General Description V-82
4.7.2 Forecast Production V-88
4.8 Mineral Processing V-89
4.9 Infrastructure and services V-93
4.10 Capital and Operating Costs V-93
4.11 Safety and Environment V-96

5 DUDDAR LEAD ZINC PROJECT V-97
5.1 Background V-97
5.2 Assets V-97
5.3 Land Tenure and Mineral Rights V-97
5.4 Exploration and Mining History V-100
5.5 Geology V-101
5.5.1 Regional Geology V-101
5.5.2 Local Geology V-101
5.6 Resources and Reserves V-104
5.6.1 Mineral Resources — In Situ Quantities V-105
5.6.2 Reserves — Mineable Quantities V-106
5.7 Mining V-109
5.7.1 General Description V-109
5.7.2 Forecast Production V-109
5.8 Mineral Processing V-110
5.9 Infrastructure and Services V-116
5.10 Capital and Operating Costs V-116
5.11 Safety and Environment V-117

6 SAINDAK COPPER GOLD MINE V-118
6.1 Background V-118
6.2 Assets V-118
6.3 Land Tenure and Mineral Rights V-119
6.4 Exploration and Mining History V-119
6.5 Geology V-122
6.5.1 Regional Geology V-122
6.5.2 Local Geology V-122

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

TABLE OF CONTENTS

6.6 Resources and Reserves V-125
6.6.1 Mineral Resources — In Situ Quantities *V-126*
6.6.2 Reserves — Mineable Quantities *V-129*
6.7 Mining V-129
6.7.1 Historical and Forecast Production *V-130*
6.8 Mineral Processing V-134
6.9 Infrastructure and Services V-137
6.10 Capital and Operating Costs V-137
6.11 Safety and Environment V-138

7 CAPE LAMBERT MAGNETITE PROJECT V-139
7.1 Background V-139
7.2 Assets V-140
7.3 Land Tenure and Mineral Rights V-140
7.4 Exploration and Mining History V-143
7.5 Geology V-144
7.5.1 Regional Geology *V-144*
7.5.2 Local Geology *V-145*
7.6 Resources and Reserves V-147
7.6.1 Mineral Resources — In Situ Quantities *V-148*
7.6.2 Reserves — Mineable Quantities *V-151*
7.7 Mining V-154
7.7.1 Forecast Production *V-155*
7.8 Mineral Processing V-155
7.9 Infrastructure and Services V-161
7.10 Capital and Operating Costs V-162
7.11 Safety and Environment V-164
7.12 References V-165

8 JINCHANG MINING ASSETS V-168
8.1 Background V-168
8.2 Assets V-169
8.3 Land Tenure and Mineral Rights V-171
8.4 Regional Geology V-171
8.5 Guanfen Iron Ore Mine V-172
8.5.1 Background *V-172*
8.5.2 Geology *V-172*
8.5.3 Mining *V-175*
8.6 Wutaigou iron ore mine V-176
8.6.1 Background *V-176*
8.6.2 Geology *V-178*
8.6.3 Mining *V-180*
8.7 Songzhangzi Iron Ore Mine V-181
8.7.1 Background *V-181*
8.7.2 Geology *V-183*
8.7.3 Mining *V-186*

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

TABLE OF CONTENTS

8.8 Resources and Reserves V-187
8.8.1 Mineral Resources — In Situ Quantities *V-187*
8.8.2 Reserves — Mineable Quantities *V-188*
8.9 Mineral Processing V-188
8.9.1 Processing Circuits *V-190*
8.10 Infrastrucutre and services V-192
8.11 Capital and Operating Costs V-192
8.12 Safety and Environment V-193

9 HONGDA IRON ORE MINE V-193
9.1 Background V-193
9.2 Assets V-194
9.3 Land Tenure and Mineral Rights V-194
9.4 Geology V-194
9.5 Resources and Reserves V-197
9.5.1 Mineral Resources — In Situ Quantities *V-197*
9.5.2 Reserves — Mineable Quantities *V-197*
9.6 Mining V-198
9.6.1 General Description *V-198*
9.6.2 Historic and Forecast Production *V-198*
9.7 Mineral Processing V-199
9.8 Infrastructure and services V-200
9.9 Capital and Operating Costs V-200
9.10 Safety and Environment V-201

10 XIANGXI CARBON SHALE VANADIUM PROJECT V-202
10.1 Background V-202
10.2 Assets V-203
10.3 Land Tenure and Mineral Rights V-203
10.4 Geology V-205
10.4.1 Background and Previous Work *V-205*
10.4.2 Local Geology and Mineralisation *V-205*
10.5 Resources and Reserves V-209
10.5.1 Mineral Resources — In Situ Quantities *V-209*
10.5.2 Reserves — Mineable Quantities *V-210*
10.6 Mining V-211
10.6.1 Mine Planning *V-211*
10.7 Mineral Processing V-215
10.8 Infrastructure and Services V-216
10.9 Capital and Operating Costs V-216
10.10 Safety and Environment V-217

11 NONGGESHAN LEAD ZINC PROJECT V-217
11.1 Background V-218
11.2 Assets V-218
11.3 Land Tenure and Mineral Rights V-218

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

TABLE OF CONTENTS

11.4 Geology V-220
11.5 Resources and Reserves V-223
11.5.1 Mineral Resources — In Situ Quantities *V-223*
11.5.2 Reserves — Mineable Quantities *V-223*
11.6 Mining V-224
11.6.1 Mine Planning *V-224*
11.6.2 Forecast Production *V-224*
11.7 Mineral Processing V-225
11.8 Infrastructure and Services V-227
11.9 Capital and Operating Costs V-228
11.10 safety and environment V-229
12 ANNEXURE A — QUALIFICATIONS AND EXPERIENCE V-230
13 ANNEXURE B — GLOSSARY OF TERMS V-236
ANNEXURE C — RESOURCE REPORTING STANDARDS V-240

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

LIST OF TABLES

Table 1.1 — International Operations Project Status V-23
Table 1.2 — Domestic China Operations Project Status V-23
Table 1.3 — International Assets Resource and Reserve Summary V-25
Table 1.4 — Domestic Assets resource (In Situ Quantities) and reserves (Mineable Quantities) Summary V-25
Table 2.1 — Minera Sierra Grande Iron Ore Project — Exploration and Mining History V-30
Table 2.2 — Minera Sierra Grande — South Deposit — In Situ Quantities February 1980 . . . . . V-33
Table 2.3 — Minera Sierra Grande — South Deposit — In Situ Quantities June 2008 . . . . . V-34
Table 2.4 — Minera Sierra Grande — South Deposit — Mineable Quantities V-34
Table 2.5 — Minera Sierra Grande — Historical Production V-37
Table 2.6 — Minera Sierra Grande — Production Forecast V-37
Table 2.7 — Minera Sierra Grande — Forecast Mining Costs V-42
Table 2.8 — Minera Sierra Grande — Forecast Processing Costs V-42
Table 2.9 — Minera Sierra Grande — Current Expenditure V-43
Table 2.10 — Minera Sierra Grande — Planned Expenditure V-44
Table 3.1 — Ramu Nickel Laterite — Mineral Resources V-54
Table 3.2 — Ramu Nickel Laterite — Ore Reserves V-55
Table 3.3 — Ramu Nickel Laterite — Forecast Production V-59
Table 3.4 — Ramu Nickel Laterite — Comparison between Intermediate Products V-60
Table 3.5 — Ramu Nickel Laterite — Ore Washing Products V-60
Table 3.6 — Ramu Nickel Laterite — Forecast Capital Costs V-68
Table 3.7 — Ramu Nickel Laterite — Forecast Mining Operating Costs V-68
Table 3.8 — Ramu Nickel Laterite — Forecast Processing Operating Costs V-69
Table 4.1 — Aynak Copper Project — Lease 03/87 . . . . . V-73
Table 4.2 — Aynak Copper Project — Exploration and Mining History V-74
Table 4.3 — Aynak Copper Project — Exploration Methods — Summary V-78
Table 4.4 — Aynak Copper Project — Russian In Situ Quantities (various Cu % cog) V-79
Table 4.5 — Aynak Copper Project — ENFI 2008 In Situ Quantities (various Cu % cog) V-80
Table 4.6 — Aynak Copper Project — ENFI 2008 Mineable Quantities Parameters V-82
Table 4.7 — Aynak Copper Project — ENFI 2008 Estimated Mineable Quantities V-82
Table 4.8 — Aynak Copper Project — M-MC Estimated Shovel Production Rates Per Annum V-83
Table 4.9 — Aynak Copper Project — Typical Haulage Profile V-84
Table 4.10 — Aynak Copper Project — Forecast Mining Production V-88
Table 4.11 — Aynak Copper Project — Forecast Production V-88
Table 4.12 — Aynak Copper Project — Process Metallurgy V-90
Table 4.13 — Aynak Copper Project — Forecast Mining and Processing Capital Expenditure V-94
Table 4.14 — Aynak Copper Project — Forecast Mining Operating Costs V-94
Table 4.15 — Aynak Copper Project — Forecast Processing Operating Costs V-94
Table 4.16 — Aynak Copper Project — Forecast Smelting and Refining Operating Costs V-95
Table 4.17 — Aynak Copper Project — Forecast Total Operating Costs V-95
Table 5.1 — Duddar Lead Zinc — Mining Lease ML-100(132) V-98
Table 5.2 — Duddar Lead Zinc — Exploration and Mining History V-100

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

LIST OF TABLES

Table 5.3 — Duddar Lead Zinc — Exploration Methods — Summary V-104

Table 5.4 — Duddar Lead Zinc — Mineral Resources, as at December 2008 at >7% (Zn + Pb) Cut-off grade V-105

Table 5.5 — Duddar Lead Zinc — Mineral Resource Summary Pasminco 1997 at >7% (Zn + Pb) Cut-off grade V-106

Table 5.6 — Duddar Lead Zinc — Comparative Estimates V-106

Table 5.7 — Duddar Lead Zinc — Mineable Quantities Estimates at >7% (Zn + Pb) Cut-off grade V-107

Table 5.8 — Duddar Lead Zinc — Forecast Production Figures V-110

Table 5.9 — Duddar Lead Zinc — Layer Ore Feed Grade V-110

Table 5.10 — Duddar Lead Zinc — Layer Ore Mineralisation V-110

Table 5.11 — Duddar Lead Zinc — Vein Ore Feed Grade V-111

Table 5.12 — Duddar Lead Zinc — Vein Ore Mineralisation V-111

Table 5.13 — Duddar Lead Zinc — Client Supplied Original Costs V-116

Table 5.14 — Duddar Lead Zinc — Client Supplied Adjusted Costs V-117

Table 6.1 — Saindak Copper Gold — Prospecting Licence 30K — 30L V-119

Table 6.2 — Saindak Copper Gold — Prospecting Licence 34-C V-119

Table 6.3 — Saindak Copper Gold — Exploration Summary V-120

Table 6.4 — Saindak Copper Gold — Orebody Characteristics V-122

Table 6.5 — Saindak Copper Gold — Grade Distribution in Alteration Zones V-123

Table 6.6 — Saindak Copper Gold — Drilling Summary V-125

Table 6.7 — Saindak Copper Gold — Exploration Methods V-126

Table 6.8 — Saindak Copper Gold — (South Orebody) M-MC Estimated Mineral Resources, as at December 2008 . . . . . V-127

Table 6.9 — Saindak Copper Gold — (South Orebody) — M-MC Estimated Mineable Quantity Summary, as at December 2008 . . . . . V-129

Table 6.10 — Saindak Copper Gold — Historical Production V-130

Table 6.11 — Saindak Copper Gold — Forecast Production V-130

Table 6.12 — Saindak Copper Gold — M-MC Estimated Remaining Mineable Quantities (December 2008) V-130

Table 6.13 — Saindak Copper Gold — Historical and Forecast Metallurgical Production V-131

Table 6.14 — Saindak Copper Gold — Historical and Forecast Copper Concentrate Production . . V-134

Table 7.1 — Cape Lambert Iron Ore Project — Exploration Licence 47/1233 . . . . . V-140

Table 7.2 — Cape Lambert Iron Ore Project — Exploration Licence 47/1248 . . . . . V-141

Table 7.3 — Cape Lambert Iron Ore Project — Exploration Licence 47/1271-I V-141

Table 7.4 — Cape Lambert Iron Ore Project — Exploration Licence 47/1462 . . . . . V-141

Table 7.5 — Cape Lambert Iron Ore Project — Exploration Summary V-143

Table 7.6 Cape Lambert Iron Ore Project — Orebody Characteristics V-145

Table 7.7 — Cape Lambert Iron Ore Project — Drilling Summary V-147

Table 7.8 — Cape Lambert Iron Ore Project — Exploration Methods V-148

Table 7.9 — Cape Lambert Iron Ore Project — Golder Associates Estimated Mineral Resources, as at March 2009 . . . . . V-149

Table 7.10 — Cape Lambert Iron Ore Project — 2008 PFS Optimisation Inputs V-152

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

LIST OF TABLES

Table 7.11 — Cape Lambert Iron Ore Project — 2008 PFS Pit Design Mineable Quantity V-152
Table 7.12 — Cape Lambert Iron Ore Project — 2008 PFS PIT Design Parameters V-154
Table 7.13 — Cape Lambert Iron Ore Project — 2008 PFS Mining Schedule V-155
Table 7.14 — Cape Lambert Iron Ore Project — Forecast Production V-156
Table 7.15 — Cape Lambert Iron Ore Project — Estimated Power Requirements V-162
Table 7.16 — Cape Lambert Iron Ore Project — Estimated Capital Costs V-163
Table 7.17 — Cape Lambert Iron Ore Project — Activity Capital Cost Breakdown V-163
Table 7.18 — Cape Lambert Iron Ore Project — Capital Cost Expenditure Timetable V-164
Table 7.19 — Cape Lambert Iron Ore Project — Estimated Operating Cost V-164
Table 7.20 — Cape Lambert Iron Ore Project — Environmental Protection Costs V-165
Table 8.1 — Jinchang Mining Assets — License Details V-171
Table 8.2 — Guanfen Iron Mine — Orebody Descriptions V-172
Table 8.3 — Guanfen Iron Mine — Historic Production V-175
Table 8.4 — Wutaigou Iron Mine — Orebody Descriptions V-178
Table 8.5 — Wutaigou Iron Mine — Historic Production V-180
Table 8.6 — Songzhangzi Iron Mine — Orebody Descriptions V-183
Table 8.7 — Songzhangzi Iron Mine — Historic and Forecast Production V-186
Table 8.8 — Jinchang Mining Assets — Summary of Historical In Situ Quantities V-187
Table 8.9 — Jinchang Mining Assets — In Situ Quantities V-188
Table 8.10 — Jinchang Mining Assets — Wet Processing Facilities V-189
Table 8.11 — Jinchang Mining Assets — Stage Process Grades and Recoveries V-189
Table 8.12 — Jinchang Mining Assets — Actual and Forecast Mining Costs V-192
Table 8.13 — Jinchang Mining Assets — Actual and Forecast Processing Costs V-192
Table 9.1 — Hongda Iron Mine — Mining License Details V-194
Table 9.2 — Hongda Iron Mine — In Situ Quantities V-197
Table 9.3 — Hongda Iron Mine — M-MC Estimated Depleted Resource V-197
Table 9.4 — Hongda Iron Mine — Historic Production V-199
Table 9.5 — Hongda Iron Mine — Historic Capital Expenditure V-201
Table 9.6 — Hongda Iron Mine — Historic Operating Costs V-201
Table 9.7 — Hongda Iron Mine — Historic Concentrate Production and Prices Received V-201
Table 10.1 — Xiangxi V Shale Project — Mining Licence Details V-203
Table 10.2 — Xiangxi V Shale Project — Stratigraphy and Mining Sections V-206
Table 10.3 — Xiangxi V Shale Project — Carbonaceous Shale Quality V-206
Table 10.4 — Xiangxi V Shale Project — Carbonaceous Shale In Situ Quantities V-209
Table 10.5 — Xiangxi V Shale Project — Vanadium In Situ Quantities V-210
Table 10.6 — Xiangxi V Shale Project — Vanadium Mineable Quantities V-210
Table 10.7 — Xiangxi V Shale Project — Mining Schedule V-212
Table 10.8 — Xiangxi V Shale Project — Indicative Capital and Operating Costs V-216
Table 10.9 — Xiangxi V Shale Project — Construction Capital Expenditure Requirements V-217
Table 11.1 — Nonggeshan Lead Zinc Project — Mining Licence Details V-218

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

LIST OF TABLES

TABLE 11.2 — NONGGESHAN LEAD ZINC PROJECT — IN SITU QUANTITIES — OREBODY I, II AND III SULPHIDE ORE V-223
TABLE 11.3 — NONGGESHAN LEAD ZINC PROJECT — MINEABLE QUANTITIES — OREBODY SULPHIDE ORE . . . V-224
TABLE 11.4 — NONGGESHAN LEAD ZINC PROJECT — ROM ORE PRODUCTION PLAN V-224
TABLE 11.5 — NONGGESHAN LEAD ZINC PROJECT — FORECAST PRODUCTION SUMMARY V-225
TABLE 11.6 — NONGGESHAN LEAD ZINC PROJECT — FORECAST MINING COSTS V-228
TABLE 11.7 — NONGGESHAN LEAD ZINC PROJECT — FORECAST CAPITAL COSTS V-228

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

LIST OF FIGURES

FIGURE 1.1 — GENERAL LOCATION PLAN — ALL MINES AND PROJECTS V-26
FIGURE 1.2 — GENERAL LOCATION PLAN — CHINESE DOMESTIC ASSETS V-27
FIGURE 2.1 — MINERA SIERRA GRANDE — PROJECT LOCATION V-31
FIGURE 2.2 — MINERA SIERRA GRANDE — STOPING AND LEVEL DEVELOPMENT STATUS, JUNE 2008 . . . . . V-36
FIGURE 2.3 — MINERA SIERRA GRANDE — PROCESSING FLOWSHEET V-40
FIGURE 3.1 — RAMU NICKEL LATERITE — MINE LOCATION PLAN V-47
FIGURE 3.2 — RAMU NICKEL LATERITE — REGIONAL GEOLOGY V-50
FIGURE 3.3 — RAMU NICKEL LATERITE — GEOLOGY WITH LATERITE EXTENT AND RESOURCE AREAS V-51
FIGURE 3.4 — RAMU NICKEL LATERITE — LATERITE PROFILE V-52
FIGURE 3.5 — RAMU NICKEL LATERITE — MINING METHOD SCHEMATIC V-57
FIGURE 3.6 — RAMU NICKEL LATERITE — MINE PLAN V-58
FIGURE 3.7 — RAMU NICKEL LATERITE — WASHING/SCRUBBING FLOWSHEET V-62
FIGURE 3.8 — RAMU NICKEL LATERITE — SLURRY PIPELINE PUMPING FLOWSHEET V-63
FIGURE 3.9 — RAMU NICKEL LATERITE — REFINERY FLOWSHEET V-66
FIGURE 4.1 — AYNAK COPPER PROJECT — LOCATION PLAN V-72
FIGURE 4.2 — AYNAK COPPER PROJECT — GEOLOGY MAP AND CROSS SECTIONS V-76
FIGURE 4.3 — AYNAK COPPER PROJECT — ENFI RESOURCE MODEL AND WIREFRAMES WEST AND MIDDLE DISTRICTS V-81
FIGURE 4.4 — AYNAK COPPER PROJECT — GENERAL SITE LAYOUT PLAN V-86
FIGURE 4.5 — AYNAK COPPER PROJECT — MIDDLE OPEN CUT DESIGN V-87
FIGURE 4.6 — AYNAK COPPER PROJECT — PROCESSING FLOWSHEET V-92
FIGURE 5.1 — DUDDAR LEAD ZINC — PROJECT LOCATION V-99
FIGURE 5.2 — DUDDAR LEAD ZINC — SITE GEOLOGY AND BOREHOLE LOCATIONS V-102
FIGURE 5.3 — DUDDAR LEAD ZINC — GEOLOGICAL CROSS SECTION V-103
FIGURE 5.4 — DUDDAR LEAD ZINC — DATAMINE BLOCK MODEL V-108
FIGURE 5.5 — DUDDAR LEAD ZINC — CRUSHING AND MINING PROCESSING FLOWSHEET V-114
FIGURE 5.6 — DUDDAR LEAD ZINC — FLOTATION PROCESSING FLOWSHEET V-115
FIGURE 6.1 — SAINDAK COPPER GOLD — LOCATION PLAN V-121
FIGURE 6.2 — SAINDAK COPPER GOLD — LOCAL GEOLOGY AND MINERALISATION V-124
FIGURE 6.3 — SAINDAK COPPER GOLD — RESOURCE MODEL AND CURRENT PIT LEVEL V-128
FIGURE 6.4 — SAINDAK COPPER GOLD — MINE SITE LAYOUT V-132
FIGURE 6.5 — SAINDAK COPPER GOLD — ESTIMATED CURRENT MINING LEVEL V-133
FIGURE 6.6 — SAINDAK COPPER GOLD — COPPER GOLD PROCESSING FLOWSHEET V-136
FIGURE 7.1 — CAPE LAMBERT IRON ORE PROJECT — LOCATION PLAN V-142
FIGURE 7.2 — CAPE LAMBERT IRON ORE PROJECT — DRILL HOLE LOCATION PLAN V-144
FIGURE 7.3 — CAPE LAMBERT IRON ORE PROJECT — LOCAL GEOLOGY AND MINERALISATION V-146
FIGURE 7.4 — CAPE LAMBERT IRON ORE PROJECT — VARIATION OF TONNAGE AND C_FE GRADES V-150
FIGURE 7.5 — CAPE LAMBERT IRON ORE PROJECT — RESOURCE MODEL COLOURED BY FE% (LOOKING NORTHWEST) V-150
FIGURE 7.6 — CAPE LAMBERT IRON ORE PROJECT — RESOURCE MODEL COLOURED BY C_FE% (LOOKING NORTHWEST) V-151
FIGURE 7.7 — CAPE LAMBERT IRON ORE PROJECT — 2008 PFS PIT DESIGN PLAN V-153

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

LIST OF FIGURES

FIGURE 7.8 — CAPE LAMBERT IRON ORE PROJECT — 2008 PFS PROCESSING FLOWSHEET V-157
FIGURE 7.9 — CAPE LAMBERT IRON ORE PROJECT — DAVIS TUBE TESTING V-159
FIGURE 8.1 — CHINESE DOMESTIC IRON ORE MINES LOCATIONS V-167
FIGURE 8.2 — JINCHANG MINING ASSETS — LOCATION MAP V-170
FIGURE 8.3 — GUANFEN IRON MINE — TOPOGRAPHY AND GEOLOGY V-174
FIGURE 8.4 — GUANFEN AND WUTAIGOU IRON MINES — TOPOGRAPHY AND GEOLOGY V-177
FIGURE 8.5 — WUTAIGOU IRON MINE — TOPOGRAPHY AND GEOLOGY V-179
FIGURE 8.6 — SONGZHANGZI IRON MINE — TOPOGRAPHY AND GEOLOGY V-182
FIGURE 8.7 — SONGZHANGZI IRON MINE — CROSS SECTIONS V-185
FIGURE 8.8 — JINCHANG MINING ASSETS — N^{O} 1 AND 2 PROCESSING PLANT FLOWSHEET V-191
FIGURE 9.1 — HONGDA IRON MINE — GEOLOGY AND SITE LAYOUT V-196
FIGURE 10.1 — XIANGXI V SHALE PROJECT — PROJECT LOCATION V-204
FIGURE 10.2 — XIANGXI V SHALE PROJECT — GEOLOGY MAP V-207
FIGURE 10.3 — XIANGXI V SHALE PROJECT — GEOLOGICAL TYPE CROSS SECTION V-208
FIGURE 10.4 — XIANGXI V SHALE PROJECT — STRUCTURE FLOOR RESOURCE ESTIMATES V-213
FIGURE 10.5 — XIANGXI V SHALE PROJECT — MINING SCHEDULE V-214
FIGURE 11.1 — NONGGESHAN LEAD ZINC PROJECT — LOCATION PLAN V-219
FIGURE 11.2 — NONGGESHAN LEAD ZINC PROJECT — GEOLOGY V-221
FIGURE 11.3 — NONGGESHAN LEAD ZINC PROJECT — CROSS SECTION V-222
FIGURE 11.4 — NONGGESHAN LEAD ZINC PROJECT — PROCESSING FLOWSHEET V-226

The Directors
China Metallurgical Group Corporation
11, Gaoliangqiaoxie Street,
Haidian District,
Beijing, P.C 100081

July 21, 2009

RE: INDEPENDENT TECHNICAL REVIEW REPORT

Dear Sirs,

Minarco-MineConsult ("M-MC") has carried out an Independent Technical Review ("ITR") of the assets of "Metallurgical Corporation of China Ltd." ("MCC" or "the Company"). The results of the ITR are summarised in the attached Independent Technical Review Report ("ITRR").

The assets reviewed ("Relevant Assets") consist of International and Domestic China Assets as follows:

International Assets

- Minera Sierra Grande Iron Ore Mine in Argentina;
- Ramu Nickel Project in Papua New Guinea;
- Aynak Copper Project in Afghanistan;
- Duddar Lead-Zinc Project in Pakistan;
- Saindak Copper-Gold Mine in Pakistan; and
- Cape Lambert Iron Ore Project in Western Australia.

Domestic China Assets

- Jinchang Mining Assets;
  - Guanfen Iron Ore Mine
  - Wutaigou Iron Ore Mine
  - Songzhangzi Iron Ore Mine
  - Jinchang Processing Plant
- Hongda Iron Ore Mine;
- Xiangxi Carbon Shale — Vanadium Project; and
- Nonggeshan Lead Zinc Project.

The following report (the ITRR) has been prepared by M-MC in connection with the ITR conducted by M-MC on the Relevant Assets. The report sets out the process and conclusions of M-MC's review and M-MC consents to its inclusion as required in MCC's document.

M-MC has conducted its review and preparation of this report in accordance with the requirements of Chapter 18 of the Listing Rules of the Stock Exchange of Hong Kong Limited, with the exception of the requirements set out in Listing Rule 18.09 item (8) which relates to the provision of a two-year working capital statement. This report is also in compliance with:

- The "Australasian Code for Reporting Mineral Resources and Ore Reserves" (2004 edition published by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy,

Australian Institute of Geoscientists and the Minerals Council of Australia" (the "JORC Code"), for determining resources and reserves; and

- The Code and Guidelines for technical assessment and/or valuation of mineral and petroleum assets and mineral and petroleum securities for Independent Expert Reports (the "Valmin Code").

M-MC carried out a review of Mineral Resources as reported under the Chinese Mineral Reporting Standards and has compared these results in broad terms with the reporting requirements of the JORC Code. Where mineral resources and reserve estimates were not in compliance with the recommendations of the JORC guidelines, M-MC have used the terms 'In Situ Quantities' and 'Mineable Quantities' respectively.

M-MC operates as an independent technical consultant providing resource evaluation, mining engineering and mine valuation services to the resources and financial services industries. This report was prepared on behalf of M-MC by technical specialists, details of whose qualifications and experience are set out in ***Annexure A***.

M-MC has been paid, and has agreed to be paid, professional fees for its preparation of this report. However, none of M-MC or its directors, staff or sub-consultants who contributed to this report has any interest in:

- The Company; or
- The Relevant Assets.

Drafts of this report were provided to the Company, but only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report. The review was based mainly on information provided by MCC, either directly from the data room or from project sites and other offices. The report is based on information made available to M-MC before March 20, 2009.

The work undertaken is a technical review of the information provided as well as that obtained during such inspections as M-MC considered appropriate to prepare the report. It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence technical, operational or operation cost issues. M-MC have not given any opinion on political risk associated with the Relevant Assets.

In M-MC's opinion, the information provided by MCC was reasonable and nothing discovered during the preparation of the report suggested that there was any significant error or misrepresentation in respect of that information.

M-MC has independently assessed the Relevant Assets by reviewing pertinent data, including mineral resources, future exploration plans, development potential, and potential mining issues. All opinions, findings and conclusions expressed in the report are those of M-MC and its specialist advisors.

The key conclusions from M-MC's review of the Relevant Assets are summarised as follows:

Minera Sierra Grande Iron Ore Mine: Argentina.

MCC Equity Stake:	70.0%
Status:	Refurbishment of the mine, processing and port facilities commenced in 2005 with limited production. At the time of M-MC's last site visit in March 2009 the bulk of the refurbishment had been completed with production reaching 312kt in 2008. Port facilities will be ready for shipment in April 2009.
Commodity:	Iron ore, magnetite with some hematite
In Situ Quantities:	6 mining leases grouped in 3 deposits, i.e. South, East and North. Currently the South Deposit is the only producing area and hosts known resources of 199Mt (at approximately 57.5%TFe)
Mineable Quantities:	South Deposit estimated at 31Mt based on detailed mine drilling above the 410 mine level. Much larger reserve based on known resources below this depth has yet to be estimated
Mining Method:	Underground, sub-level stoping production at 310ktpa
Product:	Iron magnetite concentrate, delivered to owner operated Panamax vessel loading dock
Designated Production Capacity:	One crushing and ore processing plant — concentrate slurry (process capacity 3.5Mtpa)
Risks:	Lack of a geological model, and a life-of-mine (LOM) plan Current and forecast production is hampered by processing limitations linked to unresolved water and power supply constraints Iron ore prices Freight costs
Opportunities:	Significant increase in reserves, South Deposit Additional resources from East and North Deposits Additional drilling and revised estimates of resources & reserves required Increase in ROM production from 310ktpa to 2,800ktpa by 2011 achievable with current equipment.

Ramu Nickel Project: Papua New Guinea.

MCC Equity Stake:	Effective stake 51.85% (61% of an affiliated company holding an 85% stake in the project)
Status:	Mine development project, predicted production commencement late 2009/ early 2010
Commodity:	Lateritic Ni with minor Co
Mineral Resources:	143.2Mt at 1.01% Ni and 0.10% Co
Ore Reserves:	75.7Mt at 0.91% Ni and 0.10% Co
Mining Method:	Open cut mining at 3.6Mtpa

Product:	Ni-Co hydroxide
Designated Production Capacity:	31ktpa Ni and 3.2ktpa Co
Risks:	Medium to low grade lateritic ore Complex and difficult extraction of Ni and Co from lateritic ore containing 0.8 to 1% Ni Slower than expected ramp up to full production capacity Cost of sulphur Heavy oil price Nickel price
Opportunities:	Additional Mineral Resources Higher grade zones in Ore Reserves. Additional drilling and revised estimates of Resources & Reserves required Recovery and sale of chromite concentrate

Aynak Copper Project: Afghanistan.

MCC Equity Stake:	75.0% (remaining 25% is owned by the Jiangxi Copper Group of China)
Status:	Pre Feasibility
Commodity:	Cu
In Situ Quantities:	483.4Mt at 1.85% Cu (combined Middle and West District at various Cu cut-off grades)
Mineable Quantities:	Open cut (Middle District) 155.4Mt at 1.13% Cu Underground (West District) 194.1Mt at 1.3% Cu
Mining Method:	Open cut at 9.9Mtpa and underground natural and sub-level caving at 9.9Mtpa (by 2018)
Product:	Cu concentrate, cathode Cu and sulphuric acid
Designated Production Capacity:	987ktpa Cu concentrate
Risks:	Some historical data for resources is missing Geotechnical parameters for the open cut and underground block cave have not been assessed in detail Mine planning and scheduling is at a preliminary stage Metallurgical studies are in the early stages and require further confirmation Capex and Opex provided by MCC reflect the preliminary status of the study and will change as mining and processing parameters are refined
Opportunities:	Resources to date remain open at depth Open cut recovery and dilution could be improved through careful grade control, resulting in reduced ROM tonnes and improved grades. Improvements to the proposed metallurgical process are achievable with further studies

Duddar Lead-Zinc Project: Pakistan.

MCC Equity Stake:	Effective stake 40.8% (MCC holds 80% of the Duddar Mining Development Company which holds 51% of the mine)
Status:	Mine development project, ready for underground production commencement
Commodity:	Stratiform Pb-Zn
Mineral Resources:	14.48Mt at 9.9% Zn, 3.4% Pb
Mineable Quantities:	Underground 9.13 Mt at 9.3% Zn and 3.0% Pb
Mining Method:	Underground at 660ktpa
Product:	Zn and Pb concentrates
Designated Production Capacity:	Zn Concentrate 97.2ktpa at 55% Zn, Pb Concentrate 22ktpa at 67% Pb.
Risks:	Structural deformity, many faults, discontinuous ore blocks, unstable mining conditions Metal prices, particularly zinc
Opportunities:	Medium — high grade Pb-Zn Continuity of mineralisation — stratiform Additional resources and reserves at depth Additional drilling and revised estimates of Resources & Reserves required Recovery of barite concentrate

Saindak Copper and Gold Project: Pakistan.

MCC Equity Stake:	Sole exploiter through a rental agreement with the Balochistan government. (10 year mining licence)
Status:	Operating Open cut mine
Commodity:	Porphyry low to medium grade Cu-Au
Mineral Resources:	50.9Mt at 0.47% Cu and 0.46g/t Au (cog 0.25% Cu), as at December 2008.
Mineable Quantities:	Open cut: 49.7Mt at 0.45% Cu and 0.47g/t Au. (cog 0.25% Cu), as at December 2008.
Mining Method:	Open cut 5.3Mtpa
Product:	Cu concentrate and cathode copper
Designated Production Capacity:	81.5kt of concentrate per annum at 22.4% Cu, 20.6g/t Ag (based on 2008 production).
Risks:	Reserves estimates do not take into account mining loss or dilution Low to medium grade deposit Copper and precious metal prices

Opportunities:	Production grades of gold and silver are above forecasts from the model Additional Ore Reserves (UG or OC) below currently designed open cut (626mRL) Additional Resource and Reserves at other deposits (North and West) and higher grades. Additional drilling and revised estimates of Resources & Reserves for the North and West deposits required Improved metallurgy particularly copper concentrate grade

Cape Lambert Iron Ore Project: Western Australia.

MCC Equity Stake:	100%.
Status:	Preliminary Pre-Feasibility Study completed. Currently working towards a Bankable Feasibility Study due for completion in Q2 2010. Current plans are for project construction to commence in 2011, following successful completion of the relevant studies and granting of approvals.
Commodity:	Iron ore, magnetite
Mineral Resources:	1.9Bt at 30.7% Fe using a 20% Fe cut-off
Mineable Quantities:	Preliminary studies indicate a Mineable Quantities of 1.31Bt at 29.5% Fe using a 20% Fe cut-off. This estimate includes both Indicated and Inferred Resources. Inferred Resources cannot be included in Ore Reserve estimates under JORC.
Mining Method:	Open Cut, planned production of 48Mtpa.
Product:	Iron magnetite concentrate, delivered to Panamax vessels by barging through an owner operated loading dock.
Designated Production Capacity:	One crushing and ore processing plant - concentrate slurry (process capacity 48Mtpa at 29.5% Fe for 15Mt of magnetite concentrate at 65% Fe)
Risks:	40% of the Resources currently included in the Mineable Quantities are of Inferred category. These will need to be upgraded to Indicated or removed from the Mineable Quantities in later studies to meet the requirements of Ore Reserves under the JORC code. Mine planning and scheduling is at a preliminary stage and detailed analysis needs to be undertaken to confirm the project economics. Forecast concentrate grade of 65% Fe is not supported by the resource model, which estimated a concentrate Fe grade of 61.8% for the deposit based on comprehensive DTR analyses. Variations in concentrate Fe grade throughout the deposit have not been considered in the production schedule with the result that lower than average concentrate Fe grades will be produced in the initial years of the operation making the production forecasts optimistic. Processing test work and Resource estimates to date have not defined the various ore type characteristics in sufficient detail. This work is crucial to managing the process response of different forms of silica other than quartz in the final product. This could have a significant impact on the value and attractiveness of the final saleable product.

	Large scale plant may prove challenging to construct and commission. There may be a mismatch between the ramp up in mining and processing production. Infrastructure (1 rail, 2 powerlines and 1 gas pipeline) will need to be relocated to access the planned pit. Costs and approvals for this work have not been obtained by MCC to date and are not included in the CAPEX estimates provided by the company. For project evaluation longer term iron ore prices should be used (i.e. US$60/t). Current Exploration Licence (EL) does not allow for Mining and various environmental (including an Environmental Impact Statement (EIS)), native title and governmental approvals will need to be gained before a Mining Licence (ML) will be granted. This process for a large scale project can take a number of years.
Opportunities:	Recovery of the non magnetic iron oxide may be achievable with minimal CAPEX. This opportunity if confirmed by testing could enhance revenue and project economics.

Jinchang Mining Assets: China.

MCC Equity Stake:	MCC's effective equity stake in the Jinchang Assets is 85.1% (85.1% of a subsidiary owning an 100% stake in the project)
Assets:	Guanfen Mine Wutaigou Mine Songzhangzi Mine Jinchang Processing Plants

Guanfen Iron Ore Mine: China.

Status:	Dormant since late 2008
Commodity:	Iron ore, magnetite, pre-concentrate product
In Situ Quantities:	known Soft Ore resources depleted
Mining Method:	Open cut at 300ktpa (Soft Ore Only)
Product:	Magnetite powder pre-concentrate at approximately 20%TFe, sent to Jinchang Plants for further upgrading at final Fe concentrate at 65% TFe.
Risks:	Further work required to confirm viability of underground mining of Hard Ore resource Iron ore prices Cost of power
Opportunities:	Open cut depth extended to extract hard ore

Wutaigou Iron Ore Mine: China.

Status:	Dormant since late 2008
Commodity:	Iron ore, magnetite, pre-concentrate product
In Situ Quantities:	193.3kt at 29.7%TFe (Hard Ore)

Mining Method:	Open cut at 300ktpa (Soft Ore Only)
Product:	Magnetite powder pre-concentrate at approximately 20%TFe, sent to Jinchang Plants for further upgrading.
Risks:	Further work required to confirm mineable quantities of Hard Ore Iron ore prices
Opportunities:	Extend open cut depth to extract Hard Ore Improved metallurgy, particularly pre-concentrate grade

Songzhangzi Iron Ore Mine: China.

Status:	One Operating UG Mine
Commodity:	Iron ore, magnetite, concentrate product
In Situ Quantities:	475.7kt at 32.5% TFe (Hard Ore).
Mining Method:	Underground (short hole) at 100ktpa
Product:	ROM ore at approximately 30% Fe
Risks:	Thin lodes will impact on mining recovery and dilution UG development is outside mining districts (boundaries) Unreliable estimates of mining recovery factors for UG extraction Iron ore prices Cost of power
Opportunities:	Development of additional underground resources and reserves. Additional OC in situ quantities as extensions along strike of lodes and ore zones outside mining districts Exploration may identify additional lodes, thicker ore zones and deeper ore Improved metallurgy, particularly concentrate grade

Jinchang Processing Plant: China.

Status:	Operating
Commodity:	Iron ore, magnetite, pre-concentrate and ROM ore
Designated Production Capacity:	March 2009: 400ktpa ROM ore, 200ktpa magnetite concentrate powder at 65% TFe. Plans and infrastructure in place for 1.1Mt ROM ore and 500ktpa of concentrate powder
Risks:	Iron ore prices
Opportunities:	Processing third party sourced ore to improve economy of scale Improved metallurgy, particularly concentrate grade

Hongda Iron Ore Mine: China.

MCC Equity Stake:	MCC's effective equity stake in the Hongda Mine is 48.6% (90% of a subsidiary owning a 54% stake in the project)
Status:	Operating
Commodity:	Iron ore, magnetite, concentrate product

In Situ Quantities:	73.5Mt at 12.64% TFe and 5.11% mFe
Mineable Quantities:	Open cut : 60Mt (site estimated)
Mining Method:	Open cut at 12Mtpa
Product:	Magnetite powder concentrate at approximately 61%TFe
Designated Production Capacity:	672ktpa magnetite concentrate powder at 60% TFe
Risks:	Lower ore grades at base of current pit Iron ore prices
Opportunities:	Exploration for adjacent replacement ore reserves Improved metallurgy, particularly concentrate grade

Xiangxi Carbon Shale Project: China.

MCC Equity Stake:	80.0%
Status:	Project Planning
Commodity:	Vanadium (V) and Carbonaceous Shale
In Situ Quantities:	71.1Mt at 3,507J/g of Carbonaceous Shale Upper Mining section 17.147Mt at 0.79% V_2O_5 , 0.7% V_2O_5 cut off grade of Vanadium ore in Upper Mining Section
Mineable Quantities:	13.0Mt at 0.79% V_2O_5 of Vanadium ore in mining section 2
Mining Method:	Proposed open cut and underground board and pillar at 570ktpa (open cut only)
Product:	Vanadium pentoxide (V_2O_5), carbonaceous shale, cement slag
Designated Production Capacity:	2ktpa of vanadium pentoxide (V_2O_5) with mining production of 570ktpa Co-product of slag used for cement, waste heat from vanadium processing for use in power generation
Risks:	Mining method may be controlled by environmental requirements No detailed mining plans or schedules available Fissile shales may cause geotechnical issues in underground mine Validation of heat (energy) values of carbonaceous shale, definition of basis of analysis (gross or net) Suitability of ore for power generation
Opportunities:	Large additional carbonaceous shale resources (mining Section 1) for domestic power generation

Nonggeshan Lead Zinc Project: China.

MCC Equity Stake:	MCC's effective equity stake in the project is 49.9% (97.83% of a subsidiary owning a 51% stake in the project)
Status:	Project Development
Commodity:	Pb, Zn minor Ag
In Situ Quantities:	20.4Mt in Orebody I+II+III, at 1.8% Pb, 1.4% Zn, 16.6g/t Ag

Mineable Quantities:	5.709Mt at 2.5% Pb, 1.5% Zn, 17.4g/t Ag with contained metal of 141kt Pb, 84kt Zn and 99t Ag, of 111b and 122b Chinese Code Mineable Quantities, within orebody I An additional 12.2Mt of 333 Chinese Code Mineable Quantities represents additional potential Mineable Quantities within orebody I
Mining Method:	Underground at 600ktpa
Product:	2 concentrates; one Pb with Ag and minor Zn and one Zn with minor Pb
Designated Production Capacity:	12.7ktpa Pb & Ag concentrate at 62% Pb, 6% Zn and 464g/t Ag, 12.5ktpa Zn concentrate at 45% Zn.
Risks:	Only 32% of in situ quantities are 111b or 122b status Lower mining recovery and higher dilution related to fault zones bounding Orebody I Unstable wall rocks bounding orebody I Metal prices Operating costs
Opportunities:	Additional 0.68 Mt of Exploration Targets Definition of low grade zones as potential additional ore. Pre-concentration of ores to lower both Capital and Operating Costs

Yours faithfully

Andrew Ryan
General Manager North Asia
Minarco-MineConsult

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

1 OVERVIEW AND EXECUTIVE SUMMARY

1.1 INTRODUCTION

MCC's mines and projects are discussed throughout this report in various sections. The non-China based assets (referred to as International Assets in this report) tend to be more substantial and therefore they are described in more detail in this report than the smaller scale, China based assets (referred to as Domestic Assets). A brief summary of International and China based assets are given in ***Tables 1.1*** and ***1.2*** respectively

Table 1.1 — International Operations Project Status

International Assets	Location	Commodity	Status	Mining Method
Minera Sierra Grande Iron Ore Mine . .	Argentina	Iron ore	Operating	UG
Ramu Nickel Laterite Project.	Papua New Guinea	Nickel laterite	Development	OC
Aynak Copper Project	Afghanistan	Copper	Development	OC/UG
Duddar Lead Zinc Project	Pakistan	Lead-Zinc	Development	UG
Saindak Copper Gold Mine	Pakistan	Copper-Gold	Operating	OC
Cape Lambert Iron Ore Project	Western Australia	Iron ore	Development	OC

Table 1.2 — Domestic China Operations Project Status

Domestic Assets	Location	Commodity	Status	Mining Method
Jinchang Mining Assets				
Guanfen Iron Ore	Liaoning Province	Iron Ore (Soft)	Dormant	OC[1]
Wutaigou Iron Ore.	Liaoning Province	Iron Ore (Hard)	Dormant	OC[1]
Songzhangzi Iron Ore	Liaoning Province	Iron Ore (Hard)	Operating	UG
Hongda Iron Ore	Inner Mongolia	Iron Ore	Operating	OC
Xiangxi Carbon Shale	Hunan Province	Vanadium — Carbonaceous Shale	Exploration	OC/UG
Nonggeshan Lead Zinc	Sichuan Province	Lead — Zinc	Development	UG

*Note 1: The Jingchang opencut mines in **Table 1.2** are planning to mine deeper resources in the future, and will therefore move to underground mining over the next two years if iron prices recover.*

1.2 LIMITATIONS AND EXCLUSIONS

The review was based on various reports, plans and tabulations, which were translated into English. The data reviewed in most instances did not include detailed exploration samples or assay data as this information was unavailable to M-MC.

The report is based mainly on information provided by the Company either directly from the mine sites and other offices, or from reports by other organisations whose work is the property of the Company. The Company has not advised M-MC of any material change, or any event likely to cause material change, to the operations or forecasts since the date of the most recent inspection of the Relevant Asset.

The work undertaken for this report is that required for a technical review of the information coupled with such inspections as the Team considered appropriate to prepare this report. It specifically excludes all aspects of legal issues, commercial and financing matters, land titles, agreements, excepting such aspects as may directly influence technical, operational or operational cost issues. M-MC have not given any opinion on political risk associated with the Relevant Assets.

M-MC has also specifically excluded making any comments on the competitive position of the Assets compared with other similar and/or competing assets. M-MC advises that any potential investors make their own assessment of the competitive position of the Relevant Assets in the market.

1.3 STUDY METHODOLOGY

The study was completed in several stages as follows:

- Preparatory Work and Translation — Limited technical information was made available to the Team prior to the 1st site visits in 2007 and 2008. Updated data was provided prior to the second site visit in 2009.
- Site Visits — The Assets were visited by M-MC's various professional experts in two main phases from October 2007 - April 2008 and again in March 2009. The Pakistan Assets (Duddar Pb-Zn Project, and Saindak Cu-Au Mine) and the Afghanistan Asset (Aynak Cu Project) were not visited due to perceived political instability and associated security risks at the time of compiling of this report. In addition, M-MC did not visit the Nonggeshan Pb-Zn Project because of its greenfields nature and relative remoteness.
- Document and Reports — Copies of the Geology Reports, Feasibility Studies and associated supporting documents were made available to M-MC's office for translation and review by experts in M–MC's various offices around the world.
- Preparation of the Report — M-MC prepared this report and provided drafts to the Company and its specialist advisers.

The basis for the comments and forecasts in this report is information compiled by enquiry and verbal comment from the Company, cross checked where possible with hard data or by comment from more than one source. Where there was conflicting information on issues, the Team used its professional judgment to resolve the issues where possible.

Generally, the data available was sufficient for M-MC to complete the scope of work. The quality and quantity of data available, and the co-operative assistance, in M-MC's view, showed a willingness by the Company to assist the ITR process.

1.4 DESCRIPTION OF ASSETS

The general locations of the assets are shown in ***Figure 1.1 and 1.2***. More detailed location plans for each of the assets are shown individually in **Sections 2** through to **Section 10** of the report.

1.5 SUMMARY OF RESOURCES AND ORE RESERVES

A summary of Resources and Ore Reserves has been prepared by M-MC using the guidelines of the JORC Code, with the estimates for the International and Chinese assets shown in ***Tables 1.3*** and ***1.4*** respectively**.** Resources for all mines and projects are presented together in International and Domestic groups. However, because there are different commodities, resource estimates for each project are not additive.

Resources and reserve estimates by the relevant Chinese Institute based on the Chinese Code are accepted by the Hong Kong Stock Exchange (HKEX). In M-MC's opinion, the Chinese estimates are reasonable, however without validation of exploration and estimation methods, these estimates do not comply with JORC guidelines.

The JORC Code requires that Ore Reserve estimates must apply relevant modifying factors including mining layout, pit shells, recovery and dilution factors to Indicated and/or Measured Resources. Where resource and reserve estimates are not compliant with JORC guidelines M-MC have used terms 'In Situ Quantities' and 'Mineable Quantities' respectively as follows:

Non JORC Mineral Resources	are referred to as	In Situ Quantities
Non JORC Ore Reserves	are referred to as	Mineable Quantities

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

Most of the projects estimated using the Chinese Code do not estimate Ore Reserves (Mineable Quantities). For these projects it is common for operational management and planning to use In Situ Quantities as indicative "ore reserves". In M-MC's opinion this is not a reasonable practice as "ore reserves" should take into account relevant modifying factors including mining layout, pit shells, recovery and dilution factors.

Where contained metal is estimated, the JORC code requires reporting together with tonnes and grade of Mineral Resource estimates or more ideally with Ore Reserve estimates.

In its report M-MC has referred to the periodic table chemical symbol as opposed to the full metal name. A definition of each symbol used in the report can be found in ***Annexure B***

Mineral Resources (In Situ Quantities) and Ore Reserves (Mineable Quantities) are discussed in more detail in each of the projects chapters.

Table 1.3 — International Assets Resource and Reserve Summary

International Assets	Mineral Resources (Mt)	Ore Reserves (Mt)	Average Grade (Ore Reserves)		Resource Reporting	Reserve Reporting
Minera Sierra Grande	199.0	31.3	57.5%TFe	1.3% P	USGS	USGS
Ramu	143.2	75.7	0.91% Ni	0.1% Co	JORC	JORC
Aynak	483.4	349.5	1.22% Cu		Russian	Chinese
Duddar	14.5	9.1	9.3% Zn	3.0% Pb	JORC	Chinese
Saindak	50.9	49.7	0.45% Cu	0.47g/t Au (2.2–2.6g/t Ag)	JORC	Chinese
Cape Lambert	1,915.0	1,310.0	29.5%Fe		JORC	Chinese

Notes: Mineral Resources include Inferred, Indicated and Measured.

Mineral Resources are inclusive of Ore Reserves (Mineable Quantities).

Minera Sierra Grande Reserve Grade based on resource grades

Saindak (Ag grades) shown as indication only based on historical production results, Ag was not assayed in the drilling or estimated and hence cannot be reported as either Resources or Mineable Quantities.

Cape Lambert Mineable Quantities includes Inferred Resources which are not reportable as Reserves under JORC.

Table 1.4 — Domestic Assets resource (In Situ Quantities) and reserves (Mineable Quantities) Summary

Domestic Assets	In Situ Quantities (kt)	Mineable Quantities (kt)	Average Grade (Mineable Quantities) Fe % #1	Pb %	Zn %	Ag g/t	V_2O_5%	J/g
Jinchang Mining Assets								
Wutaigou Iron Ore (hard)	193.3	n/a	29.7					
Songzhangzi Iron Ore (hard)	475.7	n/a	32.49					
Hongda Iron Ore#2	73,455	60,000	12.64					
Xiangxi Carbon Shale	71,114							3,507
Xiangxi Vanadium#3	17,147	13,000					0.79	
Nonggeshan Lead Zinc#4	20,416	5,709		2.5	1.5	17.4		

Notes: All results are based on the Chinese Code.

Estimates are not reported in accordance with the recommendations of the JORC Code.

In Situ Quantities are inclusive of Mineable Quantities.

Estimates are not precise calculations; therefore estimates have been rounded to appropriate significant figures.

#1 Fe grade quoted are TFe which is often much higher than the actual recovered mFe grade.

#2 Previously reported Mineable Quantities at a higher Fe price.

#3 Vanadium resource reported at $>0.7\%$ V_2O_5 cog.

#4 An additional 12.2Mt of 333 In Situ Quantities have been considered as Mineable Quantities by the Lanzhou Institute. M-MC has excluded these from its estimate of In Situ Quantities

The locations of the China Domestic Assets are shown in ***Figure 1.2***

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

Figure 1.1 — General Location Plan — All Mines and Projects

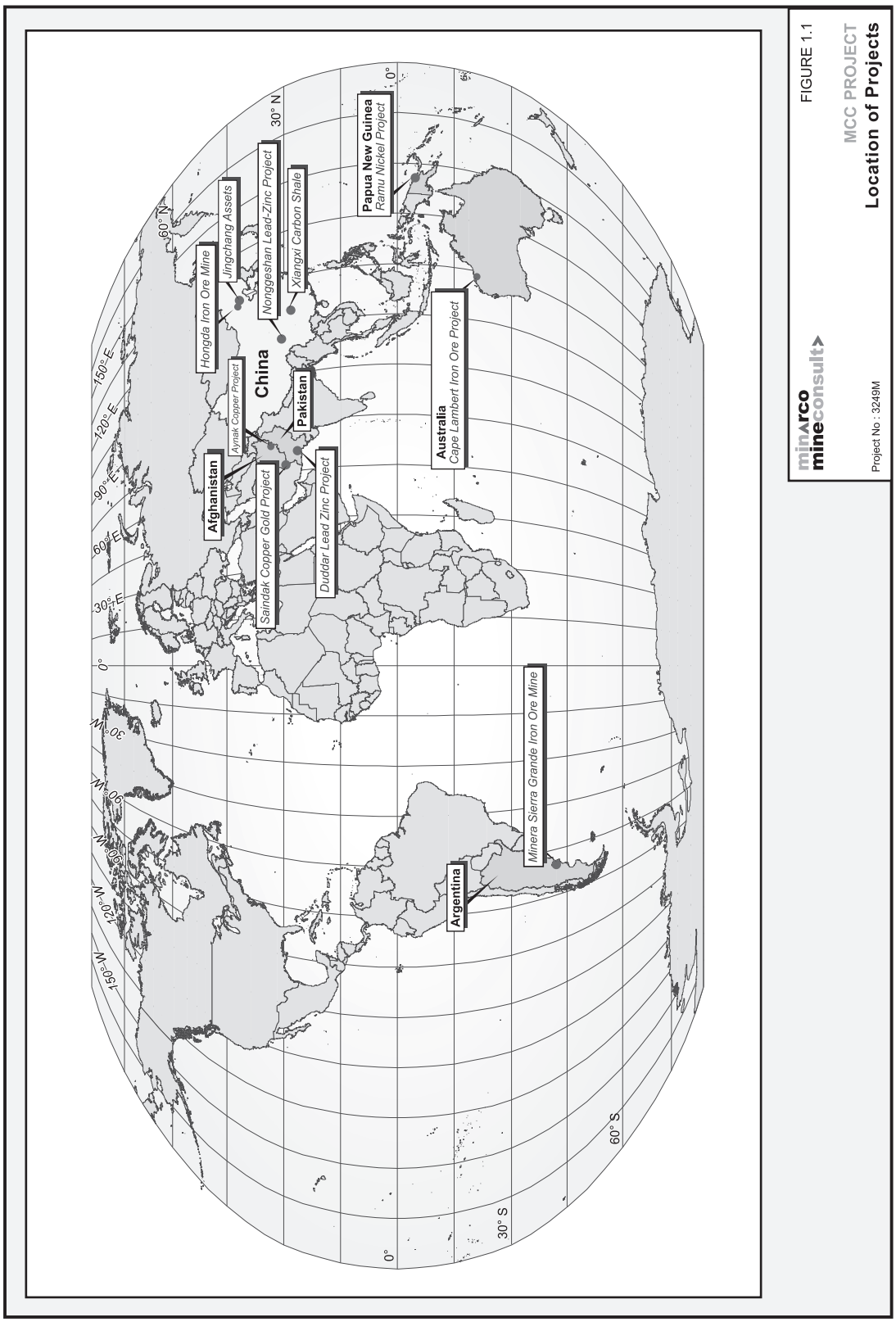


Figure 1.2 — General Location Plan — Chinese Domestic Assets

2 MINERA SIERRA GRANDE IRON ORE MINE

M-MC made a site inspection of this property in December 2007 to review the resources and in April 2008 to review processing and mining. In March 2009 M-MC carried out a final site visit to review recent exploration work on the East orebody and review progress of the refurbishment and re-commissioning. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "1980, Preliminary Technical Report Minera Sierra Grande" prepared by Hierro Patagonia Rionegrino Sociedad Anonima; and
- "2007, Feasibility Study for the Reactivation of Mining and Beneficiation of the Sierra Grande Iron Ore Mine Argentina" prepared by the Northern Engineering and Technology Corporation of MCC.

MCC's effective equity stake in the Minera Sierra Grande Project is 70%.

2.1 BACKGROUND

Minera Sierra Grande, SA (MSG) is an Argentinean company formed to acquire the iron ore mining concession owned by Hierro Patagonia Rionegrino Sociedad Anonima (HIPARSA) through a formal process of a private initiative submitted on September 24, 2004. MCC has a 70% interest in MSG, and thus is the primary owner.

The present mining operation is located approximately 8 km south of the town of Sierra Grande, in the Province of Rio Negro (Patagonia), Argentina. The mining concession, among other assets, includes six mining leases, containing the South, East and North deposits, two existing industrial areas, known as Industrial Area I and Industrial Area II, a 32km long pipeline and a port (Punta Colorada), capable of handling Panamax size vessels. The location of the mine is shown in ***Figure 2.1***.

As a part of the conditions associated with the re-activation of this operation, the local Rio Negro government agreed to the establishment of both power and water facilities. MCC is currently finalising the feasibility of constructing their own gas-fired power facility as no alternative power sources could be found. Water supply issues during M-MC's last site visit were still unresolved with the government delaying making any decisions with regards to refurbishing existing infrastructure or assisting in the sourcing of alternative water sources.

Due to the high phosphorous content of the concentrate produced through the current processing plant, MCC is planning to sell its concentrate to third parties for blending prior to selling to steel manufacturers. An alternative could be to supply a different market, servicing the high demand for magnetite concentrate as dense media in the Chinese coal washing industry, rather than providing feed stock to the iron smelting industry, as is currently planned. This is advantageous for a number of reasons, not least being that very low levels of phosphorus are difficult to achieve and that the specifications for dense media are not as strict concerning such impurities. Moreover, this type of product significantly lowers the processing costs, since some stages of processing are not required (floatation).

2.2 ASSETS

The assets and status include;

- Six (6) Iron ore mining leases — containing the North, South and East Deposits
- One (1) operating underground mine — South Deposit (31Mt Mineable Quantities, capacity 3.6Mtpa)
- One (1) crushing and ore processing plant — concentrate slurry (at 1Mtpa, capacity 3.5Mtpa)
- One (1) Ore slurry pipeline (32km)

- One (1) Slurry dewatering facility
- One (1) Port ship loading facility (loads Panamax vessels at 2,000tph)

2.3 LAND TENURE AND MINERAL RIGHTS

Tenure of the assets is subject to two (2) official documents signed on March 08, 2005 between HIPARSA and A Grade Trading Argentina S/A (MSG), registered at the Register Office of the Rio Negro Province.

The two documents are titled;

1. Transference of Assets and Mining Rights, and
2. Agreement on the Constitution of Mining Easements.

Document (1) refers to:

all iron ore mineral rights known so far in the Sierra Grande Mining Complex, that is:

- Mina Liberdad (Process # 129696-M-1948 / # Mina PASMA 20-284)
- Mina San Martin (129965-M-1948 / 20-285)
- Mina Pecheca (138102-M-1949 / 20-286)
- Mina Calfucura (44521-M-1959 / 20-287)
- Mina Namuncura (157259-M-1963 / 20-288)
- Cuenca Ferrifera (152125-M-1975)

Document (2) refers to:

use and exploitation of all existing assets necessary to the reactivation and operation of the Sierra Grande Mining Complex: buildings, industrial installations, machinery, warehouses and all other existing facilities.

The mining easements cover all the surfaces of Industrial Areas I (over 1,250ha) and II (over 40ha), in addition to all accesses and pathways, except the installations of Punta Colorada extending over the ocean, which are managed by Article 19 of the Punta Colorada Port contract, related to use of the port spare capacity by third parties.

With regards to mining rights, not only the existing mines are covered by the easements, but also all deposits to be discovered or to be incorporated for exploitation in the Sierra Grande Mining Complex.

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

2.4 EXPLORATION AND MINING HISTORY

Since privatisation a large proportion of the geological data has not been recovered. There are few remaining records of discovery or exploration history. A comprehensive drilling programme started in the 1960's followed by some drilling in the mid 1970's. Exploration and mining activities are summarised in ***Table 2.1***

Table 2.1 — Minera Sierra Grande Iron Ore Project — Exploration and Mining History

Year	Activity	Comment
1949	Regional Scale Magnetic Survey	Identified the prospectivity of the area
1949-1956	Detailed Magnetic Survey	
	297m of surface trenching	
	40 HQ Diamond Drill Holes, 4,715m of drilling	National Institute of Geology and Mineral Argentina
1958-1959	Preliminary Resource Estimate to the 450m depth	Direction General of Military Fabrication
1959-1962	7 deep drill holes, 2,116m of drilling to 480m depth	MISIPA
	Resource Estimate 48.35Mt South Deposit to 480m depth	MISIPA
1968-1969	Further Drilling 1,575m in total to 500m depth (640 Mine Level)	MISIPA
	Resource Estimate 89.78Mt South Deposit to 500m depth	Taken in various ore types, Oxide/Mixed Ores, Chalcopyrite Ore and Bornite Ore
1972	Commencement of mining development	
1976	Further Drilling to 780m depth (940 Mine Level)	
1979	First production	
1980	Resource Estimate 219.64Mt South Deposit to <1,000m depth (1100 Mine level)	
1991	Mining stopped	
2005	Mine refurbishment commenced	
2008	HQ diamond drilling East Deposit and northern extent of South Deposit	East Deposit 40 holes, totalling 12,000m. South Deposit 1,300m.

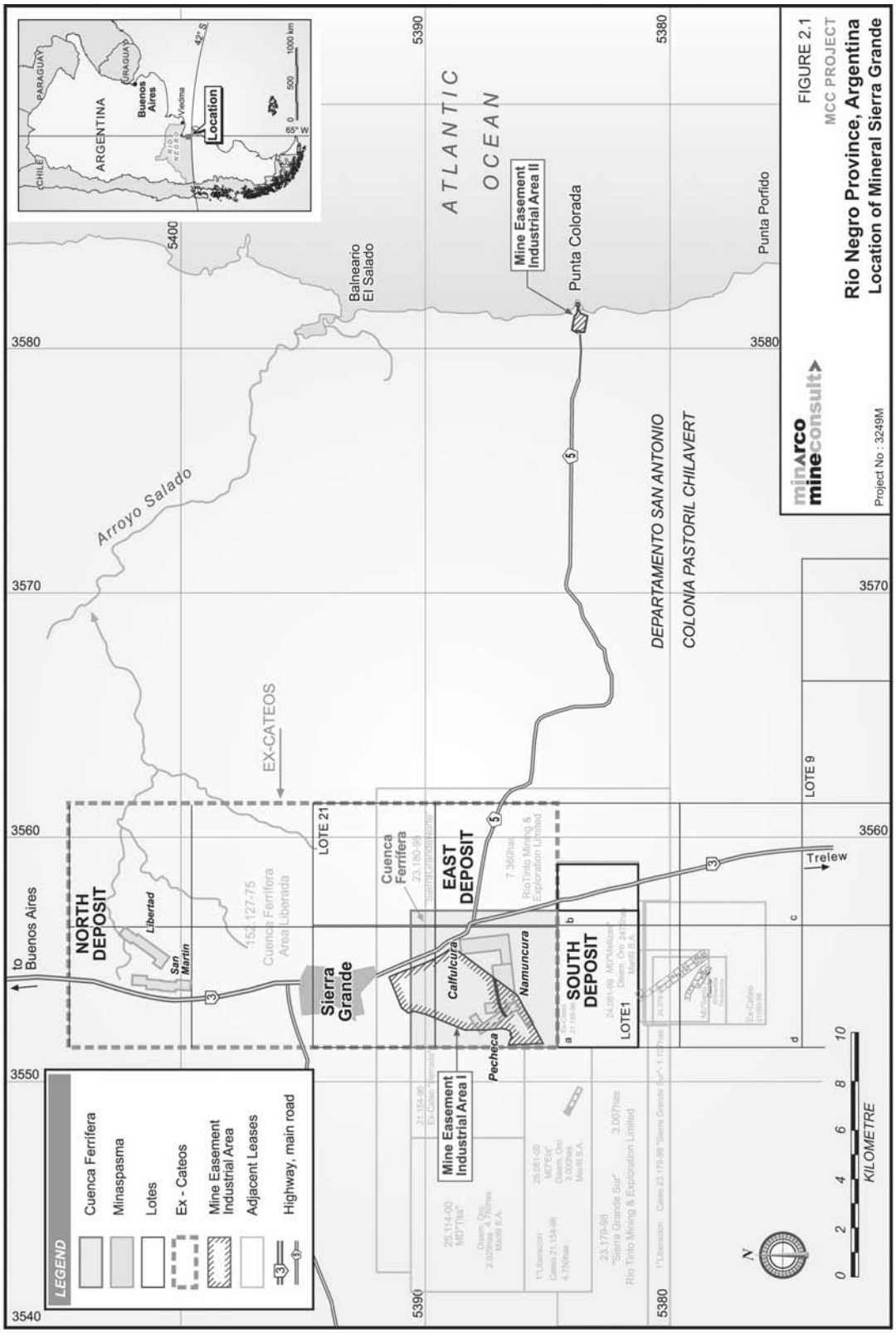
Source: 1980 Preliminary Technical Report and site information

Mine construction started in 1972 and with first production taking place in 1979. Operations involved underground mining and processing, a pellet production plant, and the maritime terminal (the Port). Production ceased in 1991 due to two factors: (a) the difficulty in reducing the concentrate phosphorus content to product specifications and (b) the failure to achieve capacity of the pellet plant project to 2Mtpa.

The operation was restarted in 2005 by MCC with the focus of the past 3 years being refurbishment and recommencement of mining. This involved the purchasing of new equipment and training of local staff. The 2007 total production level run-of-mine (ROM) ore was 94kt and the concentrate production reached 36.6kt. 2008 achieved a total ROM ore production of 312kt and concentrate production of 129.5kt at 67% TFe. The planned 2009 production is for 1Mt ROM ore and 450kt of concentrate. By end of February 2009 the mine had produced 80kt of ROM ore and 30kt of concentrate. The shortfall was mainly attributed to a shortened month in January due to holidays and reduced throughput capacity due to lack of water for the processing plant.

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

Figure 2.1 — Minera Sierra Grande — Project Location



2.5 GEOLOGY

The majority of the data related to geology was not recovered after privatisation, therefore there is no exploration data to support any estimate of Mineral Resources. This data loss includes all borehole information (logs, chemistry, structure information, etc), geological maps, horizontal and vertical geological sections and all information used to prepare the geological model (manual). Some of the historical core is available on site and could be used to check the original estimates. No resource or drilling data prior to 2008 exists in digital format.

There are two full time geologists responsible for geology, one Argentinian and one Chinese. They are further supported by local geotechnicians who assist with collecting of samples and geological information from underground.

The 2008 resource development drilling has been sampled using half core and samples collected have been shipped to the Northern Engineering & Technology Corporation, MCC Institute for analysis. The resource estimate will be completed by the same institute in March 2009.

The iron formation of Silurian Age is bounded both in its hanging wall and in its footwall by angular unconformities. The footwall is made up of clastic sediments of the lower Palaeozoic (Cambrian/ Silurian Age) and the hanging wall by carbonate rocks, shales and quartzites of Mesozoic age (Triassic/ Jurassic). The iron formation strikes NW-SE and dips NE (40^o to 60^o at the upper levels and about 30^o at the lower levels) and has a strike length continuity of 3,200m. The extent down dip of the iron formation in the South Deposit varies from 900 to 1,100m. The geological (true) thicknesses of the iron formation ranges from 5 to 15 m (average 10 m).

The main geological structure of the South Deposit is an anticline intruded by a quartz-diorite dyke. The thickest iron formation horizon, about 14 meters thick, is situated at the axis of this structure. Geological continuity between the South and East Deposits is expected. The transition between ore and waste is gradational, with an ore cut-off grade of 40% Fe.

The available exploration drilling records indicates a total of 168 boreholes in four stages, from 1960 to 2008.

M-MC reviewed drill hole plans on site as well as the recent and historical underground plans of the development. In 2008 MCC carried out validation drilling every 25m along strike, using an underground Simba percursion drill rig, from the 410 level up to the 270 level. Results from this work confirmed the original 1980 ore interpretation and volumes. M-MC considers the current ore interpretation to be reasonable.

MCC currently logs all stope rings. This results in a very detailed interpretation of the ore every 1.7m along the development. Based on this information MCC accurately defines the amount of intercalated waste rock as well as design ore loss and dilution. M-MC considers the work being carried out on site to be of a very high standard.

2.6 RESOURCES AND RESERVES

M-MC reviewed the reasonableness of the estimates and reporting categories from the 1980 report. However, M-MC could not validate the estimates due to a lack of supporting data.

2.6.1 Mineral Resources — In Situ Quantities

The most recent and relatively reliable information available is the internal report produced in February 1980, which reports the "reserve number" i.e. mineral resources of 219.6Mt for the South Deposit, down to the 1,100 level, ***Table 2.2.***

The North Deposit has an Inferred Resource of 11.3Mt in addition to an exploration target of 20.0Mt. The East Deposit has approximately 30Mt to 40Mt in the Exploration Target category only. The East Deposit in 2008

underwent further exploration with 40 drill holes totalling 12,000m completed. The revised resource for this deposit will be completed in March 2009.

The South Deposit is by far the largest, most continuous and well known of the three deposits. Of the 219.6Mt, 108.6Mt (49%) are Measured Resources (to level 640m), 38.8Mt (18%) are Indicated Resources (to level 20m) and 72.3Mt (33%) are Inferred Resources (to level 1,100 m). A summary by level and category is shown in ***Table 2.2***.

Iron Ore mineralisation is predominantly martitic (platy hematite Fe_2O_3) in near surface to 25 m depth. Surface ore average grade is 54.8% Fe, 4.8% Al_2O_3, 5.9% SiO2 and 1.43% P. Magnetite ore (Fe_3O_4) predominates below the surface ore with an average grade of 57.3% Fe. Iron ore density averages 4.5t/bcm.

The mineral resource estimation parameters included:

- Cut-off grade (cog) — >30 %Fe
- Minimum thickness — not available
- Intercalated Waste — Factor of 0.9 applied to the resource tonnes to account for barren bands within the mineralisation
- Resource Categories — Based on US Geological Services guidelines of the 1970's

In M-MC's opinion, these estimates are reasonable and have been reported in accordance with the recommendations from the USGS guidelines of the time. M-MC was not provided with the detailed data to confirm the JORC compliance of the estimate and hence refers to the resources as In Situ Quantities and to the classifications applied as JORC Equivalent.

The resources reviewed by M-MC did not clearly report the portions of the resource which are Hematite and which are Magnetite. Both of these should be reported separately as they have different metallurgical characteristics and grades. ***Table 2.2*** shows the reported resource as at February 1980.

Table 2.2 — Minera Sierra Grande — South Deposit — In Situ Quantities February 1980

	In Situ Quantities (USGS Classification)											
	Measured				Indicated				Inferred			
Level (m)	Mt	TFe %	Fe3O4%	P %	Mt	TFe%	Fe3O4%	P %	Mt	TFe %	Fe3O4%	P %
410	59.9				1.2				0.3			
620	42.6				3.4				5.4			
830	6.2				21.2				33.2			
>830					13				33.3			
Total	**108.7**	**57.3**	**68.3**	**1.29**	**38.8**	**57.8**	**67.7**	**1.33**	**72.2**	**57.8**	**69.2**	**1.3**

	All Classifications			
	Mt	TFe %	Fe3O4%	P %
Grand Total	219.7	57.5	68.5	1.3

Source: Geology Report 1980

Notes: Estimates at Feb 1980
Mineral Resource estimates inclusive of Ore Reserves
Cut-off grade >30% Fe
Intercalation factor of 0.9 applied to resource tonnes to account for waste bands within the ore.
In Situ Quantities classified using USGS 1970 classification. These are broadly similar to JORC.

The 1980 estimate of In Situ Quantities has been adjusted for depletion and reported as at June 2008 based on data provided by MCC (***Table 2.3***). Mining to date has exploited all resources above the 223 level and parts of the 246 level. Lode development is currently underway on the 293 and 316 levels with the 223 and 246 levels having being completed in 2008. In Situ Quantities remaining are mostly magnetite.

Table 2.3 — Minera Sierra Grande — South Deposit — In Situ Quantities June 2008

		In Situ Quantities			
Category	**USGS Classification Chinese Code**	**Inferred 333 (Mt)**	**Indicated 332 (Mt)**	**Measured 331 (Mt)**	**Total (Mt)**
Original Resource (Mt)	Iron ore	72.2	38.8	108.7	219.7
Resources Depleted (Mt)	Iron ore			20.3	
Remaining(Mt)	**Iron ore**	**72.2**	**38.8**	**88.4**	**199.4**

Source: Geology Report 1980

Note: Adjusted for depletion to June 2008

2.6.2 Reserves — Mineable Quantities

Due to the lack of reliable exploration data, there are no detailed geological models. Without this and a mine plan a Reserve Statement is unavailable. However, an operational estimate of the South Deposit above the 410 level is approximately 31.3Mt based on recent MCC resource drilling carried out on 25m profiles along the 410, 340 and 270 mine levels. This information provided by MCC is shown in ***Table 2.4***. These estimates do not meet JORC standards and therefore have been referred to as "Mineable Quantities".

Table 2.4 — Minera Sierra Grande — South Deposit — Mineable Quantities

JORC Equivalent	**Mineable Quantities (Mt)**
Proven	11.3
Probable	20
Total	**31.3**

Source: Client Information June 2008

Note: Estimated 2007
Mining method; sub-level stoping

This estimate provides reasonable Mineable Quantities for mining at the current rate for a period exceeding 8 years.

2.7 MINING

2.7.1 General Description

Current underground mining operations are based on the exploitation of the South Deposit only. The South Deposit was largely developed to its present state by the former operators, HIPARSA. According to the operators, over 60km of development drifts and ramps have been driven in developing the mine for production. A main haulage and service decline has been driven from surface to the bottom of the mine and a rock hoisting and service shaft has also been constructed, bottoming out at 522m below the surface. Current depleted resources as well as existing and planned development are shown in ***Figure 2.2***.

The operation is mechanised through the use of traditional, trackless underground mining equipment, quite modern considering when the operations commenced (early 70's). Sub-level stoping and sub-level caving have been the main mining methods applied to extraction of the orebody. The distance between mining levels is 70m and 23m between sub-levels. The blasted ore is transported by means of LHD to ore-passes converging to level accesses from where it is trucked to the primary crusher located at the 410m mining level. Once crushed, the ore is then transported to the central shaft lift system which consists of two 17t skips to transport the ore to the surface for secondary crushing. The former methods of operation are still viable for the current operation, however the mucking (bogging) equipment (LHD's) employed in the stopes should be equipped with remote-control units to avoid operator exposure under some of the very high open stope backs, and also to recover 100% of the broken ore from a blasted stope; only 70 to 85% of blasted stope ore is now recovered. Mining and design dilution for 2008 is reported to be 6%. Development will be a priority after 2008 and about 8,500m of development per year will be required to maintain the mine in a developed state.

Due to the lack of reliable estimates for resources or reserves, mine planning is based on volume estimate of ore and waste based on drilled out stope rings at 1.7m spacing. An operational estimate of 31.3Mt of Mineable Quantities based on 25m drill profiles undertaken by MCC using a Simba drill rig provides some reliability for mining to continue for a period of 4 to 5 years. The current mine production rate of 312ktpa is easily attainable, with the budgeted ramp-up to the maximum 2.80Mtpa by 2011 all attainable with the present shaft and hoisting equipment.

The historical production from the operation is summarised in ***Table 2.5***. Some of the mining before 1980 represented pre-production and development mining and the mined material was not treated in the plant.

Figure 2.2 — Minera Sierra Grande — Stoping and Level Development Status, June 2008

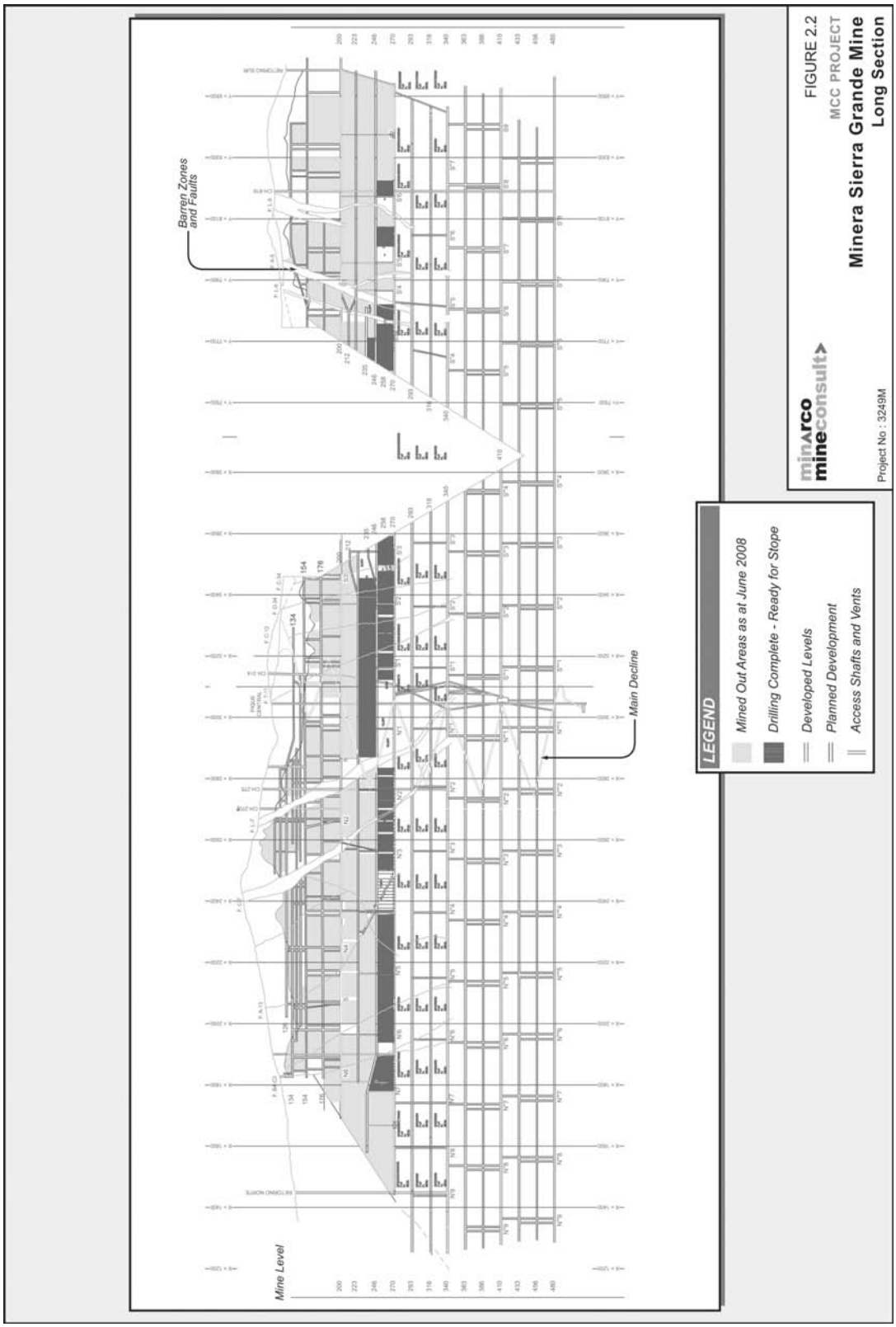


Table 2.5 — Minera Sierra Grande — Historical Production

Year units	Mine Production (kt)	Plant Feed (kt)	Pre-concentrate (kt)	Concentrate (kt)	Pellet (kt)
1972	212.1				
1973	312.1				
1974	254.6				
1975	106.7				
1976	404.7				
1977	806.2				
1978	777.4				
1979	522.8				
1980	1,056.5	736.5	506.7	337.5	311.9
1981	811.8	660.0	478.7	296.9	326.3
1982	660.9	1,181.1	867.7	523.6	Not reported
1983	657.3	1,138.0	790.9	496.7	520.8
1984	1,222.9	921.0	630.1	394.7	420.1
1985	940.2	1,052.0	740.7	463.8	509.4
1986	1,219.1	1,489.9	1,069.1	650.8	646.4
1987	756.3	1,069.1	772.6	456.5	464.7
1988	1,119.0	1,349.6	963.9	585.1	605.1
1989	1,223.3	1,305.0	954.1	567.5	591.9
1990	1,271.8	1,292.5	927.1	568.5	612.8
1991	230.2				Not reported
Total	**14,565.9**	**12,194.7**	**8,701.6**	**5,341.7**	**5,009.4**

Source: November 2007 Feasibility Report

An analysis of the historical and recent production figures indicates that there is 240kt of magnetite concentrate available for sale, of which 71kt has been moved to the port for shipment in February 2009. Using a valuation of USD49.40/t of concentrate, which is conservative in today's market, the stockpiled concentrate has a value of some USD11.9 million.

2.7.2 Forecast Production

The long-term Minera Sierra Grande production schedule is given in the ***Table 2.6***.

Table 2.6 — Minera Sierra Grande — Production Forecast

Production Rate	units	2008 (actual)	2009	2010	2011	2012	2013	2014
ROM Ore / day	**t/day**	1,020	3,270	4,900	7,520	9,150	9,150	9,150
ROM Ore /year	**ktpa**	312	1,000	1,500	2,300	2,800	2,800	2,800
Concentrate/year	**ktpa**	129.5	450	660	1,009	1,228	1,228	1,228
Concentrate	**%Tfe**	67	68.5	68.5	68.5	68.5	68.5	68.5

Source: Site Information from 2009 site visit

Note: Based on 306 working days per year

The 2009 production target of 1.0Mtpa will be reduced due to the shortage of water and power. MCC has decided to build a gas fired power station however this will not be operational for at least two years. The outstanding issue is the availability of water and both of these issues are described further under ***Section 2.9.***

Production ramp-up as presented by MCC during the 2009 site visit appears reasonable and achievable. The gradual ramp-up should be achievable based on the equipment already on site as long as operator training and processing throughput to match production output can be achieved.

The shaft is currently being used on a single 8 hour shift per day and has a capacity of 800t/hr. Hoisting operations will have to be increased to two 8 hour shifts per day to reach the target production rate. In the opinion of M-MC the hoisting capacity is sufficient to handle the ramp-up of production to 2.8Mtpa with no requirement for any further upgrades.

Based on information collected during the site visit and from the review of operational plans, the mine appears to have sufficient horizontal development and current drilled stocks in excess of 1.0Mt of ore. The size, quantity and quality of the mining equipment currently on site also appear to match the proposed mining production ratios.

2.8 MINERAL PROCESSING

2.8.1 Concentrate Production (Industrial Area I)

The operation, at a low pre-production level, was restarted in 2007. In 2009 total production level run-of-mine (ROM) ore is expected to reach 1 Mtpa and the concentrate production level around 450ktpa. Full production is reached in 2012 with a budgeted ROM ore production of 2.8 Mtpa and concentrate production of 1.23Mtpa. The following description highlights the processing stages and the associated equipment. In 2008, the actual concentrate production was 129.5kt from 311.8kt of feed.

Primary Crushing

Primary crushing is performed underground on the 410m level by 1,800mm x 1,470mm jaw crusher (220kW) with a capacity of 800tpd, which is more than capable of processing the planned mining production. At an availability of 60%, the jaw crusher would be able to handle more than 4Mtpa.

Secondary Crushing

Crushed ore is hauled to the surface and stored in a 3,000t storage bin. The ore is sized on two sets of 1,800mm x 4,800mm single deck vibrating screens at 100mm and the +100mm ore is crushed in two sets of 480mm x 120mm hydroset cone crushers (110kW) in closed circuit with the screens. The −100mm product is then conveyed and stacked onto a 20kt live capacity stockpile with a total capacity of 90kt.

Pre-concentration

Ore from the stockpile is recovered by vibro-feeders and split into three parallel streams for dry magnetic concentration. This stage rejects approximately 14% of the feed (500ktpa from a feed of 3,500ktpa) although in 2008 the level of rejection increased to 28%.

Concentration

The revised concentration plant flowsheet represents a typical flowsheet ***Figure 2.3*** used for a magnetite ore where the magnetic component is separated from the non-magnetic impurities. The process combines staged grinding with low intensity magnetic separation to produce final iron rich product. The processing plant consists of three parallel lines with line number 1 and 2 available for production. Currently, one line is in operation and operating on two 8 hour shifts. The third line is under repair and undergoing modifications to achieve a finer grind.

Liberation of the minerals is conducted in two stages using a rod mill (3.9m diameter x 5.2m) and an autogenous grinding mill (5.9m diameter x 10m) to produce a relatively fine product 85% passing 44 microns.

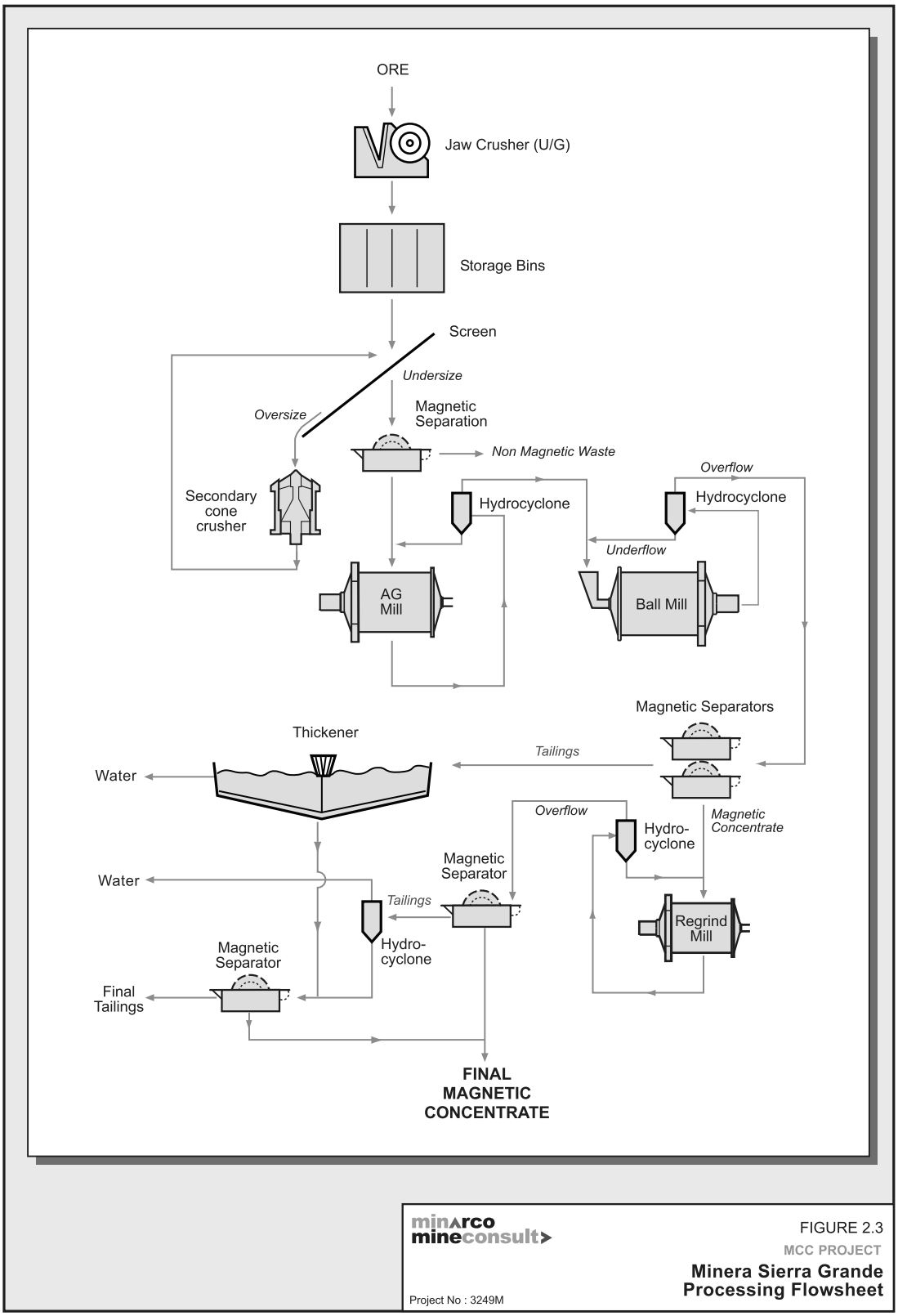
The product from the autogenous mill is classified by hydrocyclones and the overflow is subjected to two stages of magnetic separation. The subsequent magnetic concentrate is reground to 97% passing 44 microns and the mill discharge upgraded in another magnetic separation to produce a final concentrate product, which is directed to the concentrate thickener. The thickened underflow (65% solids) is pumped to the concentrate transportation pipeline. Modifications to the processing operation, which includes finer grinding of the concentrate utilising the milling circuit in line number 3 as well as fine tuning the magnetic separation operation, are being conducted to ensure that the magnetite concentrate grade averages 67+% Fe and $<$0.3% phosphorus.

Tailings from the two coarser magnetic separation stages are directed to a thickener while tailings from the finer magnetic separation stages are dewatered in hydrocyclones. The underflows from both the hydrocyclone and thickener are further scavenged for any remaining magnetite. The magnetic concentrate is directed back to the rod mill discharge while the tailings are stored in a tailings dam called Laguna Blanca. The tailings dam has considerable capacity for many years of operations.

Concentrate Pipeline

The slurried concentrate is stored in two agitated tanks (3,000t capacity) before being pumped down a 32.4 km, 200 mm diameter pipeline to the dewatering facility (Industrial Area II) located near the port. At this pipe diameter, the two sets of piston pumps can transport up to 2Mt of concentrate per annum (290tph). These pumps are in the process of being upgraded with pumps currently being refurbished in Brazil. Currently the magnetite product is being stored in a dam, which will be recovered and transported to the port when the pumps have been refurbished. Currently 170,000t is stored in the concentrate dam and another dam is under construction.

Figure 2.3 — Minera Sierra Grande — Processing Flowsheet



2.8.2 Dewatering (Industrial Area II)

Only the dewatering and the storage and loadout facilities are used at the pelletising facility located at the port (Punta Colorada). The facility consists of a 25m diameter thickener and 4 new ceramic disc filters, with provision for two more sets should the fineness of the magnetite concentrate limit the production rate. It is planned to achieve a concentrate cake with 8% moisture which will be stored until reclaimed for loading onto ships.

2.9 INFRASTRUCTURE AND SERVICES

There are high quality workshop facilities and equipment at both the main plant and the port. A potential operationally disruptive feature is the general lack of spares, since there is a significant delivery time of 6 months for all items. Pump liners and flotation cell spares are available from the previous operation, while some critical items have been sourced and held in stock (e.g. conveyor belts). Other items have been ordered (e.g. screens), however more spares need to be ordered.

The assay facility and metallurgical laboratory were examined and found to be in reasonable condition. Mill discharge, concentrate and tailings samples are taken four times a shift and checked for magnetite content using a Satmagan. Elements such as silicon, calcium, aluminium and magnesium are determined by wet chemical means. Phosphorus is measured using spectrometry.

Port

The port is located at Punta Colorada and can accommodate Panamax size and larger ships. It consists of a 500m conveyor belt linking Industrial Area II to the pier, which comprises a 1,000m conveyor belt out to the sea and two pairs of mooring dolphins; one pair on the north side and the other on the east side, allowing ships to berth on either side.

The maximum loading rate of the system is 2,000tph. In 2006, some 60,000t of magnetite concentrate was loaded onto a ship demonstrating that the system had been suitably restored. The concentrate bucket reclaim units have been replaced.

The water recovered from filtration is reclaimed in a collection and storage dam, and pumped back to the plant site. This project has been completed and consists of a pumping station, pipeline and associated tankage and control systems. The recovered water is stored in two recently constructed 2,000 m^3 concrete tanks located above the plant site.

Power

Electric power to the mine is provided by EDERSA, a local Argentine power company from the Patagonian power grid. Currently the operation has 14.0MW of power available, which is sufficient for two production lines in the concentrator as well as the mining equipment. Both the provincial government and the Argentine Production Management Department have been onsite to discuss the electrical supply problem with MCC. There is a growing demand for electric power in the Sierra Grande Region, and while there are plans to construct power stations, no timetables have been sighted. As a result, MCC has decided to construct a gas fired power station, which is expected to be operational within a few years.

Water

There is currently insufficient water to operate the mine, beneficiation plant and ancillary facilities at full capacity. Water to the area is supplied through two 110km long aqueducts originating in the Andes Mountains. The aqueducts are in poor condition with many leaks and currently deliver 120m^3/sec to the Sierra Grande Region. Only

24m^3/sec is delivered to the mine operation. One solution proposed by the local authority is the construction of a desalination plant, however this will only produce 35 l/sec of potable water. Both the provincial government and the Argentine Production Management Department have been onsite to discuss the water supply problem with MCC. The government has made a commitment to meet the 2009 water requirements and if necessary, supply water condensed from gas exhaust used to generate power.

M-MC believes that, as an option to achieve the full plant capacity, MCC should consider the use of sea water in the process plant and transport the concentrate with fresh water after filtration. Another solution may lay in assisting with the restoration of the aqueducts to their full capacity (240m^3/sec).

Labour

In March 2009, there were 385 people employed at the mine and the current plan is to increase the workforce to a maximum of 540 staff in 2011 when the mine reaches full production. The mine engineering group and mine operations groups consist mainly of Chinese expatriate engineers. With the exception of a geotechnical engineer the operation appears to have sufficient personnel in all key areas; mining, processing, maintenance and administration.

2.10 CAPITAL AND OPERATING COSTS

The forecast mining and processing costs until 2014 are presented in ***Tables 2.7*** and ***2.8***. Mining costs are fixed at USD8.65/ROM t while processing costs are USD13.03/ROM t. Administration and other costs are estimated at USD1.59/ROM t. Finance costs were estimated at USD7.29/ROM t in the Feasibility Study; however the revised figure has not been made available. Note that 2.28 ROM t are required to produce one tonne of iron concentrate.

Table 2.7 — Minera Sierra Grande — Forecast Mining Costs

Cost Centre	Unit	2009	2010	2011	2012	2013	2014
Auxiliary Material	USD/ROM t	1.11	1.11	1.11	1.11	1.11	1.11
Water & Power	USD/ROM t	1.10	1.10	1.10	1.10	1.10	1.10
Labour	USD/ROM t	1.28	1.28	1.28	1.28	1.28	1.28
Repair & Maintenance	USD/ROM t	0.32	0.32	0.32	0.32	0.32	0.32
Mine Development	USD/ROM t	2.40	2.40	2.40	2.40	2.40	2.40
Depreciation	USD/ROM t	1.55	1.55	1.55	1.55	1.55	1.55
Others	USD/ROM t	0.89	0.89	0.89	0.89	0.89	0.89
Total	**USD/ROM t**	**8.65**	**8.65**	**8.65**	**8.65**	**8.65**	**8.65**

Source: MCC provided Capex and Opex figures February 09

Table 2.8 — Minera Sierra Grande — Forecast Processing Costs

Cost Centre	Unit	2009	2010	2011	2012	2013	2014
Auxiliary Material	USD/ROM t	8.20	8.20	8.20	8.20	8.20	8.20
Water & Power	USD/ROM t	2.09	2.09	2.09	2.09	2.09	2.09
Labour	USD/ROM t	0.13	0.13	0.13	0.13	0.13	0.13
Maintenance	USD/ROM t	0.49	0.49	0.49	0.49	0.49	0.49
Depreciation	USD/ROM t	1.71	1.71	1.71	1.71	1.71	1.71
Others	USD/ROM t	0.41	0.40	0.40	0.40	0.40	0.40
Total	**USD/ROM t**	**13.03**	**13.03**	**13.03**	**13.03**	**13.03**	**13.03**

Source: MCC provided Capex and Opex figures February 09

The source and indeed nature of the Auxiliary Material cost in ***Table 2.8*** is unclear and is remarkably similar to the mining cost (USD8.65). M-MC believes that the underlying processing cost is USD10.20/ROM t, which is reasonable.

M-MC believes that these forecast costs do not take into account local issues such as inflation, increased wages and other local charges and costs. While these potential increases in costs may be offset to some extent by a change in the exchange rate, the future cost of imported goods or parity priced materials (e.g. fuel) may contribute to increased operating costs. M-MC therefore believes that future operating costs could be 20% higher than MCC has forecast by 2010. Nonetheless, it should be noted that operating costs at the Sierra Grande operation would still be considered relatively low.

An important operating cost that has not been included is the concentrate ocean freight costs. The Feasibility Study reported that this cost ranged between USD37.5-46.5/t in 2004 and USD28-32/t in 2005 for Brazilian pellets. While MCC staff indicated that freight costs may be as high USD80-90/t for a 150,000t ship, in the current market, this figure is USD10-12/t from Brazil.

MCC plan to sell the concentrate for blending with other iron concentrates to supply the steel manufacturing industry. Three potential buyers have been identified from Paraguay, Brazil and China. The product has a high iron content (67% Fe) and a higher than normal phosphorus content. This product will compete in the iron ore fines market, where spot prices are currently USD70/t. The Feasibility Study used a value of USD49.40/t based on the then prevailing value for Brazilian pellets, depending upon the actual price realised for the product as well as the cost of freight. It may be anticipated that revenues may well exceed that predicted in the Feasibility Study.

Capital Expenditure

MCC plan to spend some USD93 million to fully re-activate this project of which MCC has supplied nearly USD21 million while USD72 million will be raised through a loan in Argentina. This cost is somewhat less than that estimated by a Japanese study, which estimated that around USD120 million would be required.

The operation to May 2009 has spent USD59 million. The operators advised that the capital estimate from the Feasibility Study was the most relevant. In M-MC's opinion, the capital cost estimate of USD93 million as stated in the Feasibility Study appears reasonable. This is summarised in ***Table 2.9***.

Table 2.9 — Minera Sierra Grande — Current Expenditure

Cost Centre	Expenditure (USD)
Construction (building)	4,705,010
Construction (erection)	802,390
Equipment	14,055,720
Other	818,300
Financial Reserve	611,440
Total	**20,992,860**

Source: November 2007 Feasibility Report

The Planned expenditure is given in ***Table 2.10***.

Table 2.10 — Minera Sierra Grande — Planned Expenditure

Cost Centre	Expenditure (USD)
Mining (shafts & tunnels)	4,890,820
Construction (building)	34,104,120
Construction (erection)	1,437,720
Equipment	20,182,350
Other	3,677,530
Financial Reserve	7,715,110
Total	**72,007,650**

Source: November 2007 Feasibility Report

This planned capital expenditure does not make any provision for other construction activities that may become necessary, in order for the operation to realise its potential. Notably, these activities concern power and water and the construction of a power station may be required. This power station would presumably operate on natural gas and supply power to general region. While it is difficult to estimate how large the power station would be and thus the associated cost, at least USD20-30 million be need to be allocated for such a venture. On the water front, a number of solutions are possible, the least expensive being the repair and reconstruction of the aquaducts. Perhaps the expenditure of USD5 to 10 million may have a significant impact upon the amount of water that would become available. A desalination plant is expensive in terms of a capital and operating costs is not a recommended solution. Another solution involves the use of saline water in the processing plant. This would require that the final magnetite concentrate is washed to remove the salt content before re-slurrying and pumping to the port. This option would cost less than USD1 to 2 million.

2.11 SAFETY AND ENVIRONMENT

Management systems for underground risks such as rockfalls are in place with MCC undertaking regular scaling of active mining areas. These could be better improved with the addition of a geotechnical engineer to the operation.

MCC has removed PCB based transformers both underground and in the plant and replaced them with new transformers.

Most of the water used in the process is recycled using thickeners and filters, and only a small amount of water is discharged into the environment with the tailings stream. With the elimination of the need for the ore to be treated by flotation, it would appear to pose no chemical threat. This arises since many reagents or chemicals are now not required.

There is little discharge of dust during processing due to the use of dust collectors in appropriate places. There may be some dust issues with the storage and reclaiming of magnetite concentrate at the port.

While the environmental monitoring program and associated environmental monitoring facilities were not inspected during the visit in April 2008, MCC are aware of the potential environmental issues and are addressing such matters. The Argentine Environmental Protection Agency has visited the operation on several occasions to inspect MCC's environmental monitoring practices and the interaction is on-going.

3 RAMU NICKEL LATERITE PROJECT

M-MC made a site inspection of this property in April 2008 to review geology, mining and processing. In March 2009 M-MC carried out a final site visit to review the status of the processing and mining construction works. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "2007, Basic Design of Ramu Nickel and Cobalt Project" prepared by ENFI.
- "2008, Basic Design Updated Processing Report" prepared by ENFI.

MCC's effective equity stake in the Ramu Project is 51.85%. (61% of an affiliated company holding an 85% stake in the project)

3.1 BACKGROUND

The Ramu Nickel Laterite Mine is located near the town of Usino, in the Madang Province, Papua New Guinea (***Figure 3.1***). The mine area is located approximately 80km west of the coastal town of Madang in the Highlands of the Bismarck Mountains at an elevation of 700m above sea level. Access is approximately 20km west from the Madang-Lae Highway. The proposed slurry pipeline route (135km) follows the highway to the coast then eastwards along the coast to a proposed refinery site at Basamuk, where clearing and site preparation has commenced in preparation of civil works.

The topography at the mining area is rugged and is covered with dense tropical forest.

3.2 ASSETS

The assets and status include;

- A mining project in development (commissioning to be completed in late 2009)
- An Exploration Licence: EL 193
- Mineral Resources of 143.2Mt at 1.01% Ni and 0.10% Co.
- A mining Feasibility Study 2007
- Ore Reserves of 75.7Mt at 0.91% Ni and 0.10% Co.
- 135km Slurry pipeline with pumping stations
- Ore washing and chromite plant
- HPAL plant
- Refinery
- Two power stations
- Acid plant
- Limestone preparation plant (including kiln)
- Port with gantry cranes
- Accommodation facilities

3.3 LAND TENURE AND MINERAL RIGHTS

The project is located in exploration Licence EL.193. The Kurumbukari proposed Special Mining Lease (SML) is approximately 249 km^2 and is within the EL shown in ***Figure 3.1.***

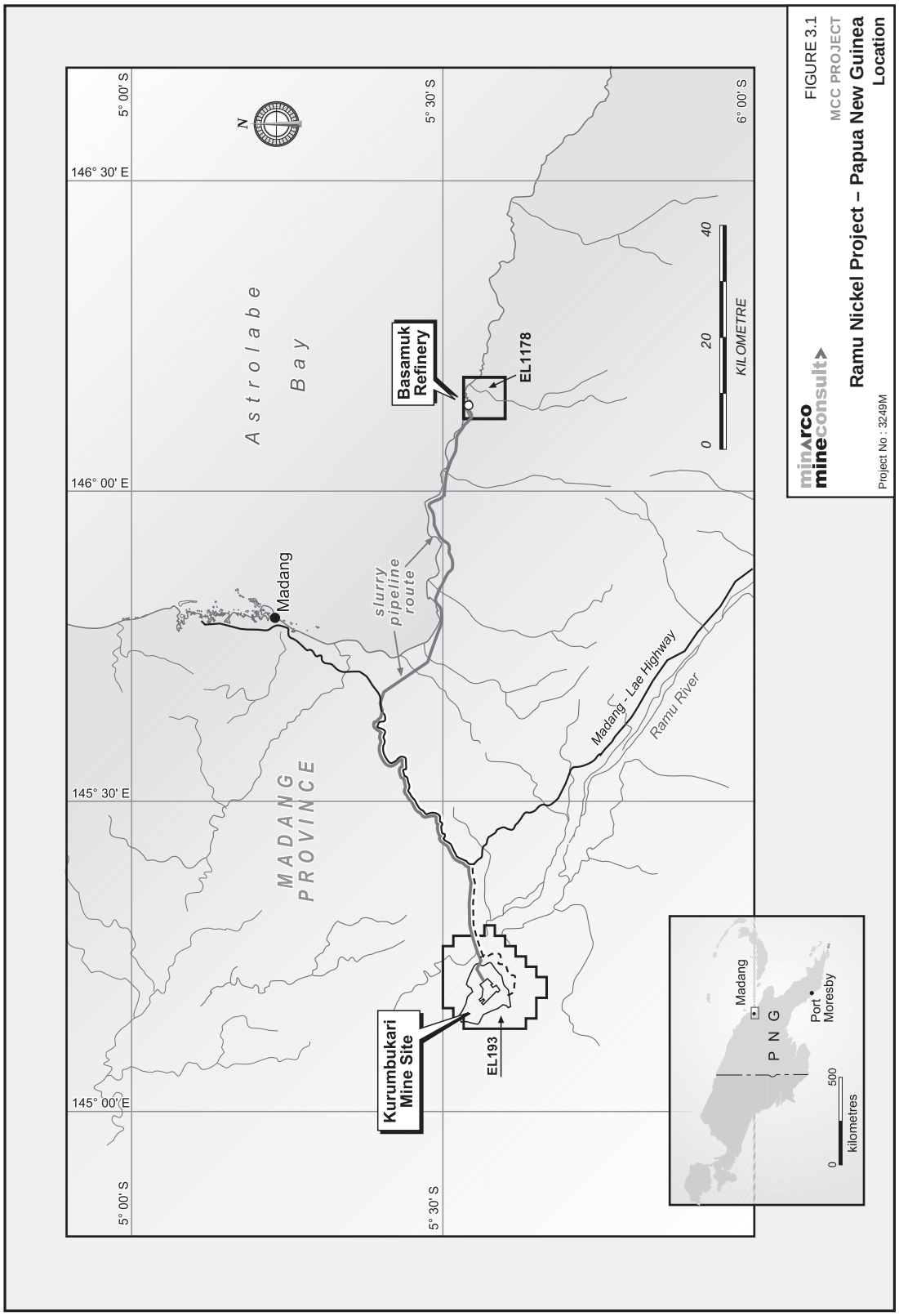
There are three separate mining blocks within the Kurumbuki SML namely, Ramu West, Kurumbukari and Great Ramu,

3.4 EXPLORATION AND MINING HISTORY

The Ramu Nickel Laterite deposit was discovered by the Australian Bureau of Mineral Resources (BMR) in 1962. This was followed by exploration by many other exploration companies from 1962 to 1999. Initial exploration efforts from 1962 to 1970 were preliminary in nature and the project was considered un-economic at that time. After 1970, comprehensive studies were made by various exploration companies to evaluate the Ramu deposit. These exploration programmes were conducted in four stages.

- Stage I, 1970 to 1982: The exploration companies involved were Carpentaria Exploration Company (CEC), Eastern Pacific Mines Ltd (EPML) and Nord Resources Corporation (Nord). Exploration included several auger, Banka and diamond drilling methods. Other studies included heavy mineral analysis, ore dressing, and smelting. A preliminary Mineral Resource was estimated at 69Mt of Ni (1.29%) and Co (0.105%) ore.
- Stage II, 1989 to 1990: CEC was joined by Highland Gold Properties Pty Ltd (HGP) and Nord during this stage of exploration.
- Stage III: 1992 to 1994: HGP bought 60% share of this project and continued its exploration work on a large scale. The area covered was 56.5 km^2. Exploration included 10,200 meters of drilling, environmental monitoring drilling, earthquake analysis, hydrological studies, re-sampling of old drill holes, and heavy mineral analysis. Mineral Resources of 24.2Mt of Ni (0.90%) and Co (0.08%) were estimated based on this exploration.
- M-MC assume this exploration was for a different or smaller area than Stage I.
- Stage IV: 1997 to 1999: HGP and Nord. The objective was to prepare a Feasibility Study report. Detailed exploration extended over a 29.9km^2 area and formed the basis for estimating Ore Reserves of approximately 75Mt.

Figure 3.1 — Ramu Nickel Laterite — Mine Location Plan



3.5 GEOLOGY

3.5.1 Regional Geology

The Ramu Nickel Laterite deposit is located in the central part of the Marum Formation of Miocene age. The ultrabasic Marum Formation is divided into the lower and upper zones. The lower zone consists of norite (hypersthene gabbro), gabbro and peridotite. The upper zone is dominated by dunite, serpentinite, harzburgite, and pyroxenite. The Marum Formation was later subjected to intense chemical weathering processes (residual weathering) in this tropical humid environment. As a result, a lateritic surface was formed over the bed rocks. This laterite cover ranges in thickness from a few meters to approximately 60 meters. Nickel (Ni) and cobalt (Co) mineralisation is associated with this lateritic zone.

The major structural lineation is north-west to south-east. Structurally this area is affected by two major fault zones. These fault zones form a "horst" structure surrounded by rift valleys (grabens) on either side. The vertical displacement is estimated to be approximately 400 meters. The Bundi Fault Zone runs from south to the west. The Ramu-Markham Fault Zone runs almost parallel to Bundi Fault in the north-east part of the area. Several parallel minor faults and associated fractures occur in this area surrounding these fault zones. ***Figure 3.2*** shows the regional geology of the area.

3.5.2 Local Geology

The Ni laterite is formed as a weathering profile over the Marum ultrabasic bedrock.

The laterite zone consists of two distinct horizons. The top red limonite horizon occurs with humus soil cover ranging in thickness from several centimetres to around 10 meters. It consists of hematite and iron clays. The Ni content is very low in this horizon. The red limonite horizon grades downward into yellow limonite horizon. The principal mineral of this horizon is goethite, and is often associated with manganese minerals. The colour varies from light yellow-brown, light red-brown to almost orange-brown. The thickness varies from few meters to approximately 30 meters. This horizon is enriched in Ni content.

The yellow limonite grades downward into the saprolite zone (weathered base rock). This is the main zone (the bulk of the orebody) which contains Ni and Co mineralisation. The upper contact with yellow limonite is gradational. The saprolite zone characterizes the intense weathering environment of the basement rocks (dunite). The seasonally fluctuating water table is responsible in changing the Eh-pH conditions of the sub-surface environment and structurally transforming the original dunite into saprolite. This zone ranges in thickness from few meters to approximately 17 meters. It contains goethite, hematite, garnierite, serpentinite, quartz, magnesium (asbolite — a hydrated oxide of manganese and Co), Mg-silicate minerals, etc. The saprolite zone is characterized by Ni, Co, silica, and magnesium enrichment. The magnesium content is higher in this zone than the upper yellow limonite zone.

The saprolite zone grades into rocky saprolite (boulders of bed rock dunite covered with saprolite). The contact of the overlying saprolite with rocky saprolite is transitional and undulating in nature. The Ni mineralisation still occurs in this partially weathered saprolitic dunite boulders or gravels. But it is very low grade or marginal in nature. The rocky saprolite grades into the bedrock dunite. A geophysical method, Ground Penetrating Radar (GPR) survey was used to estimate the depth profile of rocky saprolite.

Structurally, the mining area is affected by Ramu-Markham Fault in the northeast, forming a series of rift valleys. A few southeast and northwest trending faults are also interpreted from satellite images. Several parallel small scale (sympathetic) minor faults and associated fractures were also mapped using aerial photos, remote sensing, and magnetic survey.

The fault surfaces are characterized by intense brecciation, silicification and some serpentinisation (low grade metamorphism). The Ni-Co mineralisation is associated with several fracture zones (shear zones) and joints. The mineralisation occurs as cavity and vein fillings, coatings and breccia.

Figure 3.2 — Ramu Nickel Laterite — Regional Geology

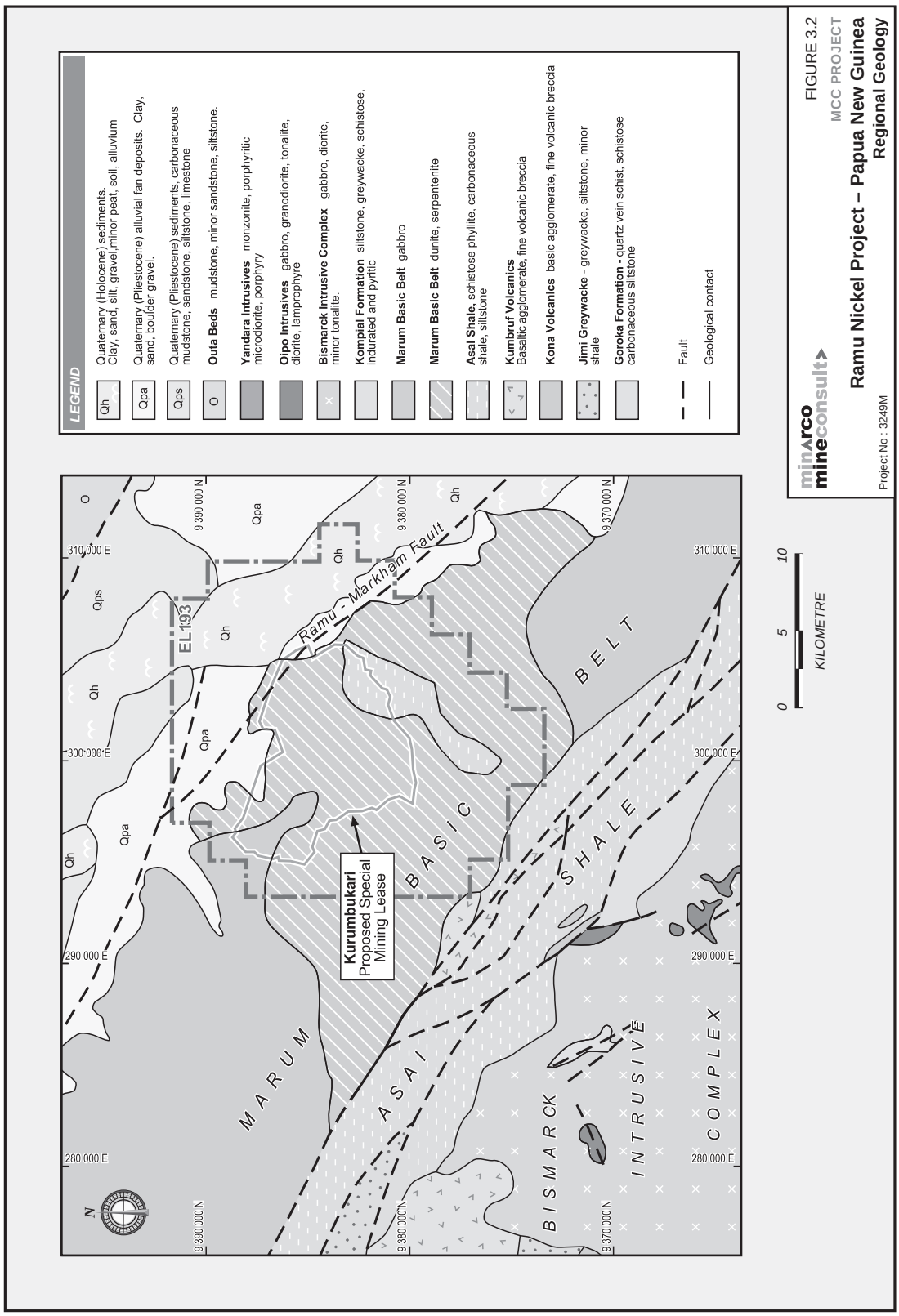


Figure 3.3 — Ramu Nickel Laterite — Geology with Laterite Extent and Resource Areas

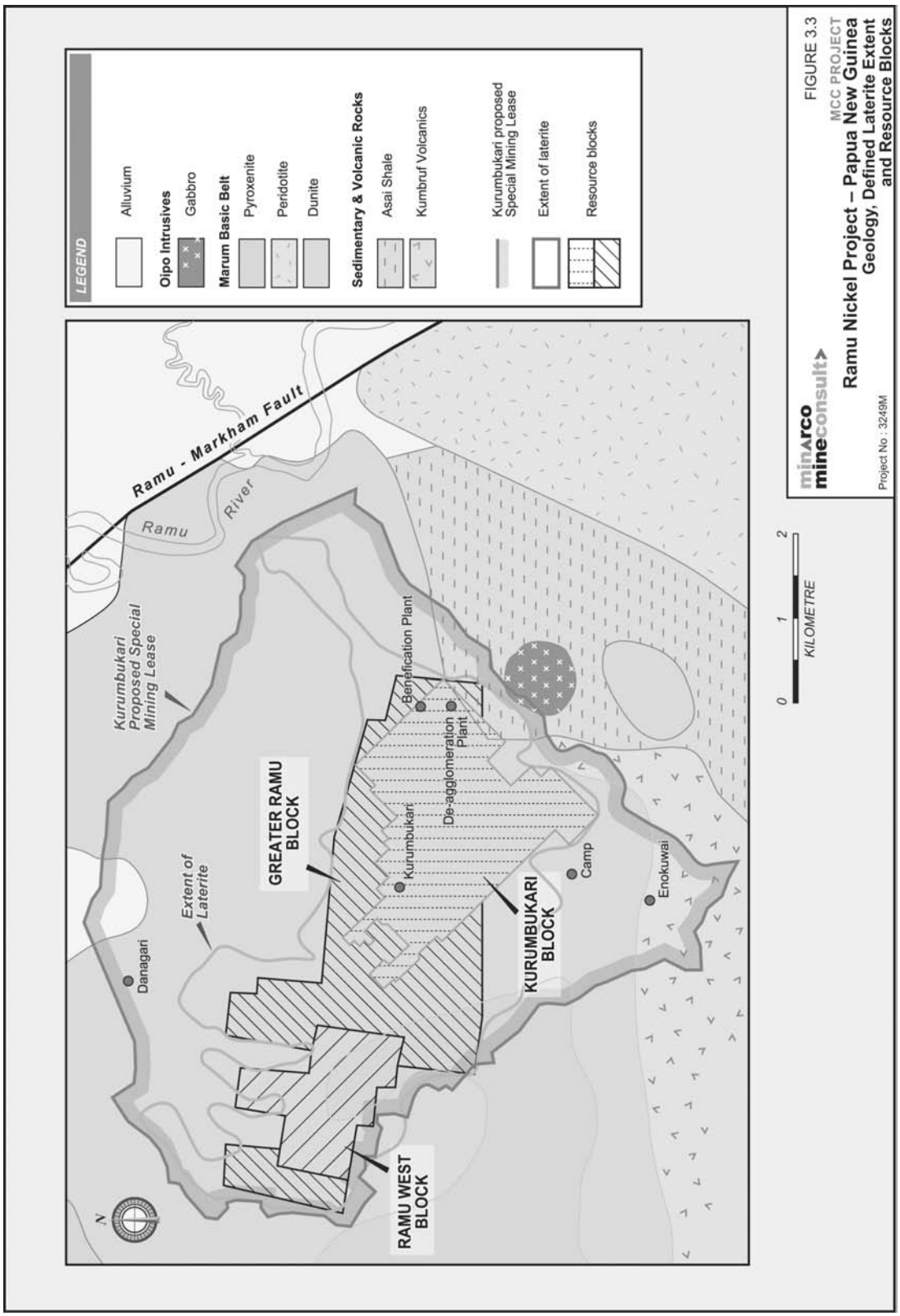
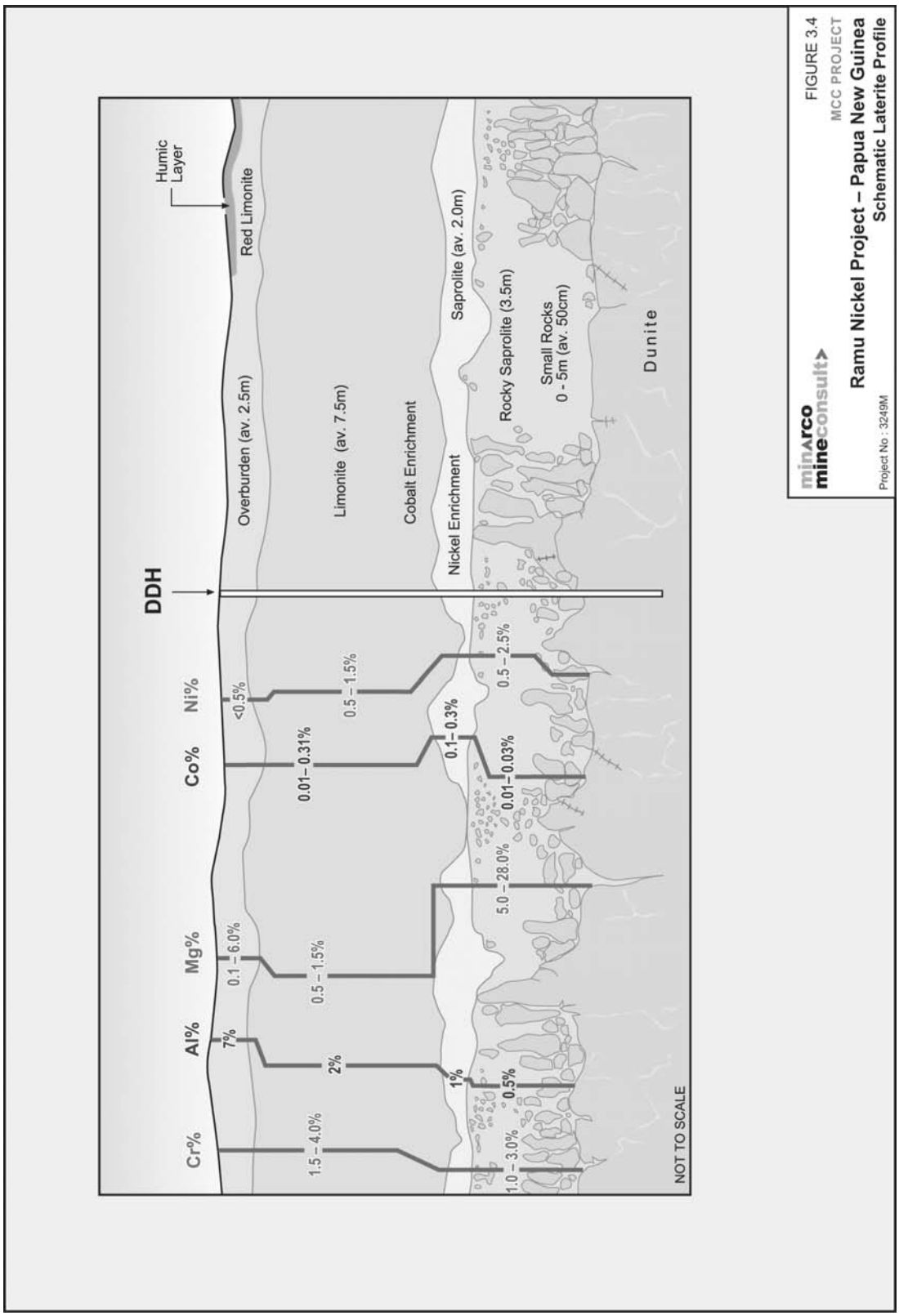


Figure 3.4 — Ramu Nickel Laterite — Laterite Profile



3.6 RESOURCES AND RESERVES

The Ramu Nickel Laterite deposit is similar to other operating lateritic nickel mines such as Murrin in Western Australia, Soroako in Indonesia and Goro in New Caledonia. The Goro deposit is relatively large and has approximately 165Mt at an average of 1.6% Ni and 0.15% Co, with proven Reserves of 47Mt.

M-MC reviewed the reasonableness of the Ramu estimates and reporting categories. However, M-MC did not validate the estimates.

3.6.1 Mineral Resources — In Situ Quantities

Mineral Resource estimates were prepared based on reliable data from Exploration Stages 3 and 4. This data was validated several times by others before preparing the geological and grade block model. Grade estimation procedures were reasonable and well documented in reports.

The cut-off grade (cog) for Ni used in the resource estimation process was 0.5% Ni. No grade variograms were available for review. For the Kurumbukari area, grade interpolation used a spherical model and Ordinary Kriging (OK). This was possible due to reasonable data density (infill drilling). For the other areas, Inverse Distance Squared (ID2) method was used to interpolate grades. Separate block models were developed for all three major ore bodies — Kurumbukari, Ramu West and Great Ramu.

The Ramu Project contains a total identified Mineral Resource of 143.2Mt at 1.01% Ni and 0.10% Co. This estimation is reported in accordance with the recommendations of the JORC Code. Approximately 50% of Mineral Resources are Inferred status. Measured and Indicated Resources total approximately 72Mt at 0.99% Ni and 0.11% Co and are contained within the Kurumbukari and Ramu West areas. The Limonite Zone comprises approximately 65% of Mineral Resources.

Mineral Resource estimate parameters included:

- Cut-off grade 0.5% Ni
- Minimum thickness not available
- Measured Resources $<$100 m x 100 m data spacing (limonite and saprolite only)
- Indicated Resources $<$200 m x 200 m data spacing (rocky saprolite)
- Inferred Resources $>$200 m x 200 m data spacing

The following ***Table 3.1*** summarises the estimates of Mineral Resources. Mineral Resources are inclusive of Ore Reserves. For Ramu, the Mineral Resource estimates excluded +2mm internal boulders. Reserves estimates included these boulders as dilution. The result is that Mineral Resource Estimates may report volumes less than ROM Ore Reserves.

Table 3.1 — Ramu Nickel Laterite — Mineral Resources

JORC Category	Tonnes	Average Grade (cog >0.5% Ni)	
	Mt	Ni %	Co %
Measured	42.4	0.93	0.11
Indicated	29.8	1.07	0.11
Inferred	71.0	1.04	0.10
Totals	**143.2**	**1.01**	**0.10**

Source: Company website
Notes: Mineral Resource estimates inclusive of Ore Reserves
Measured and Indicated Mineral Resources reported for Kurumbukari and Ramu West areas only.
Excluding +2 mm internal boulders.

MCC in 2006 as part of its due diligence on the project completed 10 confirmation drill holes over the Kurumbukari and Ramu West areas. Results from this work confirmed the grade, thickness and density of the laterite units, Small variations were recorded in the moisture content, most likely linked to the methodology employed. A 100t metallurgical sample was collected from 6 individual pits over the Kurumbukari area. Average tonnes and grades of material recovered from these pits reconciled well with the underlying drill holes.

M-MC was informed that recent grade control drilling on 25m by 25m spacing over the first planned mining area has so far reconciled well with the underlying model.

Based on the standard of the original work, the volumes of data and the recent confirmation work carried out by MCC, M-MC considers the Mineral Resource estimate to be reasonable and in line with JORC guidelines.

3.6.2 Reserves — Mineable Quantities

Ore Reserves were estimated by HGP and reported in the 2000 Feasibility Study. The estimates were prepared in January 2000 from the geological model and detailed mine plans. The Ore Reserves have since been reviewed and confirmed by SRK Consulting.

In M-MC's opinion, estimation of Ore Reserves is reasonable and conforms with JORC guidelines. M-MC assume that the reason Ore Reserves estimates are greater than Measured and Indicated Mineral Resources is that they include internal boulders of +2mm.

Ore Reserve estimates total 75.7Mt at 0.91% Ni and 0.10% Co. A summary is shown in ***Table 3.2***

Table 3.2 — Ramu Nickel Laterite — Ore Reserves

JORC Category	Tonnes	Average Grade (Cog >0.5% Ni)	
	Mt	Ni %	Co %
Proved	39.7	0.88	0.10
Probable	36.0	0.94	0.09
Totals	**75.7**	**0.91**	**0.10**

Source: Company website
Notes: Including +2 mm internal boulders

3.7 MINING

All of the engineering work associated with the mine and associated processing plants, slurry pipeline and port infrastructure has been completed by China Enfi Engineering Corporation ("ENFI") which has a Class A rating in China.

The most recent Mining Feasibility report was finalised in December 2007 and titled "Ramu Nickel and Cobalt Management (China Metallurgy) Co., Ltd., Basic design of Ramu Nickel and Cobalt Project". During M-MC's site visit, the company's management advised M-MC that all the construction work was being completed in accordance with this original Feasibility Study.

3.7.1 General Description

The proposed mining areas are split into three separate zones as follows:

- Kurumbukari (7.2km^2) (initial mining area, highest exploration confidence),
- Ramu West (3 km^2) (secondary mining area, lower exploration confidence), and
- Great Ramu (7.9 km^2) (future potential mining area, exploration confidence at an 'Exploration Target' level)

Current Status

The minesite area is currently in the early stages of construction. The most substantial infrastructure being completed is as follows:

- Access road from current work area to the mine site — completed 2008
- Construction of new bridge across the Ramu River — completed 2008
- New camp facilities at mine area — completed July 2009
- Agglomeration plant and slurry pipeline main pumping system — planned finish date, 2009
- Mine Workshops — Under construction
- Power Plant at minesite — To be build

The Company advised that the minesite commenced pre-stripping and trial ore mining in June 2009. February 2010 is the expected date for commencement of operations of the refinery. The mine will have completed all pre-strip requirements, trial ore production, trial operations of agglomeration and slurry pumping facilities.

Mining

Mining is proposed to be by open cut methods using 5.5 cubic metre excavators and backhoes and 40t articulated trucks for haulage. No drilling and blasting is envisaged because of the soft nature of the rocks but provisions will be made where harder material is encountered. A typical 15m depth lateritic ore profile will be mined by using a face excavator up to a maximum height of 10m in advancing mode and 5m in retreating mode using backhoe configuration. The upper contact zones between the ore and overburden and the lower contact zone with the dunite base rock will be cleaned using 1.6 cubic metre backhoes to minimize mining losses and ore dilution. The overburden and topsoil are to be removed by dozing and used for rehabilitation as soon as the bench has been mined. Articulated trucks are preferred over rigid trucks for their road handling abilities based on experience in laterite deposits under similar conditions.

More than one mining face will be operated depending on the quality of available ore and requirements for blending. The average grade mined is expected to be 1.09% Ni and 0.10% Co with a cut of grade of 0.7% Ni. The average lead distance from the mining to the proposed de-agglomeration plant is expected to vary between 0.5km and 1.2km in the first few years. Blending stockpiles are also proposed near the de-agglomeration plant for blending the ores. Oversize from the de-agglomeration plant will be used for road making in the mine by transporting in empty returning trucks from the production cycle.

A schematic representation of the mining method is provided in ***Figure 3.5***.

Figure 3.5 — Ramu Nickel Laterite — Mining Method Schematic

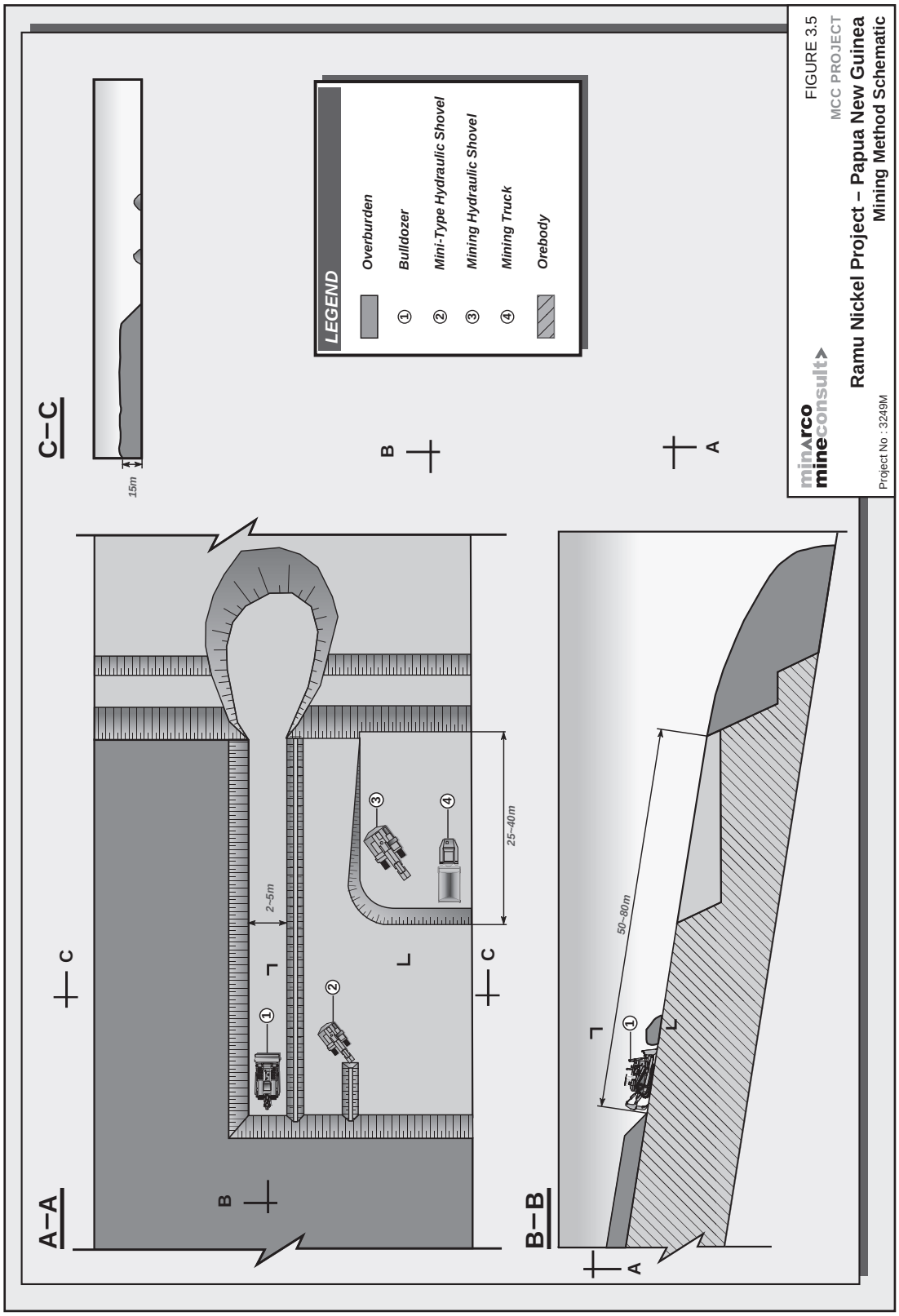
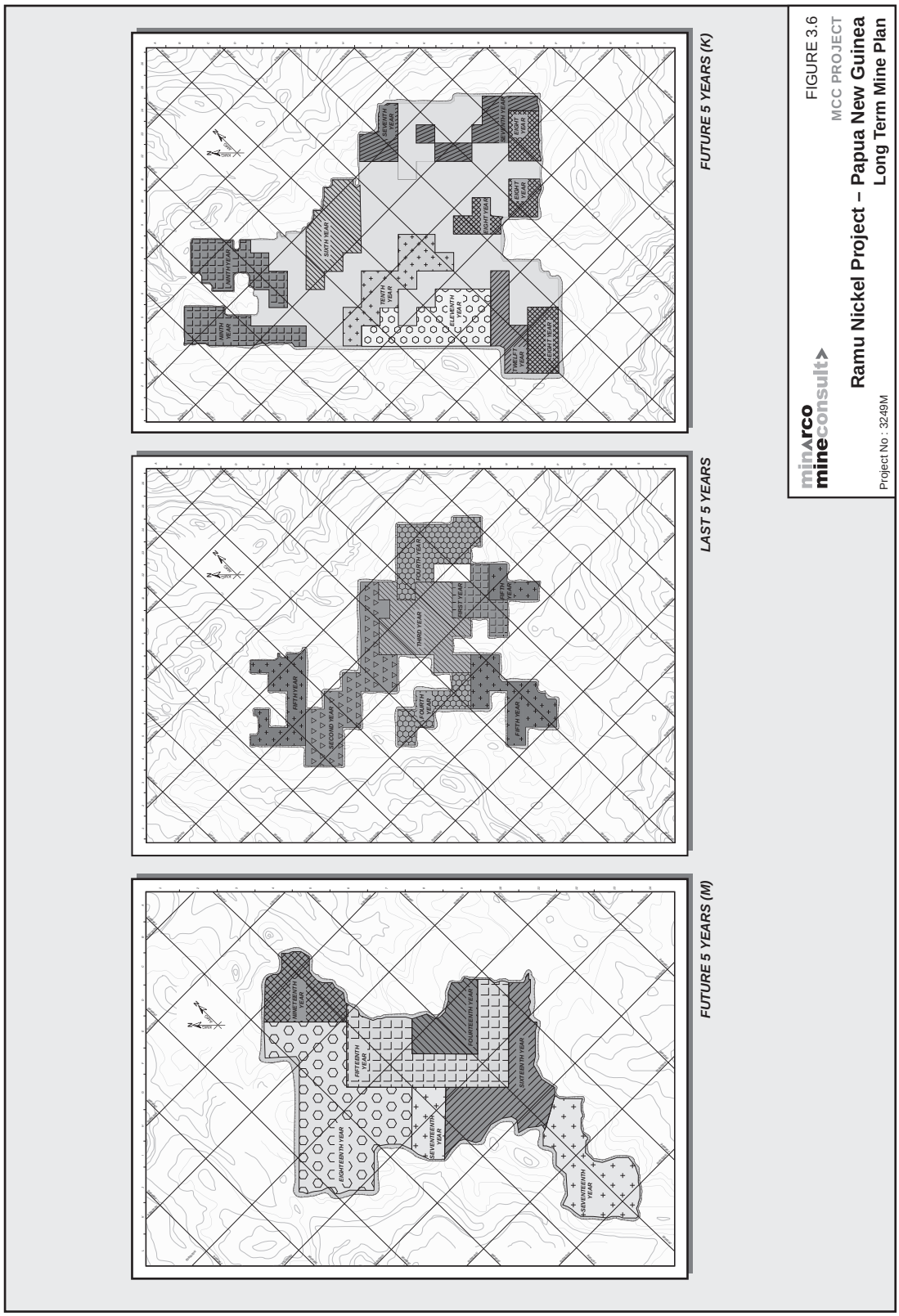


Figure 3.6 — Ramu Nickel Laterite — Mine Plan



3.7.2 Forecast Production

Based on the design specifications, the following production levels are planned:

According to the Company, ground preparation, overburden removal and incidental mining production will be completed during the first half of 2009 prior to commencement of full scale production in the second half of 2009. It is difficult to see this timetable being fully met and it is unlikely that more than 450,000 tonnes of material would be mined and processed during 2009. The planned production profile is shown in ***Table 3.3***.

Table 3.3 — Ramu Nickel Laterite — Forecast Production

Production	2009	2010	2011	2012	2013	2014
ROM ktpa	900	1,800	3,600	3,600	3,600	3,600
Ni Grade %	1.15	1.15	1.12	1.11	1.07	1.05
Co Grade %	0.12	0.12	0.11	0.11	0.13	0.1
Output						
MHP tpa	19,933	39,863	77,535	76,804	73,749	72,418
Ni metal tpa	8,571	17,141	33,340	33,026	31,712	31,140
Co metal tpa	869	1,737	3,192	3,192	3,757	2,910

Source: MCC provided Capex and Opex figures February 09

The above forecast is based on the availability of proper infrastructure and equipment and with no undue constraints during the development and mining phases.

The mine plan showing the location of the working areas for years 1 to 19 are shown in ***Figure 3.6***.

3.8 MINERAL PROCESSING

General Overview of Processing

The processing stages are as follows:

- Ore Washing — where the mined ore is screened and scrubbed to remove large sized material and gravel.
- Chromite Recovery — recovery of the chromite from the washed ore.
- Refinery: the slurried ore is transported to the refinery by pipeline and leached with sulphuric acid under pressure and high temperature (HPAL). The Ni and Co are recovered as hydroxides (known as Mixed Hydroxide Product or MHP) with the addition of sodium hydroxide and calcium hydroxide, after the iron, aluminium, magnesium and manganese have been removed with limestone. The selective removal of these impurities before the precipitation of the Ni and Co is achieved by carefully controlling the pH of the slurry.

The final product from the operation is a MHP, often considered an intermediate product. Along with Mixed Sulphide Product (MSP), the original proposed product, these products are sold to nickel refineries for the subsequent extraction of the nickel and cobalt. A comparison between the two Intermediate products is shown in ***Table 3.4***, noting the higher moisture content associated with the MHP product. MHP is commonly produced in many laterite processing plants, such as several of the Australian operations as well as Moa Bay and Goro, who then further process (typically ammonia, solvent extraction and electrowinning) the product on site to yield nickel and cobalt. There are a number of nickel refineries around the world that take this product, depending upon market conditions. The production of MHP has a number of advantages, such as safety (no hydrogen sulphide involved) and being an established and well known process. In MCC's case, the off-take agreements with the Chinese nickel

producers (and fellow joint venture partners) specify MHP, since their nickel refineries are designed to process this product type. This saves the need for an expensive nickel refinery to be constructed at Basamuk.

Table 3.4 — Ramu Nickel Laterite — Comparison between Intermediate Products

Product	Ni (%)	Co (%)	S (%)	Fe (%)	Mg (%)	Zn (%)	H_2O (%)
MSP	50-55	5-5.5	35	1.1	0.01	0.10	20
MHP	43	4.3	2-3	0.24	1.5	1.2-1.4	35-40

Source: 2008 Update Feasibility Report

Construction is well underway, with completion of most facilities planned for Q3 2009. This may well prove to be challenging given the shortage of skilled labour and the current wet season (January to May). MCC plan to introduce an additional shift in April; however it is unlikely to meet the proposed deadlines as stated by the company. Assuming that the equipment is available for installation at Basamuk and the mine site, it would appear that the refinery and processing plant would not be ready before September at the earliest for commissioning. For example, during the M-MC visit, no work had commenced on either power stations and it is difficult to imagine that they would be completed and operating satisfactorily within 4 months. Access to the mine site is currently difficult due to the wet and slippery nature of the road and deliveries of equipment, construction materials and consumables (e.g. fuel) was difficult to achieve. It is possible that the completion of construction may slip to December. The company believes that production of MHP is achievable by March 2010, which is reasonable; however it is unlikely to be produced in the quantities forecast by MCC. It appears that substantially less than 19,000 tonnes of MHP would be produced in 2009 (probably around a thousand tonnes at best) while during 2010, assuming no difficulties are experienced, possibly 20,000 to 30,000 tonnes of MHP will be produced.

M-MC also suggests that both the commissioning schedule (currently 2 months), and the ramp up to full production (currently planned for two years), may also prove challenging given the difficult environment in which they operate, and the historical difficulties that other nickel laterite projects have experienced.

Ore Washing and Chromite Recovery

After mining, the ore will be screened and scrubbed to remove the coarse material as aggregate and mine-fill. The chromite will also be removed from the slurried ore and upgraded to a marketable product using gravity and magnetic separation. Based on mining 3.6Mtpa the annual projected volumes of these materials are shown in ***Table 3.5***.

Table 3.5 — Ramu Nickel Laterite — Ore Washing Products

Process Stream	Capacity (ktpa)
Washing Plant Feed	3,600
Chromite (−3mm)	135
Chromite tailings	8
Aggregate (+ 50mm)	539
Mine fill (−50mm/+3mm)	215
HPAL Feed	2,703

Source: Pro-Rated by MMC from 2008 Update Feasibility Report

The removal of the coarse material and the chromite will minimise the wear on the pipeline as well as reducing the acid consumption in the HPAL. This is due to the fact that most of the magnesium minerals, which consume significant amounts of acid, are associated with the chromite.

Ore from mining is delivered to a 40kt stockpile and during the wet season to a covered 20kt stockpile, which provides about 36 hours of production. The ore washing plant will treat 570tph of ore and will be conducted

in three parallel scrubbing and screening operations, each consisting of a rotary screen (3m Ø x 10 m) to remove the coarse material (+50mm) followed by two scrubbing screens. The undersized stream (−50mm) will be further screened to remove material coarser than 3 mm and the −3mm fraction will be stored in three intermediate storage tanks (each 275m^3) for chromite removal. This stream is further classified at 53 microns with hydrocyclones, with the material coarser than 53 microns becoming the feed for the chromite recovery section, while the underflow wil be directed to the thickener feed storage tanks (two tanks each 196m^3). The chromite recovery section will employ gravity separation using spirals followed by shaking tables to upgrade the concentrate before final cleaning in a magnetic separation circuit. The coarse fraction in the tailings (+150 microns) from this section will be separated by hydrocyclones and ground in a ball mill (2.7mØ x 4m) until finer than 53 microns before being transferred to the thickener feed storage tanks. Two 43m diameter thickeners will upgrade the slurry solids content from around 4-5% to desired 18.3% and stored in four storage tanks (each 1885m^3) which will provide 10-12 hours of storage before pumping to the refinery. Approximately 50g/t of flocculant will be required to thicken the slurry to this solids density. The chromite concentrate will be stored in a 160kt tonne stockpile before transportation to the markets.

The pumping station will consist of six pumps (2 standby) that will feed a 610mmØ pipeline that traverses 135 kilometres from the ore washing and chromite recovery area to the refinery site at Basamuk, dropping 700 metre in height (see ***Figure 3.6***), The slurry density of the thickened slurry can be adjusted as required while the pressure in the pipeline is monitored and controlled by five stations along the length of the pipeline.

Figure 3.7 shows the washing/scrubbing flowsheet while ***Figure 3.8*** presents the slurry pipeline pumping flowsheet.

Figure 3.7 — Ramu Nickel Laterite — Washing/scrubbing flowsheet

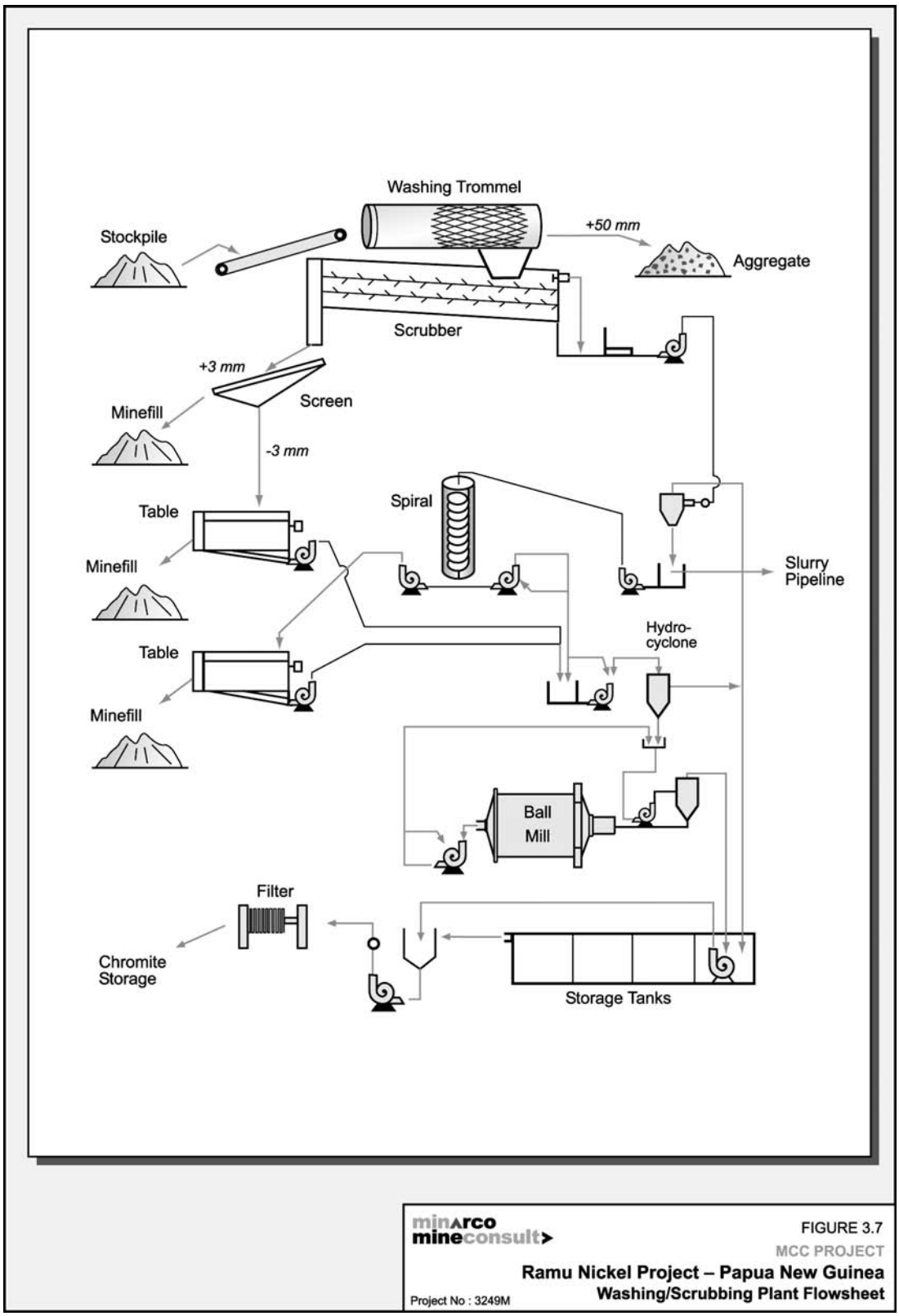
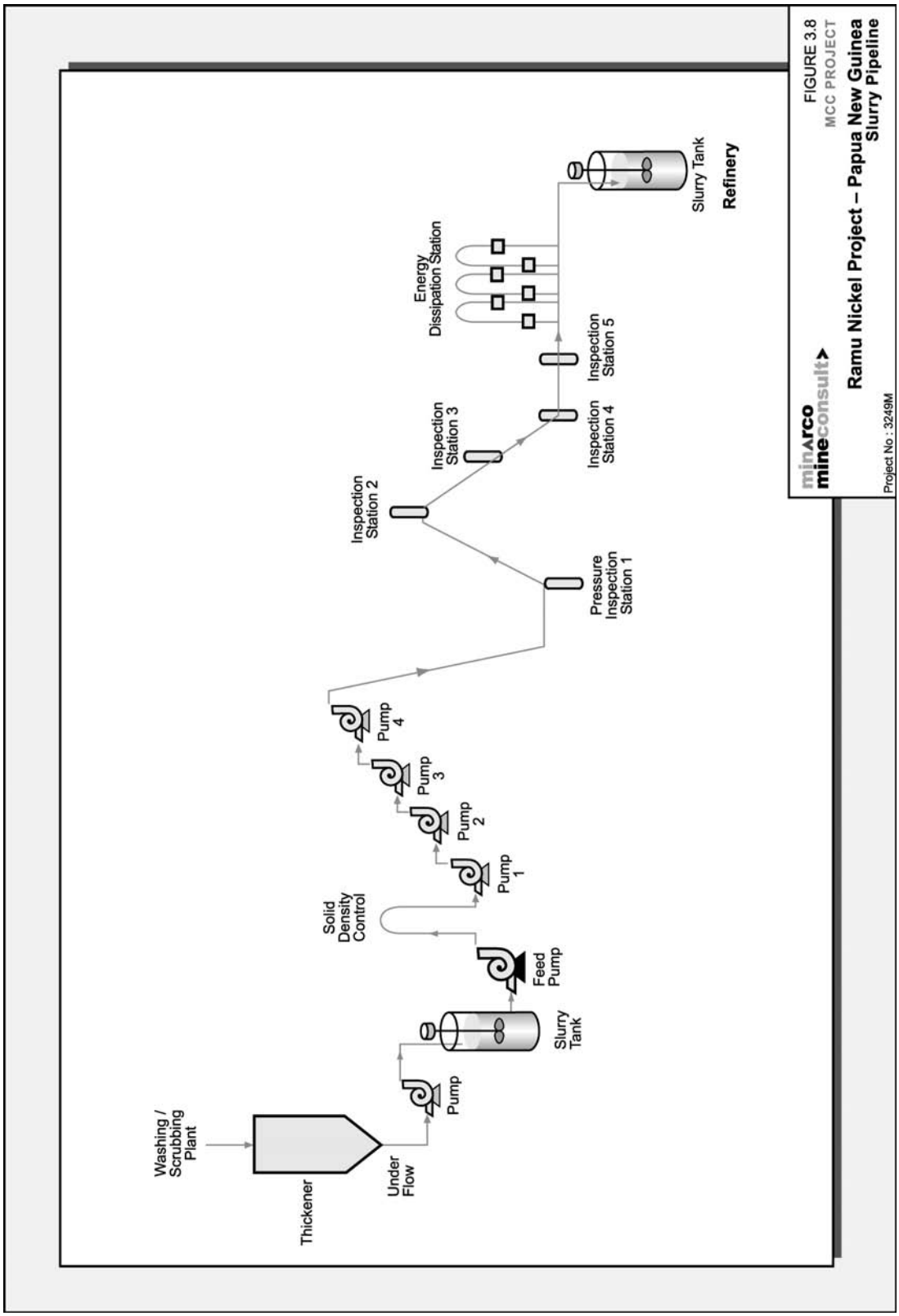


Figure 3.8 — Ramu Nickel Laterite — Slurry pipeline pumping flowsheet



HPAL/Refinery

At the Basamuk processing site, the HPAL/Refinery will consist of three stages. The first stage will dissolve all of the base metals using sulphuric acid (HPAL), followed by selective removal of the iron (as hematite), aluminium and other elements and finally recovery of the nickel and cobalt as hydroxides.

In the first five years, an average of 2Mt of slurry averaging 1.09% Ni and 0.11% Co will be treated annually at the refinery to produce an average of 57.6kt of a mixed Ni-Co hydroxide product. Eighty-nine percent of the Ni and eighty-eight percent of the Co will be recovered to a product assaying 43% Ni and 4.3% Co on a dry basis. The final product will also contain minor quantities of other elements such as Zn (1.2-1.4%) and Mn (2.5%) and typically contain 45% moisture.

The slurry from the ore washing stage is stored in six stirred tanks with a total residence time of 40 hours. The slurry is then thickened to 32% solids and pumped to three parallel horizontal, titanium clad autoclaves (5.4m diameter by 40m long) where sulphuric acid and steam are added to extract the base metals. The autoclaves have seven stirred chambers, providing a residence time of 1 hour and operate at 255^{o}C and 4.7 Mpa. The typical acid consumption will be 240kg/t, which is low by world standards, and in the later years, when less limonite will be present in the blend, is expected to increase to 260kg/t. The sulphuric acid will be produced on site by an acid plant burning sulphur while the large quantities of steam and power required to run the operations will be provided by a power station running on heavy oil (refer to Section 3.9).

After digestion in the HPAL, the slurry will be cooled down to 100^{o}C and depressurised and the heat recovered to pre-heat in the incoming HPAL slurry from 25^{o}C to 195/215^{o}C. The cooled slurry will be treated with sodium hydrosulfide to assist in the removal of any dissolved chromium while the pH will be adjusted to between 2 and 2.5 using limestone. The undissolved solids will be removed from the solution containing the dissolved metals in a processing stage known as counter current decantation (CCDs) employing a series of six thickeners and one large diameter thickener (47mØ). Flocculants will be used to improve the separation between solids and liquids. The solids from this stage, as well as the precipitated materials from the following purification stages, will be neutralised with limestone (pH 7-8) and disposed of in a deep sea burial process.

The first elements to be removed in the purification process are aluminium and iron and two stages will be required to remove all of the iron and ninety-nine of the aluminium. In the first stage, the slurry pH will be adjusted to between 3.5 and 3.8 with limestone, which will remove all of the ferric iron and 70% of the aluminium. The remaining iron and aluminium will be precipitated by adjusting the pH to 4.5 to 4.8 with limestone and applying aeration. The precipitated solids will be separated from the solution using a CCD circuit.

After having purified the solution by removing the unwanted metals, the Ni and Co will be recovered in two stages, firstly using sodium hydroxide to adjust the pH to 7.2 to recover 90% of the two metals. The residual Ni and Co is recovered with calcium hydroxide at pH 7.8.

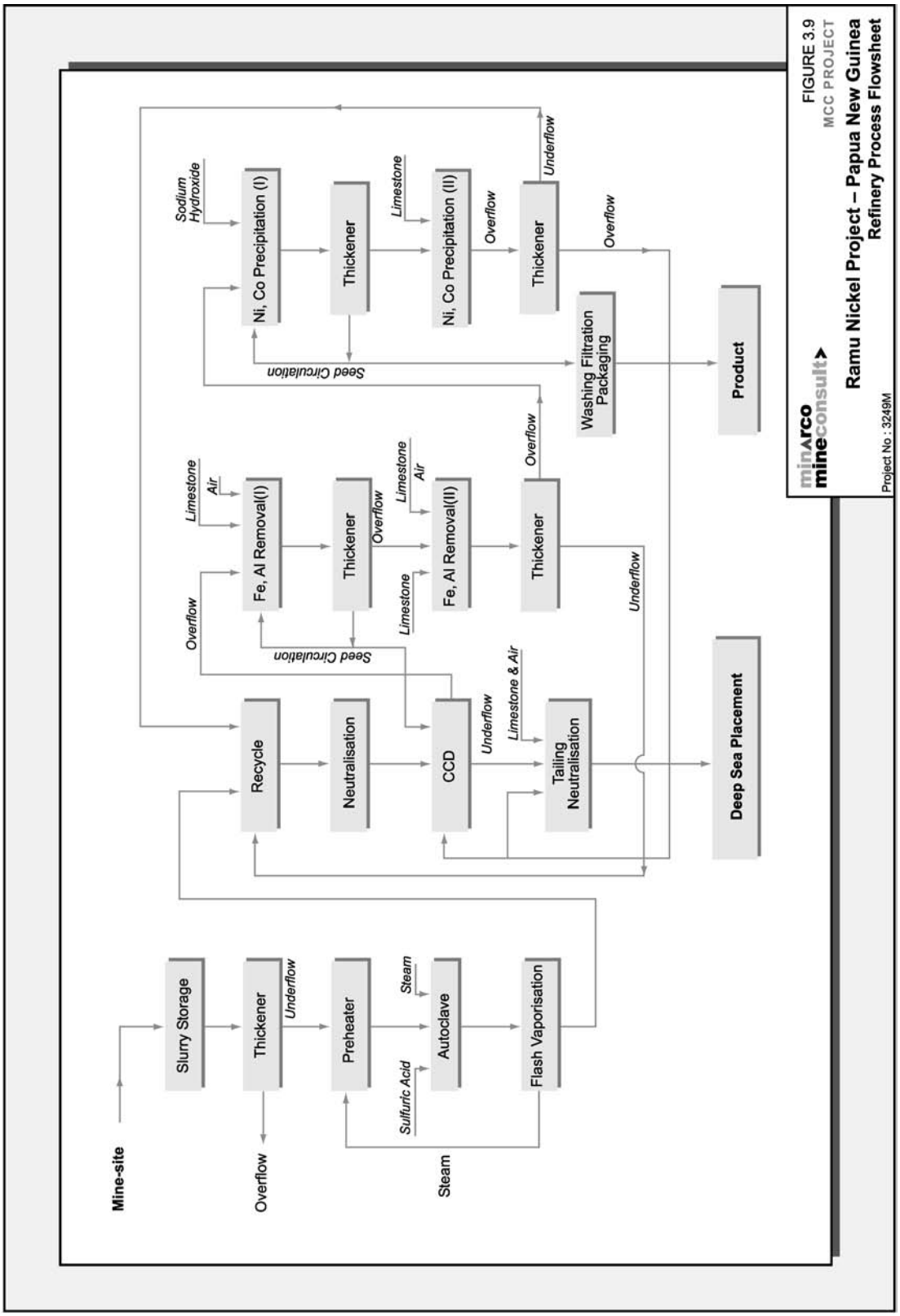
The refinery flowsheet is shown in ***Figure 3.9***.

M-MC makes the following comments based on its review of the technology:

- Adequate surge and storage capacity has been applied to all stages of processing, notably the ore washing, scrubbing and thickening stages as well as the pumping and leaching stages
- The operability and efficiency of the scrubbing equipment at the full scale duty remains to be confirmed
- Low acid consumption rates are expected with the treatment of the Ramu ore blends over the life of the project

- The process employs three autoclaves with each autoclave approximately 40m long with reaction temperatures going from 195^{o}C at the feed to 255^{o}C at the discharge. This technology is in use at a number of lateritic nickel refineries worldwide and is considered to be appropriate for the stated process. The primary CCD circuit consisting of seven thickeners for removal of the leached solids appears appropriately sized for the duty. It should be noted that the start up of a refinery of this type is a slow process where the heat built up in the CCD circuit takes between 7 and 10 months to reach equilibrium.
- The details of the other CCD circuits, namely that for the iron-aluminium removal and the recovery of the MHP product were not available and a comment on their adequacy cannot be made
- The process has been fully modeled and audited by several groups of specialists. While details of the modeling and the audit reports were not sighted by M-MC, it is reasonable to believe that the basis for the process and the subsequent process flowsheet and equipment meet the project needs based on the design criteria used in the modeling.
- The refining and purification process is based on well established precipitation technologies and is a relatively simple process to operate
- A process producing MHP as the final product is a far safer operation than the previous design where hydrogen sulfide gas was used to produce a MSP. More importantly, it meets the specifications of the buyers.
- The entire Ni and Co production is taken up in agreed take-offs and effectively does not have to compete in the world market
- The project has an ambitious timetable in terms of construction, commissioning and ramp up to full production. It is possible that the plant may produce MHP in the 4th quarter 2009, however not in substantial quantities until the latter part of 2010.

Figure 3.9 — Ramu Nickel Laterite — Refinery flowsheet



3.9 INFRASTRUCTURE AND SERVICES

The Ramu Ni-Co Project is being developed in a region where there is very limited infrastructure and has required the development of temporary infrastructure such as roads and bridges to permit construction at the minesite to begin as well as the installatioin of permament infrastructure such as the port at Basamuk to allow equipment and pre-fabricated plant to be delivered.

Both the mine-site and the refinery require independent and stand-alone infrastructure, which includes power, communications, accommodation, workshops and spares. The infrastructure for all aspects of this project has been carefully considered and both suitable and appropriate for this project.

The headoffice at Madang requires substantially less infrastructure, namely offices, accommodation and communications. Additionally, Basamuk is accessed by boat from Madang, where MCC operates two boats.

Power

Power on the mine-site will be supplied by a 22MW facility consisting of 6 diesel fired 3.78MW generator sets, with 2 on standby. At the refinery, a 60MW facility will supply both power and steam for the leaching operation. This will consist of 8 heavy oil fired 7.5MW generating sets, with three units (1 standby) dedicated to power generation and three units and 1 standby to steam raising (104tph of steam). Power will be generated at 10.kV and transformed where required as reticulation as 380/220V. Steam will also be captured for pressurizing the autoclave from the sulphur burning facility.

Power costs are expected to be around USD140-190MWhr, depending upon heavy oil and diesel prices. Power production will be 398.27GWh/a, with 337.5GWh/a being consumed at the refinery and 60.77GWh/a at the mine-site.

M-MC is co-operating in the development of the second phase of the Ramu Hydroelectric Yankee Dam Project which should be completed in the next 4 years. This would allow the project to have access to significantly cheaper power.

Water

Water for the mine-site operations will be sourced from the Gagaiyo River and supplemented by the capture of the mining site water run-off. A dam has been constructed on this river and water delivered to water storage facilities by pipeline and a pumping station at the mine-site. 58.22ML/day (0.67m^3/s) will be required to operate the washing and scrubbing facilities on the mine-site. Water will also be recovered at the mine-site for re-use after the scrubbed slurry is thickened for pumping to the refinery.

At the refinery site, some 30ML/day (0.35m^3/s) will be required and sourced from the nearby Yaganon River. An extensive system of large deep wells, have been developed in the delta of the Yaganon River with submersible pumps to capture the water. Additionally, water will be also recovered for re-use at the refinery when the slurry from the mine-site is further thickened for leaching in the autoclaves.

For the preparation of sulphuric acid, water from the Yaganon River will be treated at the site to remove fine solids and contaminants.

Drinking water will be supplied from both the collection of rainwater as well as the Gagaiyo and Yaganon rivers at both the mining and refinery sites and treated to produce potable water.

Port

A large concrete wharf at Basamuk has been constructed capable of birthing 60,000 dwt ships. The gantry cranes await installation.

Other facilities

The other facilities are a double contact sulphuric acid production and a limestone preparation plant including a calcining kiln.

The sulphuric acid plant will burn 304ktpa of sulphur to produce around 900ktpa of 98.5% sulphuric acid.

The limestone preparation will receive locally mined limestone and consists of a crushing, screening and ball milling equipment to produce a finely ground slurry (P_{95} = 74 microns, 30% solids) for precipitation and neutralisation. 70ktpa of the −40mm/+15mm limestone will be calcined (400tpd) and then slaked as a slurry (20%) for precipitation of the last quantities of Ni and Co.

3.10 CAPITAL AND OPERATING COSTS

The projected capital are summarised in ***Table 3.6***, based on the 2008 Feasibility Study. The total project costs are estimated at USD1.37 billion, which is relatively low compared to many other nickel laterite of similar production rate. Site personnel believe that this estimate will not blow out.

Table 3.6 — Ramu Nickel Laterite — Forecast Capital Costs

Cost Centre	USD(000's)	% of Total
Mine	128,938	9%
Slurry Pipeline	82,370	6%
Refinery	588,159	43%
Madang Office & communications	16,046	1%
Other Costs	301,700	22%
Project Contingencies	166,091	12%
Loan Interest (construction period)	74,277	5%
Working Capital	16,303	1%
Total	**1,373,884**	**100%**

Source: Costs provided by company as at January 2008.
Other costs include fees, insurances, commissioning, taxes, owner's costs, study costs, environmental, social, PR, HSE and spare parts

40% of the equipment spend has already been made, with 60% outstanding mainly in the form of progressive payments or monies retained for successful completion and operation.

The operation will employ some 1,205 people and the forecast mining operating costs are shown in ***Table 3.7***.

Table 3.7 — Ramu Nickel Laterite — Forecast Mining Operating Costs

Cost Centre	Units	2009	2010	2011	2012	2013	2014
Auxiliary Material	USD (000's)	4,945	8,992	16,348	14,862	15,605	16,385
Labour	USD (000's)	5,731	4,585	6,113	4,585	4,585	4,585
Others	USD (000's)	1,355	2,710	5,420	5,420	5,420	5,420
Total	**Total USD**	12,031	16,286	27,881	24,867	25,610	26,390

Source: Costs provided by company as at February 2009.

The estimated processing operating costs are summarised in ***Table 3.8*** before Co and chromite credits. The main costs are associated with raw materials or consumables such as:

- Sulphuric acid (240 — 260kg/t to dissolve the Ni and Co)
- Sulphur (304.5ktpa at USD60/t to make sulphuric acid)
- Heavy oil (88.7ktpa at USD315/t to provide power and steam)
- Limestone (800ktpa for precipitation and neutralisation)
- Sodium Hydroxide (53kt [1.65kg/t] at USD370/t)
- Water (33.685 ML/day or 3.83m3/t)
- Grinding media (0.9ktpa [279g/t] at USD980/t)
- Flocculant (1.7ktpa [53g/t] at USD3,500/t)

The development of the capital cost is thorough and based on Chinese cost structures, reasonable. The actual capital cost may not increase due to the decrease in the cost of some items towards the end of the construction period. The costs of consumables used in the development of the operating costs reflect current prices however no allowance has been made for inflation. The actual operating cost will depend upon the actual consumption rates of the consumables, which may be higher during commissioning and the early stages of the ramp up period.

Table 3.8 — Ramu Nickel Laterite — Forecast Processing Operating Costs

Cost Centre	Units	2009	2010	2011	2012	2013	2014
Auxiliary Material	USD (000's)	27,140	49,342	87,246	78,568	151,044	148,320
Labour	USD (000's)	8,903	5,935	7,696	5,717	12,413	12,189
Others	USD (000's)	3,711	7,421	14,434	14,298	13,729	13,481
Administration	USD (000's)	8,019	16,036	31,191	30,898	29,668	29,133
Total	**USD (000's)**	**47,772**	**78,734**	**140,567**	**129,481**	**206,854**	**203,124**
USD/lb Ni		2.53	2.08	1.91	1.78	2.96	2.96

Source: Costs provided by company as at February 2009.

3.11 SAFETY AND ENVIRONMENT

The major environmental issue for this project relates to the tailings disposal. Due to the high rainfall in the area, deep sea tailings placement ("DSTP") has been selected as the preferred option. The DSTP method is similar to that used in other comparable tropical locations in Papua New Guinea such as Lihir and Misima. The tailings will be disposed approximately 2km offshore from the processing plant facilities at a depth of 150m below sea level beneath the phototropic zone as well as the mixing zone. The slurry, after de-aeration and being diluted with sea water, will be placed in a deep marine valley and will be moderately small in quantity compared to the volumes of sediment deposited annually by the rivers. Extensive studies have concluded that the proposed tailings disposal method is the most appropriate for the circumstances and presents low and manageable environmental risks. The project is supported by an approved and extensive Environmental Management Plan covering all aspects of the mining and processing operations.

M-MC makes the following observations with regard to the environmental situation:

- New EMP produced by MCC, involving NSR Consultants and specialist marine biological consultants
- New monitoring program undertaken to prepare report from October 2006 to June 2007

Memorandum of Agreement (MOA):

- MOA involves all key stakeholders (4 landowner associations), shareholders, National and Provincial Governments. It includes the Local Economic Development Plan and is managed by the Community Affairs Department.
- Four landowner associations: Coastal — refinery area; Coastal — pipeline; Inland — Pipeline and Mine area.
- As a result of MOA, MCC involved in meeting its various obligations including sponsorship, culture, sports, education and gender issues. MCC has worked with schools, churches, etc. to carry out renovations, AIDS clinics, etc.
- A key element of the MOA related work is to develop the local economy including agriculture development (e.g. rice growing near the mine site area, poultry, etc).
- Two key roads have been built by MCC in the province as well as one 15km road linking the mine from the highway. A permanent steel and concrete bridge has been built over the Ramu River to access the minesite as well as a smaller bridge locally.
- There is a focus from Community Affairs Department in Madang on gender and youth issues for MCC.

Two dams have been built at the mine-site to capture run-off from the mine, particularly during stripping, and prevent pollution of the nearby Gagaiyo River. These dams will allow the fine solids to settle while the water will be used in the washing and scrubbing processes.

4 AYNAK COPPER PROJECT

M-MC did not make a site inspection of this property due to perceived political instability in Afghanistan. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "1978, Aynak Geology Report" prepared by the Soviet Union Geological Prospecting Group. (SUGP)
- "1987, Aynak Copper Mine West section, Reserve Estimate Survey Results Report" prepared by the Russian Geological Research Construction Bureau. (RGRCB)
- "2008 Afghanistan Aynak Copper Feasibility Report" prepared by China Central Engineering Institute for Non-ferrous Metallurgical Industries (ENFI)
- "Revised 2008 Afghanistan Aynak Copper Feasibility Report" prepared by China ENFI Engineering Corp (Revised 2008 Feasibility Report)
- "Minerals in Afghanistan, The Aynak Copper Deposit Report" prepared by the Afghanistan Geological Survey Kabul, Afghanistan

MCC's equity stake in the Aynak Project is 75% with Jiangxi Copper Group owning the remaining 25%.

4.1 BACKGROUND

The Aynaka (Aynak) Copper (Cu) Mine (69° 18' 18" longitude and 34° 15' 58" latitude) is located in the Islamic Republic of Afghanistan approximately 35km south of the city of Kabul ***Figure 4.1***. The mine is located in a mountain basin with elevations ranging from 2,275m to 2,675m and the surrounding mountains reach a maximum elevation of 3,450m.

The Aynak deposit is situated on an anticline structure. For this reason, the Aynak Cu Mine has been divided into two (2) separate mining areas namely the Middle District and the Western District. The Middle District is

situated on the shallow dipping eastern limb of the anticline and the Western District is situated on the periclinal closure at the western end of the structure ***Figure 4.2***.

Small historical excavations and pits have been discovered in the Aynak area along with the remains of smelting furnaces. Russian geologists re-discovered the Aynak area in 1974 and detailed exploration of the area was carried out phases from 1974 to 1976 and again from 1978 to 1989. The civil war that began in 1989 halted any further work in the area until the mine was acquired by MCC and the Jiangxi Copper Group in November 2007.

The potential for this project is very large and MCC has significant plans for the development of this project. These plans include the initial development of an open cut and mineral processing facility to produce high grade copper concentrates. In later years, it is planned to increase both the mining and treatment capacity and produce 220ktpa of cathode copper on site.

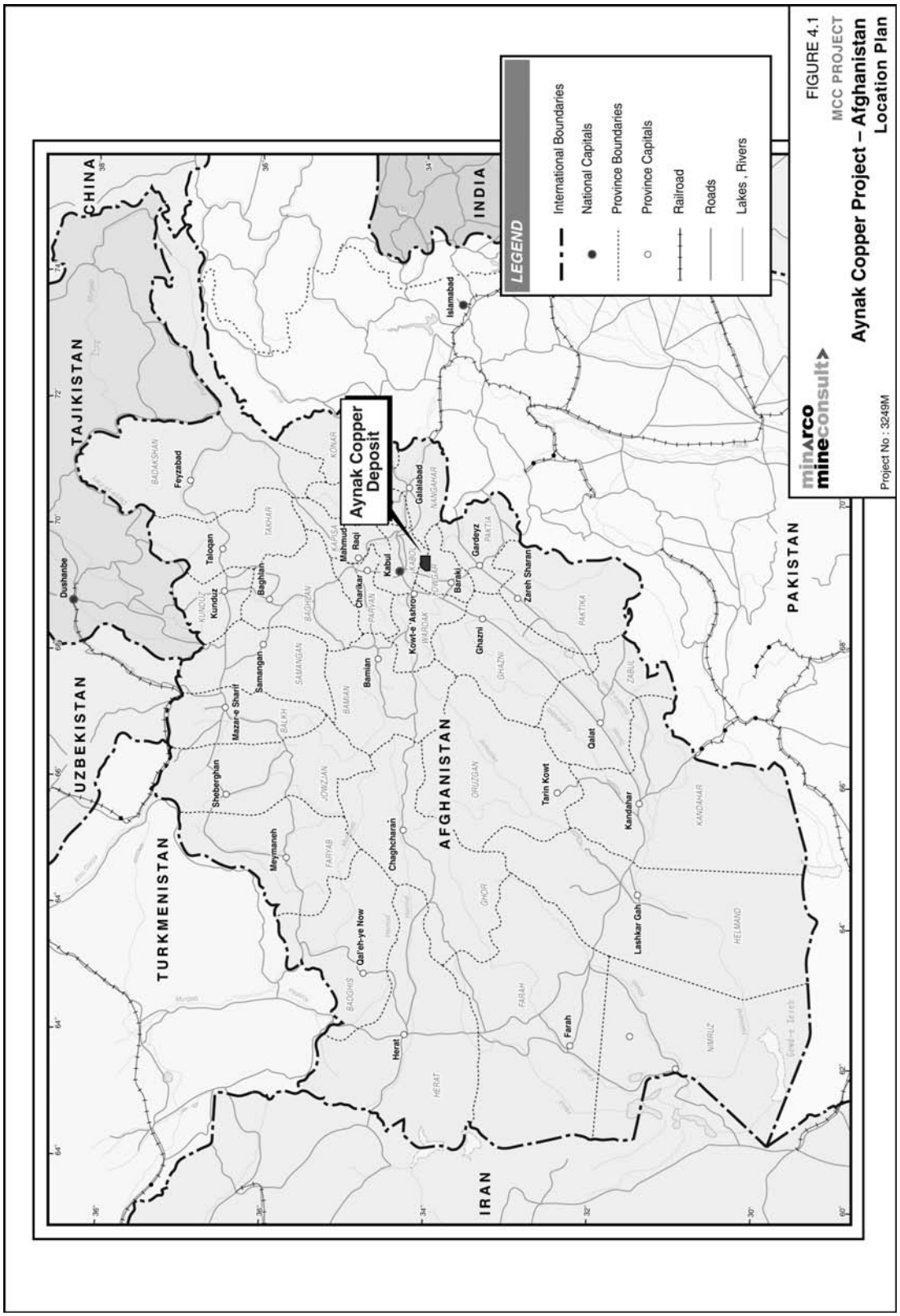
It is relatively early in the development cycle of this project, and while ENFI has access to previous Russian studies, evaluation of the three ore bodies, process behaviour of ore samples and the design of the processing facilities has yet to be completed. A Pre-Feasibility study has been conducted by ENFI and has provided an order of magnitude estimate of the economic requirements of the project. A number of infrastructure and other issues need to be addressed before the potential of the project can be fully realised. It would seem likely that this project is some years away from construction and subsequent operation.

4.2 ASSETS

The assets and status include;

- Mine development project, with some existing administration infrastructure, commencement planned for 2010.
- Russian Resource Code Compliant estimate of:
  - Middle District: 185.1Mt at 2.37% Cu (variable Cu cog).
  - West District: 298.3Mt at 1.5% Cu (variable Cu cog).
- Mineable Quantities of 349.5Mt at 1.22% Cu (variable Cu cog).
- A preliminary feasibility study "Revised 2008 Afghanistan Aynak Copper Feasibility Report" by ENFI

Figure 4.1 — Aynak Copper Project — Location Plan



4.3 LAND TENURE AND MINERAL RIGHTS

Details of the "Mining License" for Aynak are shown in ***Table 4.1***. These are valid to 2013.

Table 4.1 — Aynak Copper Project — Lease 03/87

Mine/Project	Aynak
Title	Mining License for Exploration and Exploitation
No	03/87
Owner	MCC - JCL Aynak Minerals Company Ltd
Mine/Project Name	Aynak Copper Project
Mine Method	Opencut and Underground
Permit Capacity	n/a
Permit Area	Exploration Area-D: 106.332km^2 ; Exploitation Area-E: 28.357 km^2
Permit Depth	n/a
Valid Date	Sep, 2008 - Sep, 2013
Issue Date	Nov, 2008
Issuer	Ministry Of Mines, Islamic Republic of Afghanistan

Source: Formal documentation

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

4.4 EXPLORATION AND MINING HISTORY

Mining in the area has been ongoing since ancient times. Ancient civilizations were producing Cu slag from the near surface oxide ore with dumps and shallow pits excavated over the Aynak area.

The Aynak area was first mapped in 1881 by various European geologists. During the 1970s, the Aynakar Geological Prospecting Group of Afghanistan (AGPG) started preliminary exploration in the Aynak area with the assistance of the Soviet Union Geological Prospecting Group. This work continued in a phased approach over the entire exploration area with underground development and sampling undertaken over the most advanced Middle District from 1974-1977 and West District from 1978-1984. Exploration activities are summarised in ***Table 4.2***.

Due to the break out of the Afghan conflict in the 1989 all development work stopped.

Table 4.2 — Aynak Copper Project — Exploration and Mining History

Year	Activity	Comment
1881 – 1961	Geological Regional mapping	Various geologists, Identified the Aynak Project Area around site of historical mining and processing dumps
1973	Geological Survey Report 1:100,000 Scale	Conducted by Afghan and Soviet geologists.
1974 – 1977	Preliminary Resource Delineation Work 66,480m of Diamond Drilling 3,796m of Underground Development 20,677m^3 of Trench/Pit excavation and sampling 23,498 assay samples	Most samples assayed by AAS in Russia for Cu, Ni, Co, Mo, Pb, Zn, Ag, AS. Sulphide and Oxide Cu was determined in most samples within the oxidation and mixed zone.
	Assay External Controls 1976-1978	1,111 sulphide ore and 313 oxide ore samples collected. Average relative error <5%.
	289 density and moisture samples	Taken in various ore types, Oxide/Mixed Ores, Chalcopyrite Ore and Bornite Ore
	Multiple ore and petrological samples	
	Geophysics survey : 1:2000 scale IP	Poor result
	Topographical Surveys	1:10,000 Scale over broader 196 sqkm exploration area, 1:5,000 scale near mine area and 1:500 in mine area.
	Hydrogeology work	1:10,000 scale survey including some drilling in mine area
1978	Preliminary Resource Calculation	RGRCB
1978 – 1984	Detailed Resource Delineation Work 64,508m of Diamond Drilling 6,194m^3 of Trench/Pit excavation and sampling	
	39,412 assay samples	Most samples assayed by AAS in Russia for Cu, Ni, Co, Mo, Pb, Zn, Ag, AS. Sulphide and Oxide Cu was determined in most samples within the oxidation and mixed zone.
	Assay External Controls 1976-1978	>1,500 internal and external samples collected. Average relative error <5%.
	187 density and moisture samples	Taken in various ore types, Oxide/Mixed Ores, Chalcopyrite Ore and Bornite Ore
	Multiple ore and petrological samples Downhole Geophysics, Gamma, IP	
1987	Preliminary Resource Calculation	RGRCB
2008	China ENFI Co Feasibility Report	

Source: 1978 and 1987 Russian Resource Reports

4.5 GEOLOGY

4.5.1 Regional Geology

Afghanistan sits astride the collision zone of the Indo-Pakistan and Asian crustal plates, which has given rise to the Himalayas. It has a very complex geological history, with a number of small blocks or 'terranes' which split off around 250 million years ago from the margin of the Gondwana supercontinent. These terranes then successively accreted on to the southern margin of the Asian continent.

The Kabul Block is interpreted to be a one of these fragments and is bound by two major faults, on the west by the Pagman Fault and on the east by the Altimur Fault.

4.5.2 Local Geology

Lithology and Structure

The structure at Aynak is dominated by the Aynak anticline. The anticline is asymmetrical and approximately 4 km in length and up to 2.5 km wide. The south-eastern limb dips gently to the south-east but the north-western limb is steeply dipping and, in places overturned, with dips of 45 – 70° to the south-east. The periclinal closure of the anticline at its western end is asymmetrical. Here, the southern limb is overturned and the axial plane is inclined towards the north-north-east. Several sets of later faults cut across the folds.

The oldest rocks exposed in the area belong to the metavolcanic Welayati Formation, composed of gneiss and amphibolites, and are exposed in the core of the anticline ***Figure 4.2***. This formation is overlain by the thick metasedimentary sequence of the Loy Khwar Formation, which is a cyclical sequence of dolomite marble, carbonaceous quartz schist and quartz-biotite-dolomite schist and hosts the copper mineralisation ***Figure 4.2***. Seven members were originally defined during the first phase of exploratory drilling within the Middle District. The Loy Khwar Formation is post-dated by basaltic to dacitic metavolcanic rocks of the Gulkhamid Formation, which are also of Vendian – Cambrian age. As a result of folding, the copper deposit is divided into two prospects, with the Middle District located on the shallow-dipping eastern limb of the anticline and Western District occurring in the area of the periclinal closure at the western end of the structure ***Figure 4.2***.

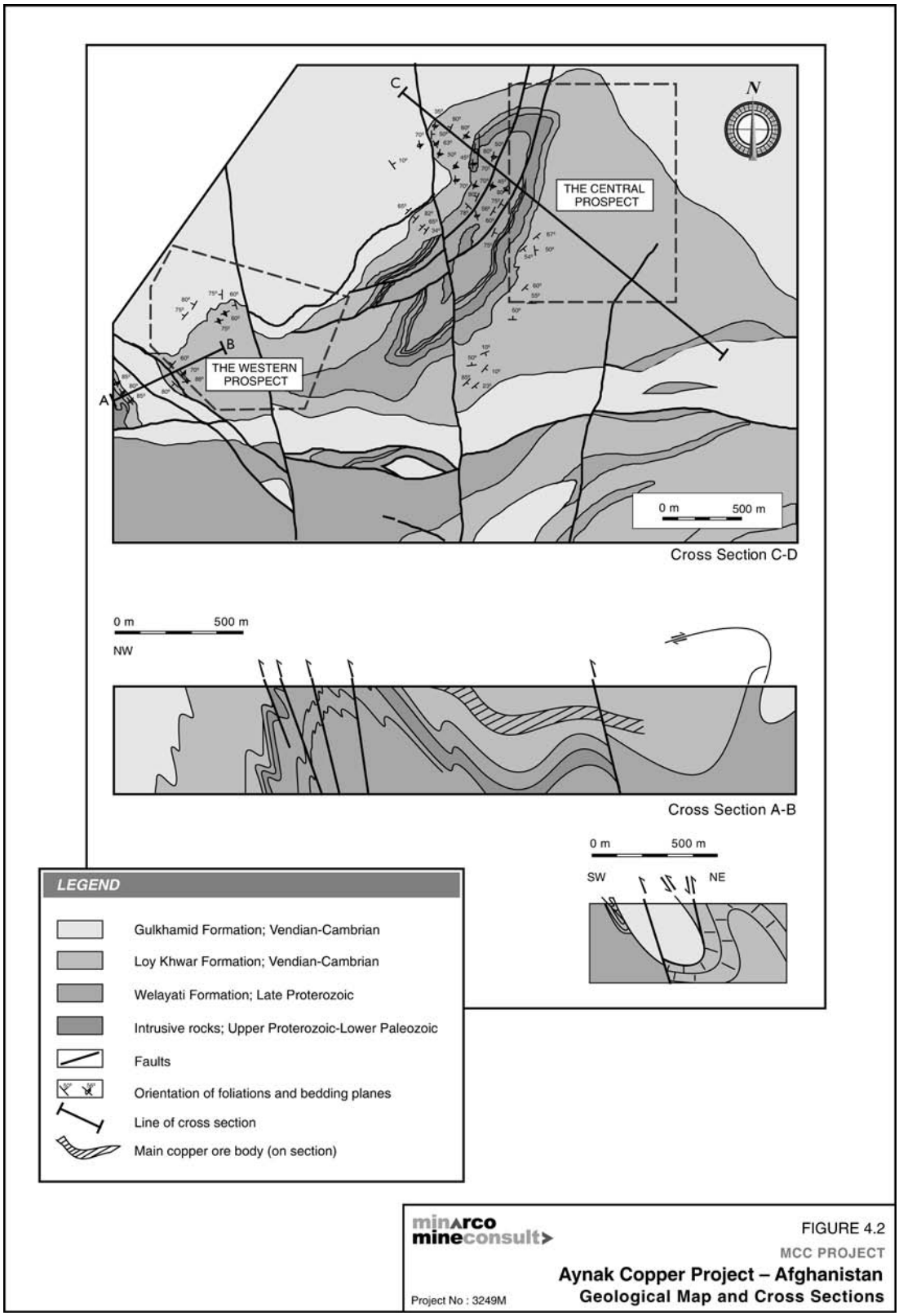
Mineralisation

The copper mineralisation at Aynak is stratabound and characterised by bornite and chalcopyrite disseminated in dolomite marble and quartz-biotite-dolomite schists of the Loy Khwar Formation. The mineralisation is mainly concentrated in the dolomite marble members of the Formation. The main zone of mineralisation in the Middle District is dominated by bornite. Chalcopyrite occurs in only minor amounts in the middle and lower parts of the orebody, but increases in the upper parts. Cobalt concentrations are very low but, like zinc, increase peripherally in some parts of the deposit. The depth of the oxidised zone is variable with the deepest oxidation occurring 250 m below the surface in the northern part of Middle District, beneath thick Neogene deposits.

The oxidised zone, with chalcocite and native copper, passes downwards into a mixed zone of oxidised and primary sulphides. No evidence for a supergene-enriched zone occurs.

Original resource estimations carried out by Soviet geologists, at varying cut-off grades, delineated several large ore bodies and a number of smaller lenses. At a 0.4% Cu cutoff grade, the Middle District orebody extends 1,850m along strike and 1,200m down dip and has a maximum thickness of 210 m. In the West District the main body extends 2,230m along strike and 1,640m down dip, and has a maximum thickness of 214 m, based on a similar cut-off.

Figure 4.2 — Aynak Copper Project — Geology Map and Cross Sections



4.6 RESOURCES AND RESERVES

M-MC has reviewed both the 1978 and 1987 Russian Resource reports as well as the validation work carried out by China ENFI Engineering Corp for their 2008 report. The methodology applied in the Russian estimates is in line with the resource reporting guidelines of Russia with the ore bearingness (polygonal) methodology based on sectional interpretations used in both reports.

MCC through ENFI carried out a detailed due diligence leading to the compilation of the 2008 Feasibility study. As part of this due diligence ENFI attempted to create digital databases for all drill holes contained within the Russian resources. However original drill data records have been lost during the war. Where the original data was unavailable ENFI digitised the information from the geological sections. This will result in inaccuracy in the hole location and subsequent lode location.

M-MC was unable to review the actual drill data and resource sections from the Russian estimates. For this reason M-MC can only make general comments based on the detailed resource reports and its experience with Russian estimates. M-MC, based on the reports presented considers the methodology employed to calculate the Russian resources reasonable. Extensive internal and external controls were undertaken of all assaying. Results from these controls are in line with the requirements of the Russian resource reporting guidelines and indicate a good level of precision and accuracy throughout the resource drilling and assaying program. Based on the data and results as presented, M-MC considers the estimates to be reasonable representations of the global tonnes and metal contents of the deposit. Polygonal estimates in their nature are poor estimators of local grade variability and these should be updated prior to undertaking any mine planning work.

M-MC reviewed the models created by ENFI for their due diligence. The result from this work appears reasonable and on the whole reflects the available underlying drill data. Both the West District and Middle District estimates correlates reasonably well with the Russian estimates.

Due to the loss of original data and lack of backing documentation such as resource calculation plans and models the current estimates do not meet the recommendations of the JORC code. Whilst the estimates appear reasonable M-MC has referred to the resources and reserves for Aynak as In Situ Quantities and Mineable Quantities accordingly.

A total of 150 holes have been completed over the Middle District, delineating the resource with a drillhole spacing of 100-150m by 100-150m. 170 holes have been drilled over the West District with uneven drill spacing of 100m by 100m in parts and opening out to 200m by 400m and greater in parts. This results in lower confidence in the interpretation and estimate of the West District. In total 130,498m of drilling has been carried out over the 2 mining districts using a combination of vertical and angled holes.

The drill holes were surveyed (down hole) to locate the drill-hole data in three-dimensional space. The drill-hole cores were logged and recorded digitally for lithology and structure using a consistent lithological code and format. The data was stored for manipulation using industrial software Techbase® software. An industry standard core-logging procedure was followed to log the geotechnical information of the diamond-drill cores.

Exploration methods are summarised in ***Table 4.3***.

In M-MC's opinion, exploration methods were appropriate for the style of mineralisation and sampling and assay techniques are reliable.

Table 4.3 — Aynak Copper Project — Exploration Methods — Summary

Exploration Methods	Purpose	Comments
Aerial Photography	Structural mapping	1:44,000 scale was later enlarged to 1:10,000 scale
Geological Mapping	Geology	
Geophysical mapping	Physical properties of the mineralisation quantified	Loop E.M, gradient array IP,
Soil Sampling Mobile Metal Ion (MMI)	To test possible MMI response	62 MMI samples, No obvious anomaly in the prospect, but comparatively higher MMI response for multiple metals indicating faults controlling mineralisation
Elemental concentration . .	Zn, Pb and Cu analyzed	62 samples analyzed; strong correlation with MMI data
Diamond Drilling	Resource definition	46,426 m drilling, poorly designed grids
Sampling	Geological logging and assaying	Good core recovery >98%, poor spatial mapping of some drill holes Down-hole surveys carried out at 50m Increments Database in good order, some issues with un-sampled intervals. 0.5-1m sample length based on geology.
Geochemical analysis	Cu, Pb, Zn, Ag, Ba and Fe analyzed	AAS technique was used with sulphide and oxide Cu being determined in most samples within the oxidation and mixed zone.
Duplicates and assay checks	Cu, Pb, Zn, Ag, Ba and Fe analyzed	AAS, XRF, ICP-OES techniques used, satisfactory correlation was found
Specific Gravity analysis . .	Ore Density	Diamond core samples. No bulk sampling reported
Geotechnical	Material characteristics	Poor sampling due to lack of training in the first phase, later revised.

Source: 1978 and 1987 Russian Resource Reports

4.6.1 Mineral Resources — In Situ Quantities

The Aynak deposit is a stratiform sulphide deposit with high grade Cu. Mineral Resource estimates for this project have been carried out in 2 main phases as drilling and understanding progressed from 1978 to 1987. The 1978 estimate was carried out by SUGP and centered on the more advanced Middle District. The 1987 estimate was completed by RGRCB over the West District. Both resource estimates were carried out according to the Soviet Union standard for reporting of resources and in MCC's opinion are reasonable. These estimates are summarised in ***Table 4.4.***

Table 4.4 — Aynak Copper Project — Russian In Situ Quantities (various Cu % cog)

Area			Middle District			West District			Total		
Ore Type	Russian Classification	JORC Equivalent	Tonne (Mt)	Cu% grade	Cu Metal Tonnes (000's)	Tonne (Mt)	Cu% grade	Cu Metal Tonnes (000's)	Tonne (Mt)	Cu% grade	Cu Metal Tonnes (000's)
Oxide (cog >0.5% Cu)	C_2	Inferred	—	—	—	2.5	1.22	29.1	2.5	1.22	29.1
	Sub Total Oxide		—	—	—	**2.5**	**1.22**	**29.1**	**2.5**	**1.22**	**29.1**
Mixed (cog >0.7% Cu)	C_1	Indicated	7	0.54	178.8	—	—	—	7	0.54	178.8
	C_2	Inferred	0.2	2.43	5.8	6.7	1.2	80.7	6.9	1.24	86.5
	Sub Total Mixed		**7.3**	**2.53**	**184.6**	**6.7**	**1.2**	**80.7**	**14**	**1.89**	**265.3**
Sulphide (cog >0.4% Cu)	B		36.3	2.77	1,006.5				36.3	2.77	1,006.5
	C_1	Indicated	112.8	2.33	2,628.8	87.4	1.61	1,406.9	200.2	2.02	4,035.7
	C_2	Inferred	28.6	1.96	561.1	201.7	1.51	3,041.2	230.3	1.57	3,602.3
	Sub Total Sulphide		**177.8**	**2.36**	**4,196.4**	**289.2**	**1.54**	**4,448.1**	**466.9**	**1.85**	**8,644.5**
Total	**B**		**36.3**	**2.77**	**1,006.5**				**36.3**	**2.77**	**1,006.5**
	C_1	**Indicated**	**119.9**	**2.34**	**2,807.6**	**87.4**	**1.61**	**1,406.9**	**207.3**	**2.03**	**4,214.5**
	C_2	**Inferred**	**28.9**	**1.96**	**566.9**	**210.9**	**1.49**	**3,151**	**239.8**	**1.55**	**3,717.9**
	Total		**185.1**	**2.37**	**4,381**	**298.3**	**1.53**	**4,557.9**	**483.4**	**1.85**	**8,938.9**

Source: 2008 ENFI Feasibility Study

Notes: Middle District only includes economic In Situ Quantities within the pit area. Sub economic In Situ Quantities have not been reported as In Situ Quantities, as they do not meet the basic requirement for eventual economic extraction under JORC.

MCC through China ENFI Engineering Corp carried out a detailed due diligence leading to the compilation of the 2008 Feasibility study. As part of this due diligence ENFI attempted to create digital databases for all drill holes contained within the Russian resources. Where the original data was unavailable ENFI digitised the information from the geological sections. This will result in inaccuracy in the drill hole location and subsequent lode location. Based on this data, ENFI estimated resources for both the Middle and West Districts using Datamine software.

M-MC makes the following general comments regarding the ENFI estimates.

- The geological interpretation is consistent with the logging and understanding of the deposit.
- Resource wireframes have been constructed in accordance with a >0.4% Cu Cut Off grade and honour the geology. Wireframes not being snapped to drill holes has lead to slight misappropriation of grades inside the composite files.
- Resource model was estimated using IDW^3 methodology and orientated ellipsoidal searches, using 2m drillhole composite data from 4 main mineralisation domains in the Middle District and 1 in the West District. Some of the ellipses in the West District appear to be poorly orientated and cut across the mineralisation. Resource grade of the Middle District is higher than the underlying assay data by approximately 15%. Whilst this is due in some parts to the variable drill data spacing it should be checked further, prior to these models being employed for any optimisation.
- Bulk density was applied based on oxidation with $2.55t/m^3$ used for Oxide and Secondary ores and $2.8t/m^3$ used for Fresh ore. The underlying density information was not reviewed by M-MC and cannot be verified. Based on the mineralisation style and known geology M-MC considers the bulk density applied to the resource to be appropriate.

- Resource Classification has been applied by ENFI based on drillhole spacing. Areas drilled to less than 100m being assigned Indicated Mineral Resource Category. Areas with greater than 100m but less than 200m drill spacing have being assigned Inferred Mineral Resource Category. Remaining areas are coded as Mineral Potential. M-MC considers this classification method appropriate for the style of mineralisation however due to the poor quality of 2D digitised drill data the estimates do not meet the recommendations of the JORC code.
- The West District estimate provided to M-MC at depth has been truncated above the depth of the interpreted mineralisation. This appears to be an exporting problem in datamine and resulted in M-MC reporting a slightly lower tonnage than reported in the ENFI 2008 Feasibility Study.

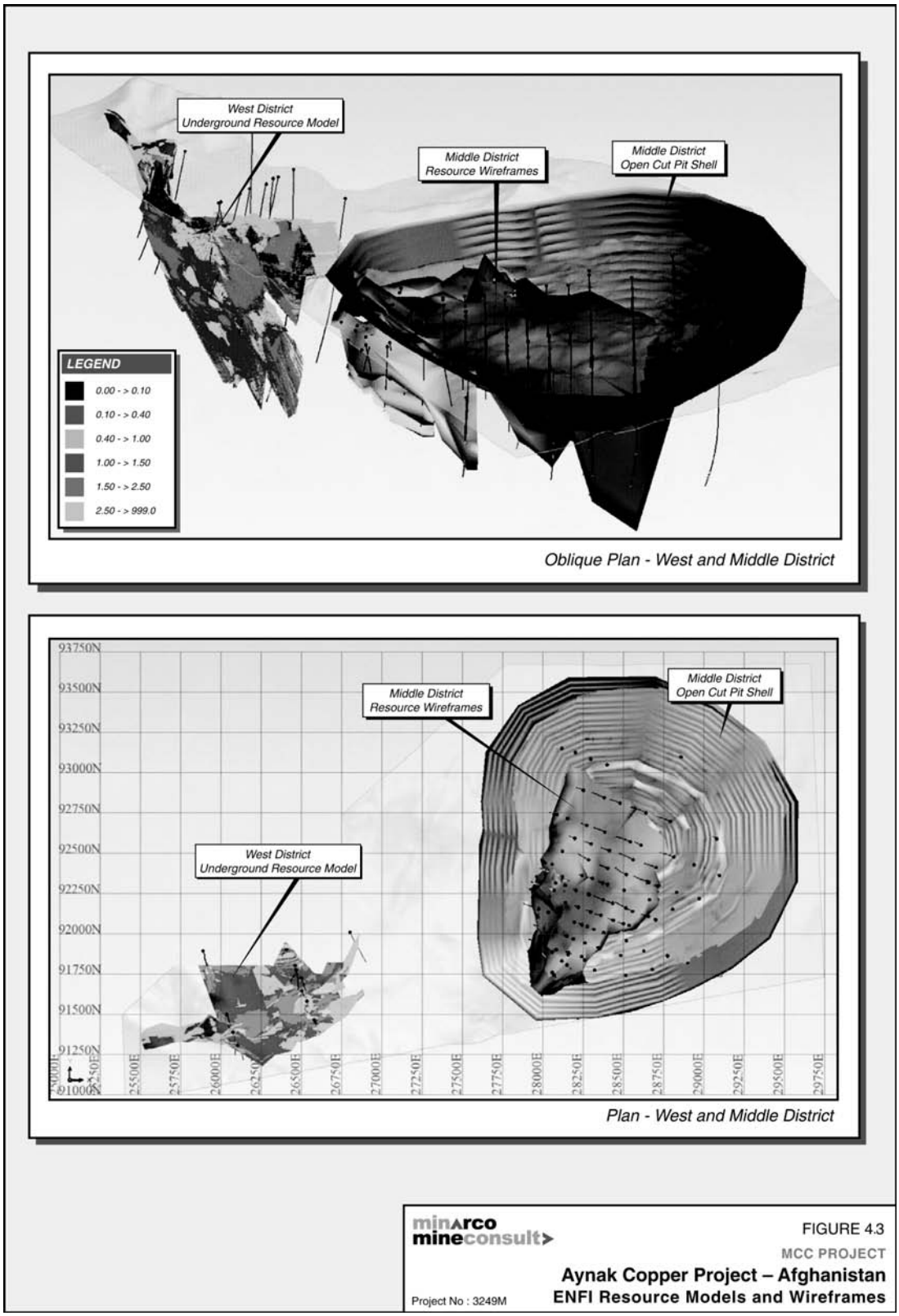
A summary of the ENFI estimates using similar Cu cutoff grades as in the Russian estimates is shown in ***Table 4.5***. The table for the Middle District only shows the In Situ Quantities within the currently designed pit shell. A further 140.9Mt at 1.28% Cu for 1,810kt of Cu Metal occurs outside of the current pit shell. This forms the basis for the planned Middle District Underground Mine which is planned to be exploited at the completion of the open cut.

Table 4.5 — Aynak Copper Project — ENFI 2008 In Situ Quantities (various Cu % cog)

Area		Middle District			West District			Total		
Ore Type	JORC Equivalent	Tonne (Mt)	Cu% grade	Cu Metal Tonnes (000's)	Tonne (Mt)	Cu% grade	Cu Metal Tonnes (000's)	Tonne (Mt)	Cu% grade	Cu Metal Tonnes (000's)
Oxide	**Indicated**	16.4	1.72	282.5	5.3	1.27	68.1	21.8	1.61	350.6
	Inferred	2.3	1.34	30.7	4.6	1.31	60.6	6.9	1.32	91.3
Sub Total Oxide		**18.7**	**1.67**	**313.4**	**10.0**	**1.29**	**128.6**	**28.7**	**1.54**	**442.0**
Mixed	**Indicated**	17.1	2.12	362.4				17.1	2.12	362.4
	Inferred	1.3	1.74	23.1				1.3	1.74	23.1
Sub Total Mixed		**18.5**	**2.09**	**385.3**				**18.5**	**2.09**	**385.3**
Sulphide	**Measured**	36.8	2.81	1,035.5				36.8	2.81	1,035.5
	Indicated	93.0	2.04	1,899.7	123.7	1.59	1,966.1	216.7	1.78	3,865.9
(cog >0.4% Cu)	**Inferred**	24.4	1.58	386.7	129.3	1.44	1,858.6	153.7	1.46	2,245.4
Sub Total Sulphide		**154.3**	**2.15**	**3,321.9**	**252.9**	**1.51**	**3,824.8**	**407.2**	**1.76**	**7,146.7**
Total	**Measured**	**36.8**	**2.81**	**1,035.5**				**36.8**	**2.81**	**1,035.5**
	Indicated	**126.6**	**2.01**	**2,544.7**	**129.0**	**1.58**	**2,034.2**	**255.6**	**1.79**	**4,578.9**
(various cog)	**Inferred**	**28.1**	**1.57**	**440.6**	**133.9**	**1.43**	**1,919.2**	**161.9**	**1.46**	**2,359.8**
Grand Total		**191.5**	**2.10**	**4,020.6**	**262.9**	**1.50**	**3,953.4**	**454.4**	**1.75**	**7,974.0**

Source: 2008 ENFI Resource Models Reported by M-MC

Figure 4.3 — Aynak Copper Project — ENFI Resource Model and Wireframes West and Middle Districts



4.6.2 Reserves — Mineable Quantities

ENFI in its 2008 Feasibility Study estimated reserves for both the Middle and Western Districts. The parameters used in these estimates are outlined in ***Table 4.6*** and on the whole appear reasonable. M-MC suggests that detailed mine design is required to assist in determining ore loss and dilution rates especially in the proposed underground mines. 100% recovery is rarely achieved in open cut mining and a 3-5% ore loss factor would be more reasonable.

The ENFI estimated Mineable Quantities are summarised in ***Table 4.7***.

Due to the lack of detailed mine design and planning combined with the resource issues discussed above M-MC considers that these reserves do not meet the recommendations of the JORC Code and hence refers to these as Mineable Quantities.

Table 4.6 — Aynak Copper Project — ENFI 2008 Mineable Quantities Parameters

	Middle District	West District
Ore Type	Sulphide and Mixed In Situ Quantities Only In Situ Quantities Conversion	
Measured	100%	100%
Indicated	100%	100%
Inferred	50%	50%
Mining Method	Open Cut	Underground Sub Level Caving
Dilution	15%	15%
Ore Recovery	100%	85%

Source: ENFI 2008 Feasibility Study Report

Table 4.7 — Aynak Copper Project — ENFI 2008 Estimated Mineable Quantities

	Middle District	West District	Total
Mineable Quantities (Mt)	155.4	194.1	**349.5**
Grade Cu%	1.13	1.30	**1.22**
Cu Metal (kt)	1,751.4	2,525.8	**4,277.2**

Source: ENFI 2008 Feasibility Study Report

The oxide portion of the Middle District open cut is planned to be processed through a heap leach operation. M-MC using the same In Situ Quantities conversion parameters as used by ENFI in 2008 and a 15% dilution and 95% recovery factor estimates that the recoverable oxide In Situ Quantities is in the order of 16.7Mt at 1.44%Cu for 240kt of Cu metal.

It is also planned to mine the deeper portions of the Middle District resource below the currently designed open cut, once open cut operations are complete. Due to the preliminary nature of the study on this option no Mineable Quantities have been determined to date.

4.7 MINING

4.7.1 General Description

Mining of the Aynak Cu deposit will be through the use of a combination of both open cut and underground mining methods. The current plan for the Middle District is to develop a large open cut to the 2,070mRL followed by an underground sub level caving operation to the 1,680mRL. The West District Underground Mine will be

developed from surface down to approximately the 1,600mRL. The lower extents of the underground mines are not definitive limits at this early stage of planning due to the current base of geological information.

The Middle District is planned to be initially mined using open cut methods, due to the relatively shallow dip (35-40 degrees) and the large width (~210m) of the ore body. The open cut will be mined using a typical truck and shovel operation utilising 6 Komatsu PC-5500 electric shovels and 28 Hitachi EH4000, 218t electric trucks. The ore and waste will be blasted separately using emulsion explosives. Blast holes will be drilled using one of 6 Ingersoll-Rand rotary drills to a depth of 17.5m, with a hole diameter of 250mm on a 10m by 8m spacing and burden respectively. The ore and waste will be mined on 15m benches using face shovels with a $26m^3$ bucket capacity. It is apparent from the 2008 Feasibility Report that the large equipment is adequately supported by the planned numbers of dozers, graders, water trucks and smaller excavators.

Waste will be placed in waste dumps adjacent to the pit while ore will be transported to a crushing facility adjacent to the pit. The ore will be crushed using an in-pit crusher and transported via a 2.5km long conveyor belt to the processing facility located at the base of the mountain. Ore recoveries of 100% and an ore dilution of 15% were reported in the 2008 Feasibility Report for mining of the open pit. M-MC considers the dilution reasonable based on the dip of the orebody and mining bench height. Ore recoveries in these types of operations are usually in the order of 95-97%.

Based on the parameters in ***Table 4.8***, it is M-MC's opinion that there is sufficient excavator capacity to achieve the target production.

Table 4.8 — Aynak Copper Project — M-MC Estimated Shovel Production Rates Per Annum

Excavator Type	PC5500 - Waste	PC5500 - Ore
Bucket Size (cu. m)	26.00	26.00
In Situ Density (t/cu.m0	2.60	2.80
Swell Factor	1.50	1.50
Fill Factor	0.80	0.80
Number of Passes (actual)	6.00	5.00
Load time per Pass (Sec)	40	40
Total Working Days	354	354
Mechanical Availability	87%	87%
Operating Availability	86%	86%
Utilisation	77%	77%
Overall Utilisation	57%	57%
Effective Annual Work Hours	4,870	4,870
Production (tpa)	**12,537,460**	**13,370,886**

Source: M-MC Estimated

According to the 2008 Feasibility Study, a maximum number of 28 Hitachi EH4000 trucks will be required for waste and ore. According to M-MC's calculation based on the assumed parameters presented in ***Table 4.9***, approximately 38 EH4000 trucks will be required. This assumes a weighted average mining level of 2100mRL for all waste and ore and a progressive dump height of 64m.

Table 4.9 — Aynak Copper Project — Typical Haulage Profile

Parameter	Value
Assumed Weighted Average mRL	2,100
Pit Crest mRL	2,400
Ore Crusher mRL	2,420
Assumed Dump mRL	2,364
Pit Crest to Ore Crusher	500m
Crest to Dump Toe and Traversing	800m
Ramp Grade (Average)	8%
Waste Trucks Required	31
Ore Trucks Required	7

Source: M-MC Estimated

The underground mining operations have been planned to use a combination of natural block caving and sub-level caving mining methods. The Middle District has greater geology definition than that of the West District and for this reason the exact mining method of the underground mine planned for the West District has not been clarified. Assumptions have been made, by the client that the geology will be similar and as such a similar mining method could be employed.

Mining methods planned have been based on the ore body characteristics at different elevations. It has been determined by the client that mining above the 1,800mRL will utilise the natural block caving mining method, whilst mining below the 1,800mRL will use the sub-level caving mining method, due to the narrowing width of the ore body and higher rock strengths. Drilling of 76mm diameter blast holes in the sub-level caving zone will be done with either a Solo 7-7V or Simba H1354 longhole drill rig.

A combination of electric and diesel Toro load haul devices (scrapers) will be used to transport the ore from the caving draw point to a system or ore chutes (ore passes). The ore passes connect the upper levels of the mine to crushing stations located at the 1,680mRL and the 1,740mRL in the west and middle underground mines respectively. From the crushing stations, the ore will transported to the surface via the respective main shaft hoisting systems.

The Middle District Underground Mine will be accessed via a ramp from the planned open cut, a vertical shaft (central main shaft) from the 2,372mRL to the 1,620mRL and a vertical auxiliary shaft. The main shaft is planned to be 8.2m in diameter and will be used for hoisting of ore and waste using four $23m^3$ skips with a capacity of 27,500tpd (25,000tpd ore and 2,500tpd waste). Two 5.5m diameter vertical ventilation shafts, between 206m and 360m in depth, will be sunk at either end of the ore body to provide adequate ventilation to the underground workings.

The West District Underground Mine will be accessed via a ramp from the 2,280mRL to the 2,000mRL, a vertical shaft (western main shaft) from the 2,378mRL to the 1,560mRL and a vertical auxiliary shaft. The main shaft is planned to be 8.7m in diameter and will be used for the hoisting of ore and waste using four $30m^3$ skips with a capacity of 33,000tpd (30,000tpd ore and 3,000tpd waste). Two 7.8m diameter vertical ventilation shafts, between 360m and 430m in depth, will be sunk at either end of the ore body to provide adequate ventilation to the underground workings.

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

The auxiliary shaft, which services both underground mines, will be used as the main method of transporting materials and equipment to the underground workings. The shaft is planned to be 8.2m in diameter, with elevation ranging from the 2,382mRL to the 1,565mRL. Various levels will be developed to connect the two underground mines with each other and the auxiliary shaft.

Mining operations in both the open pit and the underground operations have been planned around three 8 hour shifts per day over 330 days per year.

Figure 4.4 — Aynak Copper Project — General Site Layout Plan

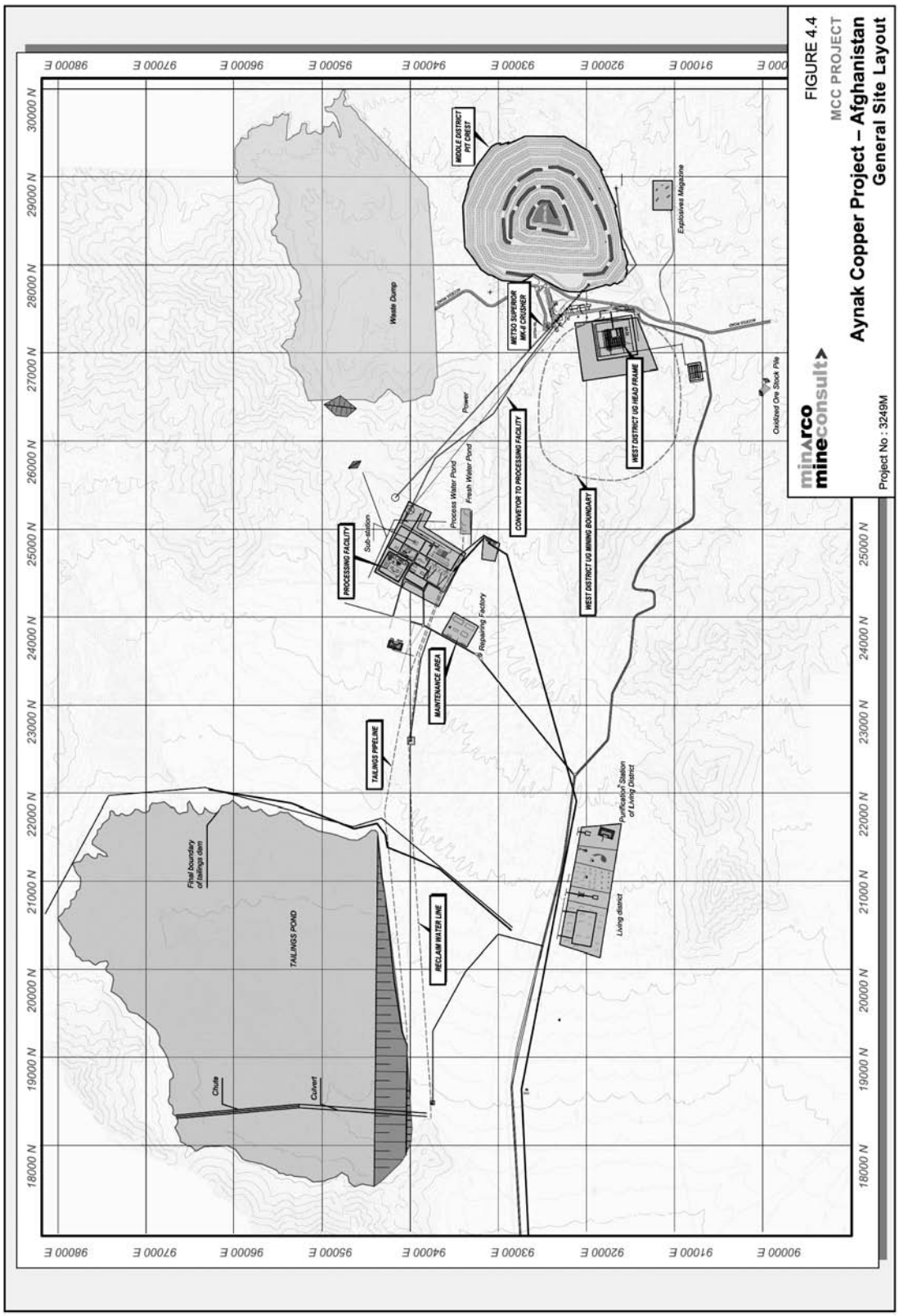
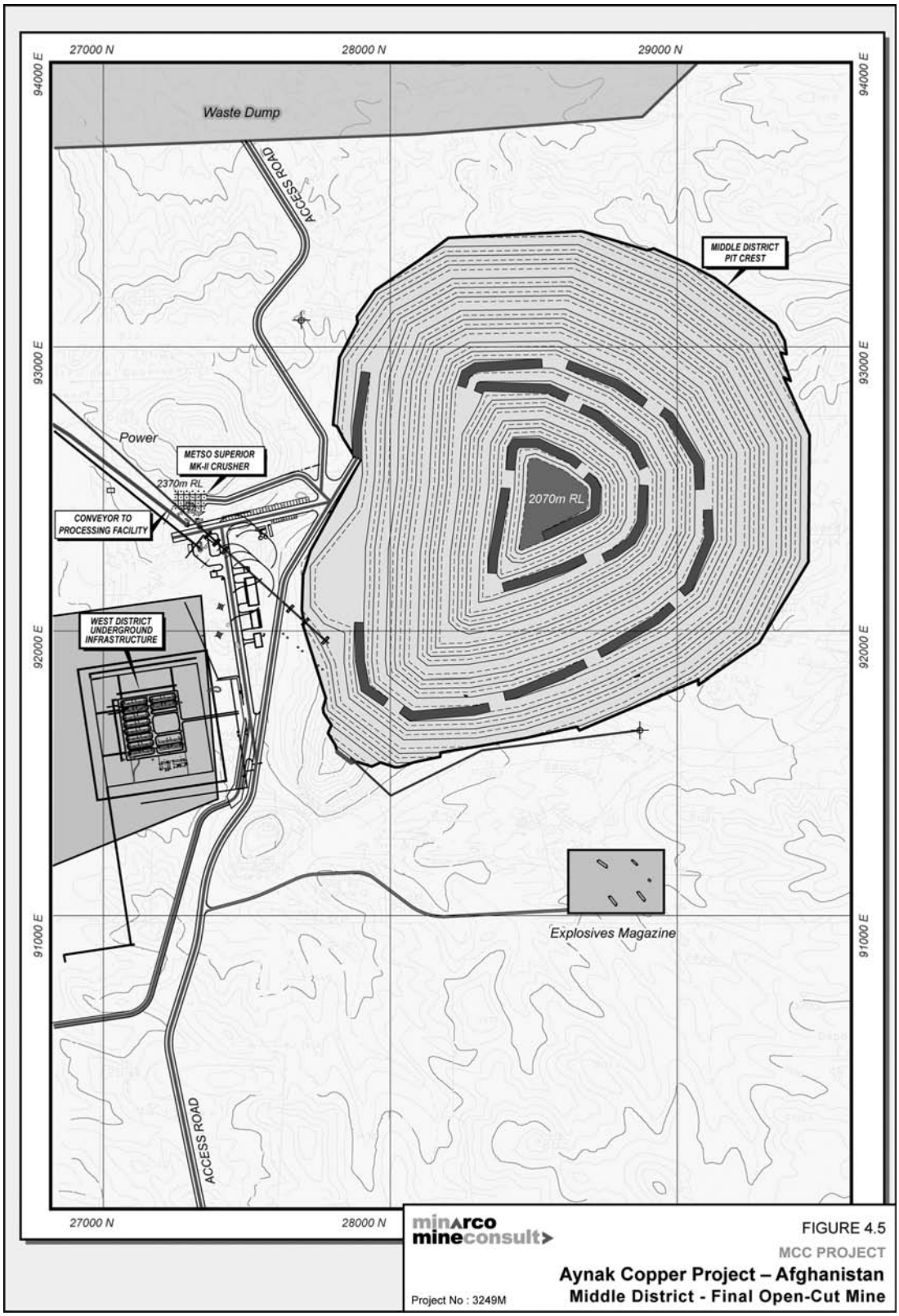


Figure 4.5 — Aynak Copper Project — Middle Open Cut Design



4.7.2 Forecast Production

M-MC held a meeting with ENFI in Beijing on the 16th March 2009 in order to gather more detailed information about the project. It was indicated during the meeting, by ENFI personnel, that civil construction work was due to commence in early 2010. Civil construction work is planned to be 2.5 years in duration, with production from the Middle District open pit commencing in mid 2012. At the planned production rate of 30,000tpd from the open pit, the estimated mine life of the open pit is 16 years according to the Revised 2008 Feasibility Report.

The planned annual production and intended ramp up period for both the open pit and underground mines are shown ***Table 4.10***. As described in the 2008 Feasibility Report, target production from the open pit is not reached until the second year of production and the target production from the Western Mining Area underground mine is not reached until the fifth year of production. At the time of this review, M-MC was not provided with any detailed underground mine designs. Only a review of the data contained within the 2008 Feasibility Report was possible.

Based on the information reviewed by M-MC the production forecast estimates provided in the 2008 Feasibility Report, appear to be reasonable based on the capital expenditure planned, equipment quantity and size and ore body characteristics.

Table 4.10 — Aynak Copper Project — Forecast Mining Production

Production	Type	2012	2013	2014	2015	2016	2017	2018
Middle Open Cut (Mtpa)	Ore	6.93	9.90	9.90	9.90	9.90	9.90	9.90
	Waste	29.7	42.5	61.8	61.8	61.8	61.8	61.8
West Underground (Mtpa)	Ore	—	—	1.70	5.26	6.81	8.35	9.90
Total Ore	**Ore**	**6.93**	**9.90**	**11.60**	**15.16**	**16.71**	**18.25**	**19.80**

Source: 2008 ENFI Feasibility Study.

As can be seen in ***Table 4.11***, the mining production rate contained in the latest data supplied by ENFI does not match the data presented in ***Table 4.10*** and appears optimistic. It is M-MC's opinion that the production rates presented in ***Table 4.10*** are more achievable. Moreover, the process data is not based on any testwork and has been assumed using the performance of an operation based in Zambia.

The use of a constant copper feed grade being supplied to the processing facility lacks credibility, since the underground copper grades are less than 2% and typically 1.6% Cu. Moreover, the mineralogy changes significantly (refer to the Processing Section) with the introduction of underground ores for processing. Consequently, after year 3, M-MC would expect the feed grade to fall to around 1.8% with a concentrate grade of 28-36% and a recovery of 84-86% copper (refer to ***Table 4.12***). Additionally, based on these figures, the forecast copper production rates will contain 320kt of copper rather than the forecast 395kt.

Table 4.11 — Aynak Copper Project — Forecast Production

Parameter	Unit	2011	2012	2013	2014	2015	2016
ROM production	Mt	8.05	9.90	9.90	19.80	19.80	19.80
Copper feed grade	(%)	2.19	2.19	2.19	2.19	2.19	2.19
Concentrate production	t	401,254	493,468	493,468	986,936	986,936	986,936
Copper concentrate grade	(%)	40.0	40.0	40.0	40.0	40.0	40.0
Copper recovery	(%)	91.0	91.0	91.0	91.0	91.0	91.0
Concentrate price	USD/t	1,267	1,267	1,267	1,267	1,267	1,267

Source: Data provided by company as of March 2009.

4.8 MINERAL PROCESSING

The processing operation at Aynak is expected to consist of four operations developed in three phases. The first phase consists of a mineral processing stage where a copper concentrate is produced as well as a heap leaching operation to treat the oxidised ore. After year 5, a smelting facility will treat the concentrate on site and the blister copper will be refined to cathode copper in an electrowinning operation. This stage will require the construction of a sulphuric acid plant as well as a large base load power station. In later years, it is proposed to increase the smelting and electrowinning capacity to around 500ktpa.

The ore has few impurities (manganese is the major one at typically 0.2%) and limited quantity of credits (silver is around 5ppm while only 'sample 3-3' has a gold content (0.27g/t)).

The project is at a conceptual stage, with the mineral processing facility based on a Zambian operation. Representative samples are currently being sourced for comprehensive testing which will form the basis of the final design. Other studies will be conducted on the flotation concentrate products to develop the smelting and electrowinning process flowsheets.

General Overview of Processing

Previous testwork conducted by the Russians found that while reasonable copper recoveries could be obtained, they were at rather low copper concentrate grades. M-MC believes that considerably better concentrate grades are possible however at lower copper recoveries.

Details of the ore samples 3-1, 3-2 and 3-3 have been lost and the representative nature of these samples with regard to three ore bodies is consequently not known.

MCC believe that better metallurgy is possible and, until the testwork has been conducted, have modelled the mineral processing operation on the Zambian Chambishi operation. The characteristics of this operation are as follows: 2.43% Cu feed grade, 60% bornite and 25% chalcopyrite to produce a 40% copper concentrate grade at 95.5% copper recovery. The Zambian ore possibly has some similarities to some of the ores at Aynak, however, based on the Russian testwork, has a better process response.

Table 4.12 — Aynak Copper Project — Process Metallurgy

Parameter	Ore Sample 3-1	3-2	3-3
Feed Grade (% Cu)			
Reported	2.29	0.96	1.52
Sample	2.37	1.00	1.68
Chalcopyrite (%)	12.3	84.8	39.8
Bornite (%)	79.7	13.9	58.8
Concentrate Grade (% Cu)			
Theoretical Maximum	59	39	52
Probable*	40	28	36
Testwork (Russian)	32	16	22
Copper Recovery (% Cu)			
Testwork (Russian)	93	86	89
Probable*	90	84	86
Grind Size (% passing 74 microns)	70	70	70-80

Source: ENFI 2008 Feasibility Study
** M-MC estimate*

While a theoretical study was conducted in order to compare milling circuit options, the performance of existing mills in Chinese operations has been used as the basis in the economic study.

The Aynak Mineral Processing Flowsheet is presented in ***Figure 4.6***. Ore is crushed at the mine and transported by conveyor belt to a stockpile. Ore is withdrawn from the stockpile (1,538tph) and feed to a secondary crusher in closed circuit with a screen. The screen undersize (1,250tph) is conveyed to the Fine Ore Storage bins which feed the milling circuit. The hydrocyclone overflow from the milling circuit reports to a Rougher-Scavenger flotation bank. The Rougher concentrate is upgraded in a three staged cleaning circuit to produce the final copper concentrate. The Scavenger concentrate is re-ground in a ball mill circuit, with the hydrocyclone overflow reporting to a Middlings Rougher flotation circuit. Both Middling Rougher concentrates are upgraded in one stage of cleaning and the cleaned product joins the Rougher concentrate as feed to the three stage cleaning circuit. The final concentrate represents 4.99% of the feed by mass (60.4tph) and contains 91% of the copper. The final tailings is the Rougher-Scavenger tailings (1,187.7tph) containing 9% of the copper that was present in the feed.

The final concentrate is dewatered in a 30m diameter high rate thickener followed by a filter press.

Final tailings consist of tailings from the primary scavenger and cleaner scavenger as well as the scavenger after re-grinding. The final tailings is dewatered in a thickener and transported to a tailings dam. Water from both the thickener and tailings dam would be recycled in the process.

The operation will require 14,850tpa of lime to depress the pyrite during flotation, 495tpa of butyl xanthate to recover the copper minerals, 594tpa of sodium sulphide to activate oxidised copper minerals for flotation recovery and 198tpa of frother and flocculant for thickening.

Heap Leach

The oxidised material from the open cut operation will be heap leached in an area located 2.5 km from the mine site. The heaps will be 30m high and cover an area of 51.6ha and consist of 9.3 million m^3 of material. Details of the operation were not available. Presumably, the heap leach would not be operated until the acid plant and

electrowinning facilities have been constructed in year 5. The planned production is 20,000tpa of copper over 10 years.

Smelting and Electrowinning

A conventional smelting operation is envisaged employing a smelting stage (200,000tpa) to produce matte which is then blown through to blister copper in a converting stage. The blister copper is cast as anodes and refined into high purity cathode copper using electrowinning methods (220,000tpa). Smelter slag will be cleaned in an electric furnace while the convertor slag would be recycled to the smelting stage. An acid plant will be constructed to produce sulphuric acid for the electrowinning operation. Additional facilities include an oxygen plant, waste heat boiler and an ElectroStatic Precipitator (ESP) to capture dust from the stack emissions.

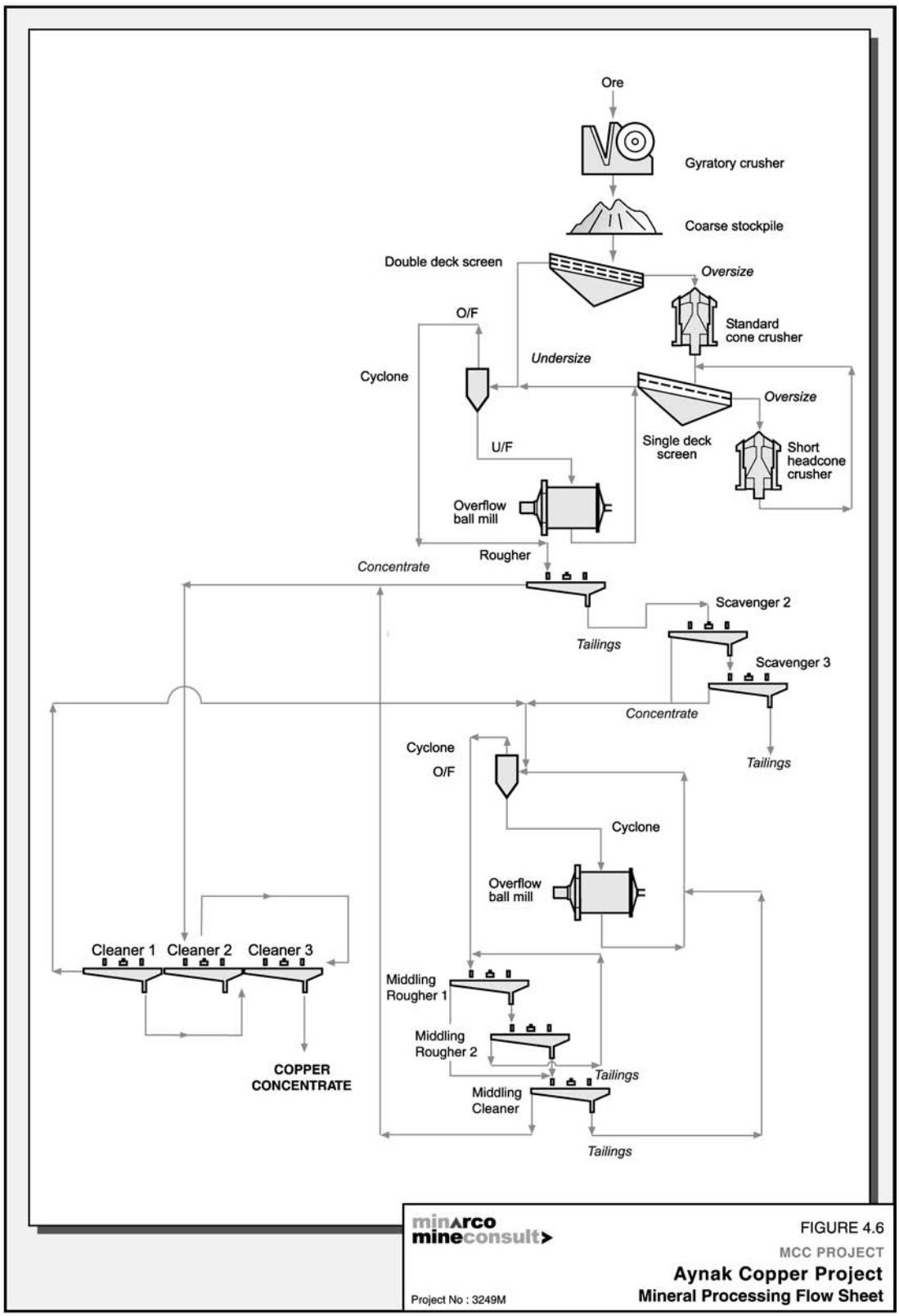
In the first ten years, 205,000tpa of sulphuric acid would be produced, rising to 305,000tpa in year 11.

M-MC recommends that the following items be addressed:

- The metallurgy of the ore types and various blends is unknown
- The selection of the milling circuit needs to based on Aynak ore types
- The selection of the flotation circuit needs to be based on Aynak ore types
- Heap leach testwork has not been undertaken
- Smelting testwork has not been conducted on Aynak copper concentrates
- Electrowinning testwork has not been conducted

Without an exact understanding of all the process requirements, it is difficult to correctly select the appropriate flowsheets and associated equipment and therefore accurate capital and operating costs cannot be developed.

Figure 4.6 — Aynak Copper Project — Processing Flowsheet



4.9 INFRASTRUCTURE AND SERVICES

Power will be supplied from diesel generators during the first five years of operation. The project power load upon completion of all the processing facilities is estimated to be 150MW. A joint venture coal fired power station (400MW capacity) near Tala is proposed using coal from northern Afghanistan. Electricity would be provided to Kabul and then to the processing facility via a 280km 220kV transmission line.

Water would be sourced from underground water reserves near the Luger River, where some 173ML/day is apparently available. This would appear to be more than sufficient to meet the processing, smelting and electrowinning needs. The water would be pumped 17 km by a three stage pumping station to a water treatment facility before being pumped 5km to the processing facilities. A small reverse osmosis plant will produce potable water (120kL/day). A separate reverse osmosis plant (480kL/day) will treat a part of the tailings return water for use in air conditioning and slag granulation.

Water consumption in the mining phases is estimated to be 1.6ML/day in the open cut and 6ML/day increasing to 11ML/day after year 10 for underground mining. The processing plant will need 39.3ML/day of fresh water, while power generation, smelting and electrowinning will need a total of 10.41ML/day.

It has been estimated that a total tailings dam capacity of 393 million m^3 will be required over the life of the operation. It is planned to use two locations, one located in a ravine in the northwest of the property and at a later date, a second tailings dam located in the south west. A rock fill construction method would be probably used.

While some basic climatic data has been reported, more detailed information will need to be gathered from the proposed site. It is noted that the area has a high seismic activity (earthquakes of up to 8 on the Richter scale). This will need to be addressed in the design requirements for the project and will increase the capital costs.

4.10 CAPITAL AND OPERATING COSTS

The Aynak Copper project is being developed in a region with limited infrastructure and without a significant mining tradition. Subsequently, considerable investment is required in infrastructure such as power, water and administration as well as the establishment of mining and processing facilities. The mining plan calls for the development of an open cut in the Middle District, followed by an underground development after year 5 in the West District and subsequently the development of another underground mining operation in later years in the Middle District.

On the processing side, after year 5 it is planned to develop a smelting and refining complex capable of producing 220,000tpa of cathode copper. At this stage, a coal fired power station will be constructed to service the requirements of the electrowinning plant as well as the processing plant.

This review only examines the first 6 years of operating and capital costs. ***Table 4.13*** presents the planned capital expenditure. In the Feasibility Study, it is stated that USD4.39 billion will be required to complete the project. The Stage 1 CAPEX will focus on the establishment of the infrastructure, open cut and processing plant. Stage 2 will concentrate on the development of the underground mine, concentrator, smelter and ancillary facilities.

Table 4.13 — Aynak Copper Project — Actual and Forecast Mining and Processing Capital Expenditure

Cost Centre	Unit	2008	2009	2010	2011	2012	2013	2014	2015	2016
Stage 1 Construction	M USD	117.6	500.8	723.5	323.5	—	—	—	—	—
Stage 1 Other	M USD	—	—	61.3	61.3	—	—	—	—	—
Stage 1 Sub total	M USD		**1,788**			—	—	—	—	—
Stage 2 Construction	M USD	—	—	—	—	27.0	360.0	1,137.0	405.0	55.0
Stage 2 Other	M USD	—	—	—	—	124.6	124.6	124.6	124.2	121.0
Stage 2 Sub total	M USD		**—**					**2,603**		

Source: Costs provided by company as of March 2009.

Forecast mining operating costs are shown in ***Table 4.14*** for the first six years. The dominant cost centre during the first four years is depreciation, varying initially from 69% of the total mining costs to 48% in years 4 and 5. Thereafter, it drops to 4% of costs. The mining costs are relatively high for a moderately high tonnage open cut operation. By year 6, even with the introduction of underground mining, the operating costs have decreased to a reasonable level. There is no escalation for inflation or allowance for potential increases in consumable costs such as fuel, tyres and capital spares as well as increases in salaries.

Table 4.14 — Aynak Copper Project — Forecast Mining Operating Costs

Cost Centre	Unit	2011	2012	2013	2014	2015	2016
Auxiliary Material	USD(000's)/a	31,395	38,759	38,759	85,270	85,270	85,270
Water & Power	USD(000's)/a	3,988	4,923	4,923	10,831	10,831	10,831
Labour	USD(000's)/a	2,151	2,655	2,655	5,841	5,841	5,841
Repair & Maintenance	USD(000's)/a	8,074	9,968	9,968	21,930	21,930	21,930
Depreciation	USD(000's)/a	124,866	124,866	124,866	124,866	124,866	5,364
Other	USD(000's)/a	9,938	12,269	12,269	12,269	12,269	12,269
Total	**USD/t ROM**	**22.41**	**19.54**	**19.54**	**13.18**	**13.18**	**7.15**

Source: Costs provided by company as of March 2009.

The forecast processing operating costs are shown in ***Table 4.15*** for the first six years. Like the mining operating costs, the dominant cost centre during the first four years is depreciation, varying initially from 48% of the total processing costs to 28% in years 4 and 5. Thereafter, it drops to 2% of costs. The operating costs are relatively high for a moderately high tonnage processing operation, which is mainly due to the depreciation charges. By year 6, the operating costs have decreased to a reasonable level. There is no escalation for inflation or allowance for potential increases in consumable costs such as fuel, reagents and capital spares as well as increases in salaries.

Table 4.15 — Aynak Copper Project — Forecast Processing Operating Costs

Cost Centre	Unit	2011	2012	2013	2014	2015	2016
Auxiliary Material	USD(000's)/a	14,650	18,086	18,086	36,172	36,172	36,172
Water & Power	USD(000's)/a	24,797	30,614	30,614	61,228	61,228	61,228
Labour	USD(000's)/a	1,425	1,759	1,759	3,518	3,518	3,518
Repair & Maintenance	USD(000's)/a	4,329	5,345	5,345	10,690	10,690	10,690
Depreciation	USD(000's)/a	44,471	44,471	44,471	44,471	44,471	1,910
Other	USD(000's)/a	3,588	4,430	4,430	4,430	4,430	4,430
Total	**USD/t ROM**	**11.59**	**10.58**	**10.58**	**8.11**	**8.11**	**5.96**

Source: Costs provided by company as of March 2009.

Projected operating costs for the smelter and electrowinning (or refinery) facilities are presented in ***Table 4.16***. Again, depreciation is the dominant operating cost, representing 63% of total operating costs in

the first few years. This operating cost includes both smelting and electrowinning and may be reasonable at USD556/t of cathode product (or USD0.25/lb of copper). Current Treatment and Refining Costs (TRC) for copper concentrates are around USD70/t/USD0.70/lb, which, for this ore, equates to USD792/t of cathode copper or USD0.36/lb of copper. However, M-MC regards the actual operating costs, that is the costs before depreciation charges, to be too low at USD208/t of cathode copper or USD0.09/lb of copper.

Table 4.16 — Aynak Copper Project — Forecast Smelting and Refining Operating Costs

Cost Centre	Unit	2014	2015	2016
Auxiliary Material	USD(000's)/a	23,056	23,056	23,056
Water & Power	USD(000's)/a	29,448	29,448	29,448
Labour	USD(000's)/a	5,346	5,346	5,346
Repair & Maintenance	USD(000's)/a	21,670	21,670	21,670
Depreciation	USD(000's)/a	137,319	137,319	137,319
Others	USD(000's)/a	2,613	2,613	2,613
Total	**USD/t ROM**	**11.08**	**11.08**	**11.08**
	USD/lb Cu	**0.25**	**0.25**	**0.25**

Source: Costs provided by company as of March 2009.

Total projected operating costs for the whole operation are summarised in ***Table 4.17***. While the total operating costs are reasonable for the first few years, the major cost will be due to depreciation. M-MC considers that the underlying cost of production is too low, particularly when additional stages of processing are introduced in 2014, namely smelting and electrowinning. Although the ROM output is doubled, ROM material will be produced from predominately underground sources and the electrowinning operating costs are significant. M-MC would expect that the cash cost of producing copper to be around USD1.10/lb, depending upon the cost of fuel, coal and consumables. The concentrate costs would be associated with mainly transport and are estimate to vary between USD88 to 175/t of concentrate, which is reasonable.

Table 4.17 — Aynak Copper Project — Forecast Total Operating Costs

Cost Centre	Unit	2011	2012	2013	2014	2015	2016
Mining	USD(000's)/a	180,412	193,440	193,440	261,007	261,007	141,505
	USD/t ROM	**22.41**	**19.54**	**19.54**	**13.18**	**13.18**	**7.15**
Processing	USD(000's)/a	93,260	104,705	104,705	160,509	160,509	117,948
	USD/t ROM	**11.59**	**10.58**	**10.58**	**8.11**	**8.11**	**5.96**
Administration	USD(000's)/a	119,999	136,500	136,500	118,789	100,277	86,851
	USD/t ROM	**14.91**	**13.79**	**13.79**	**6.00**	**5.06**	**4.39**
Other Costs	USD(000's)/a	62,550	62,550	62,550	79,000	79,000	79,000
	USD/t ROM	**7.77**	**6.32**	**6.32**	**3.99**	**3.99**	**3.99**
Smelting and Refining	USD(000's)/a	—	—	—	219,452	219,452	219,452
	USD/t ROM	—	—	—	**11.08**	**11.08**	**11.08**

Cost Centre	Unit	2011	2012	2013	2014	2015	2016
Unidentified	USD(000's)/a	—	—	—	82,132	82,132	82,132
	USD/t ROM	—	—	—	**4.15**	**4.15**	**4.15**
Total Operating Cost	**USD(000's)/a**	**456,221**	**497,195**	**497,195**	**920,889**	**902,377**	**726,888**
Total	**USD/t ROM**	**56.67**	**50.22**	**50.22**	**46.51**	**45.57**	**36.71**
	USD/lb Cu	**1.29**	**1.14**	**1.14**	**1.06**	**1.04**	**0.84**
Taxation	USD(000's)/a	54,696	67,526	67,526	67,526	67,526	67,526
	USD/t ROM	**6.79**	**6.82**	**6.82**	**3.41**	**3.41**	**3.41**
Concentrate costs	USD(000's)/a	70,349	86,850	86,850	86,850	86,850	86,850
	USD/t ROM	**8.74**	**8.77**	**8.77**	**4.39**	**4.39**	**4.39**

Source: Costs provided by company as of March 2009.

4.11 SAFETY AND ENVIRONMENT

A Safety Programme is outlined in the Feasibility Study that addresses a number of issues, such as fire, site traffic, plant safety, hygiene matters, ventilation, noise and vibration as well as electromagnetic radiation. The programme details design, training and monitoring practices that would apply to each aspect of the operation. The programme is based safety requirements detailed under the "Mineral laws of Afghanistan (2005)".

In addition, the Feasibility Study outlines a Social Development plan for the local community. This encompasses education (USD1.2 million to be spent on building four schools), health (USD3.8 million to be used constructing a number of hospitals and clinics), infrastructure as well as sustainable development activities. These activities would support small business development such as agriculture. The operation would recruit local people, particularly experienced technical people. The programme also recognises the need for resettlement and compensation for affected communities.

The Feasibility Study outlines a detailed Environmental Policy that would address all the sources of potential pollution for the proposed operation. World Bank guide lines are used as the source of best practice. The sources of pollution include emissions from the open cut mining (dust), smelting operations and pulverised coal boiler (particulates, sulphur dioxide, nitric oxides and carbon dioxide), as well as waste solids and water streams and noise. Total expenditure for the protection of the environment is estimated to be USD59 million.

All furnace and stack emissions will be monitored by automated measuring systems (CEMS) and desulphurisation (CFB) technology will be employed to remove most of the sulphur dioxide (85% removal) not captured in the production of sulphuric acid from the convertor flue gases as well as other smelting fumes. Low nitrogen combustion technologies will be used to minimise the production of NOx gases in the pulverised coal boiler. Treated gas streams will be discharged into the atmosphere via a 180m high concrete chimney. The cost of environmental monitoring equipment is estimated at USD550,000.

The various water waste streams will be monitored and recycled where possible, otherwise treated where necessary before discharge into the environment. Granulated slag and ash would be buried in a waste dump site.

Noise control will be practiced within the processing facilities as well as the other operations and closely monitored.

The operation plans to employ a number of energy and water saving technologies to minimise the impact it has on the local environment.

Additionally, 'greening' would be practised whereby plants and trees would be planted around the site.

5 DUDDAR LEAD ZINC PROJECT

M-MC did not make a site inspection of this property due to perceived political instability in Pakistan. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "2005 Basic Design for Duddar Lead Zinc Mine, Pakistan" — including underlying resource models and drill data — Prepared by China Central Engineering Institute for Non-ferrous Metallurgical Industries (ENFI)
- "1997 Pasminco Exploration Report — Vol 1 - 8"

The Duddar Lead — Zinc (Pb-Zn) Mine is currently under construction. Planned ore production capacity from underground operations is 660ktpa.

MCC's equity stake in the Duddar Project is 40.8% (MCC holds 80% of the MCC Duddar Minerals Development Company (Pvt) Ltd., which holds 51% of the mine).

5.1 BACKGROUND

The Duddar Pb-Zn deposit (26° 05′ 32″ latitude, 66° 50′ 30″ longitude) is located in the northern end of Kanraj Valley, in the Balochistan Province of Pakistan approximately 135km to the NNW of Karachi, ***Figure 5.1***. The Kanraj Valley is flanked by the Mor Range to the west and by the Pab Range to the east. Duddar is situated on the margin of the Mor Range.

The Duddar Deposit is a stratiform sulphide with high grade Pb and Zn. Mineralisation is hosted in a succession of Jurassic carbonate and clastic sediments.

5.2 ASSETS

The assets and status include;

- Mine development project, ready for production commencement.
- JORC Compliant Mineral Resources of 14.48Mt at 9.9% Zn, 3.4% Pb, 19.1g/t Ag, 7.8% Ba and 11.9% Fe (cog $>$7% Pb+Zn).
- Mineable Quantities of 9.13Mt at 9.3% Zn, 3.0% Pb (cog $>$7% Pb + Zn).
- A preliminary mining study "2005 Basic Design for Duddar Lead Zinc"
- Some site infrastructure is complete but currently on care and maintenance:
  - Completed construction of the processing plant at the end of 2008
  - Main shaft 50% completed as at April 2009 along with 2 underground development drifts

5.3 LAND TENURE AND MINERAL RIGHTS

Details of the "Mining Lease" for Pb and Zn are shown in ***Tables 5.1***. These are valid to 2024.

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

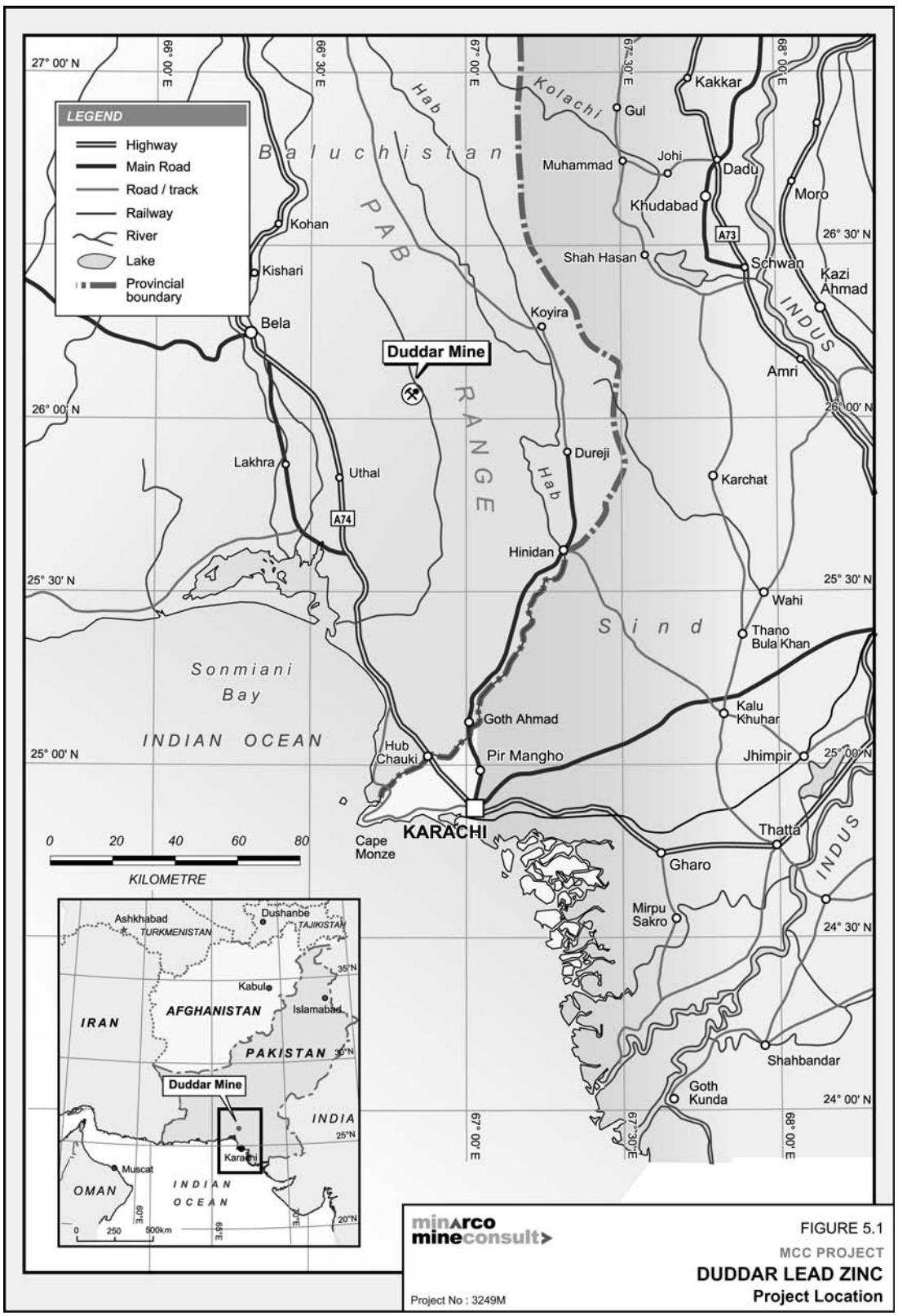
Table 5.1 — Duddar Lead Zinc — Mining Lease ML-100(132)

Mine/Project	Duddar
Title	Mining Lease
No	ML-100 (132)
Owner	MCC Duddar Minerals Development Company (Pvt) Ltd. Mining Lease for Lead/ Zinc over an Area of 1,500 acres Near Kanrach Valley Lasbela
Mine/Project Name	District Balochistan
Mine Method	n/a
Permit Capacity	n/a
Permit Area	1,500 acres
Permit Depth	n/a
Valid Date	December, 5th 2004 — December, 5th 2024
Issue Date	June, 25th 2005
Issuer	Directorate General Mines and Minerals Balochistan

Source: Formal documentation

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Figure 5.1 — Duddar Lead Zinc — Project Location



5.4 EXPLORATION AND MINING HISTORY

Mineralisation in the area has been recognised since 3000BC. Ancient civilizations were producing Pb and Cu slag. Mining activity since the 1970's reports sporadic surface mining activities (diggings) mostly for barite ($BaSO_4$).

During the 1960s, the Geological Survey of Pakistan (GSP) started preliminary exploration in the Duddar area. A regional scale aeromagnetic survey was conducted during 1975. The GSP conducted regional scale mapping (1:50,000 scale) and also electromagnetic surveys (EM) in 1985. The deposit was discovered by a joint exploration program by the United Nations Development Program (UNDP) and the Geological Survey of Pakistan (GSP) in 1988.

The discovery hole, D001, intersected massive sulphide mineralisation with a corrected thickness of 6.5m grading 16.4% Zn and 3.9% Pb. More drilling was conducted jointly by UNDP and the Pakistan Mineral Development Corporation (PMDC) during 1992-94. Pasminco Pakistan (Private) Limited (PPL) and the Balochistan Development Authority (BDA) conducted detailed exploration (aerial photography, drilling and sampling) during 1995 -1997. Pasminco continued drilling in 1998 and MCC carried out its own metallurgical drilling in 2004. Exploration activities are summarised in ***Table 5.2***.

Table 5.2 — Duddar Lead Zinc — Exploration and Mining History

Year	Activity	Comment
1960 – 71	GSP-investigation on barite-galena	
1974 – 75	Regional aeromagnetic	No anomaly
	Gravity survey	Anomalous gravity
1977 – 80	Mapping of Duddar north and south	Anomalous Pb-Zn
1985	Regional (1:50,000 scale mapping) by GSP	Based on positive results of the geophysical surveys conducted in 1975
1987 – 89	Reconnaissance survey by GSP	Regional stream-sediment program completed
1988	Geophysics survey : IP, EM	Positive results on occurrence of mineralisation lead to drilling
1988 – 91	Eight diamond drill holes (DDH)	1577m drilling, Sedex type Zn-Pb-Fe mineralisation was discovered
1992 – 94	54 DDH completed (17,900m), Geophysical surveys (IP and magnetic), preliminary metallurgical tests and economic appraisals were completed.	A stratiform sulphide deposit with high grade Pb-Zn was delineated
1995 – 97	32 DDH drilled (18,733m), geophysical surveys (EM and IP) were completed.	
1998	11 DDH drilled by Pasminco	Resource confirmation Holes Holes used for bulk metallurgical samples.
2004	10 DDH drilled by MCC	Information for these holes was also used in the Resource

Source: 2005 Basic Design Report and ENFI communication

Exploration methods and reporting was completed in collaboration with international consultants.

5.5 GEOLOGY

In M-MC's opinion, the geological interpretation and mineralisation of the Duddar Pb-Zn deposit is well understood.

5.5.1 Regional Geology

The mineralisation at Duddar is associated with the Jurassic carbonate and clastic sediments in the Paleocene-Eocene collision zone between the Indian and the Iranian/Afghani plates. The Duddar area is of Loralai to Sember age and displays evidence of an extensional basin, likely developed during rifting and break up of Gondwanaland. Variable facies and debris flows indicate the onset of extensional rifting in the Duddar Member coinciding with the syn-diagenetic development of mineralisation. The stratigraphic sequences at Duddar are typified by rapid facies changes, with few internal consistent marker beds.

5.5.2 Local Geology

The lithology at Duddar consists primarily of carbonate — shale sequences with minor amounts of fine to coarse silici-clastics. Rapid facies changes typify the stratigraphic sequences at Duddar. The mineralisation is hosted in a clastic sediment sequence. The mineralisation is composed of pyrite/marcasite, sphalerite (Zn) and lesser galena (Pb) within de-calcified mudstones and silicified limestones. A veined and disseminated sphalerite-galena-chalcopyrite stockwork mineralisation zone underlies and cross cuts the stratiform assemblage.

The local geology is shown in ***Figure 5.2*** along with the location of the drill-holes.

The deposit demonstrates a compositional variation: from barium-rich mineralisation in the south (barite pit), to iron-rich mineralisation in the upper levels of the marcasite and pyrite dominant areas of the Pyrite and Zinc Zones (***Figure 5.2 and 5.3***).

The mineralisation at Duddar is associated with numerous faults, which indicate syn-depositional controls of mineralisation. Some faults limit the extent of mineralisation and hanging wall rocks, as shown in the cross-sectional view in ***Figure 5.3***. In the southerly up-plunge area, the mineralisation is hosted within the hinge of a syncline. To the north, the deposit is hosted within an easterly dipping monocline. Current interpretation has delineated 11 geological boundaries within the mineralised zone.

Figure 5.2 — Duddar Lead Zinc — Site Geology and Borehole Locations

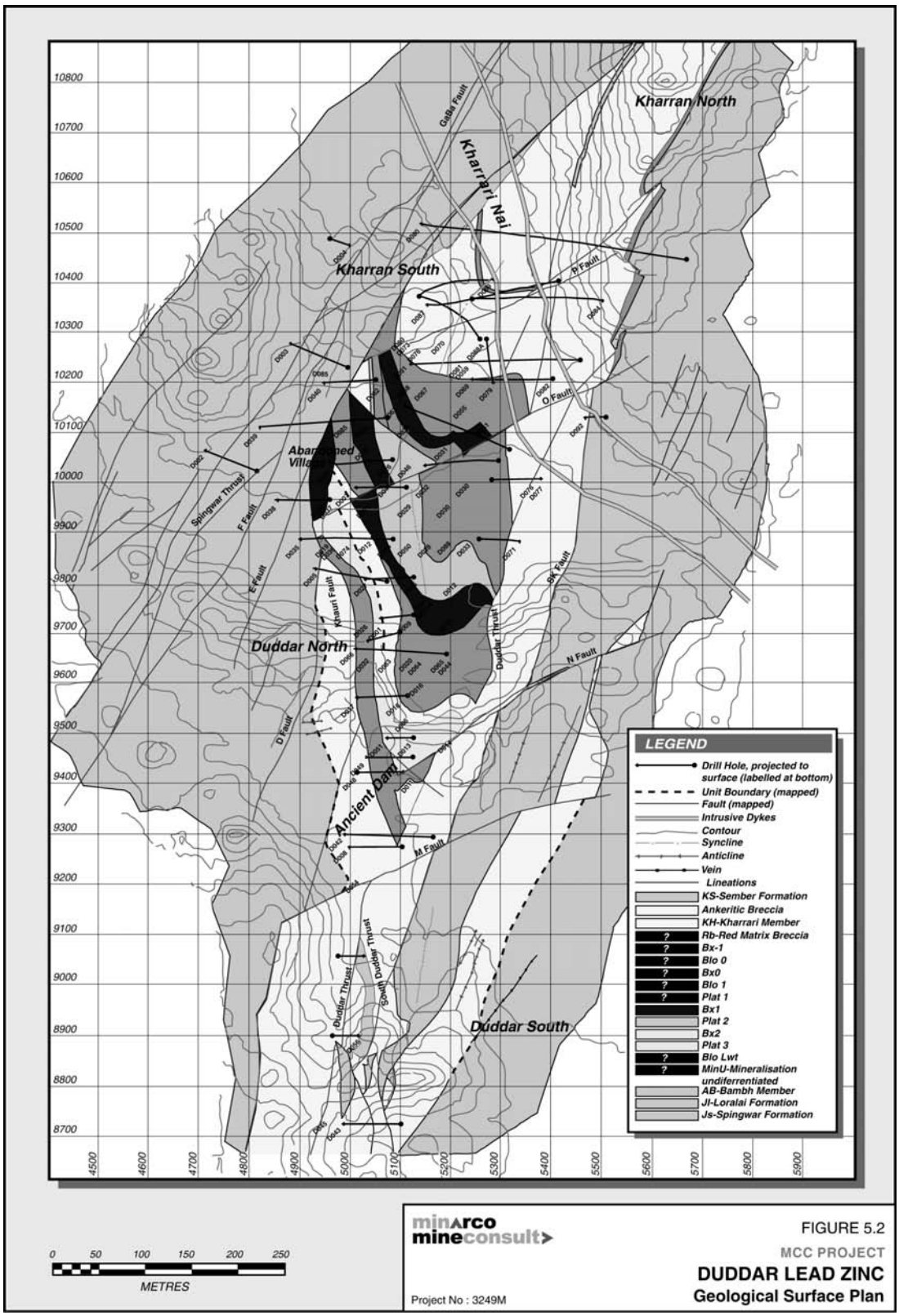
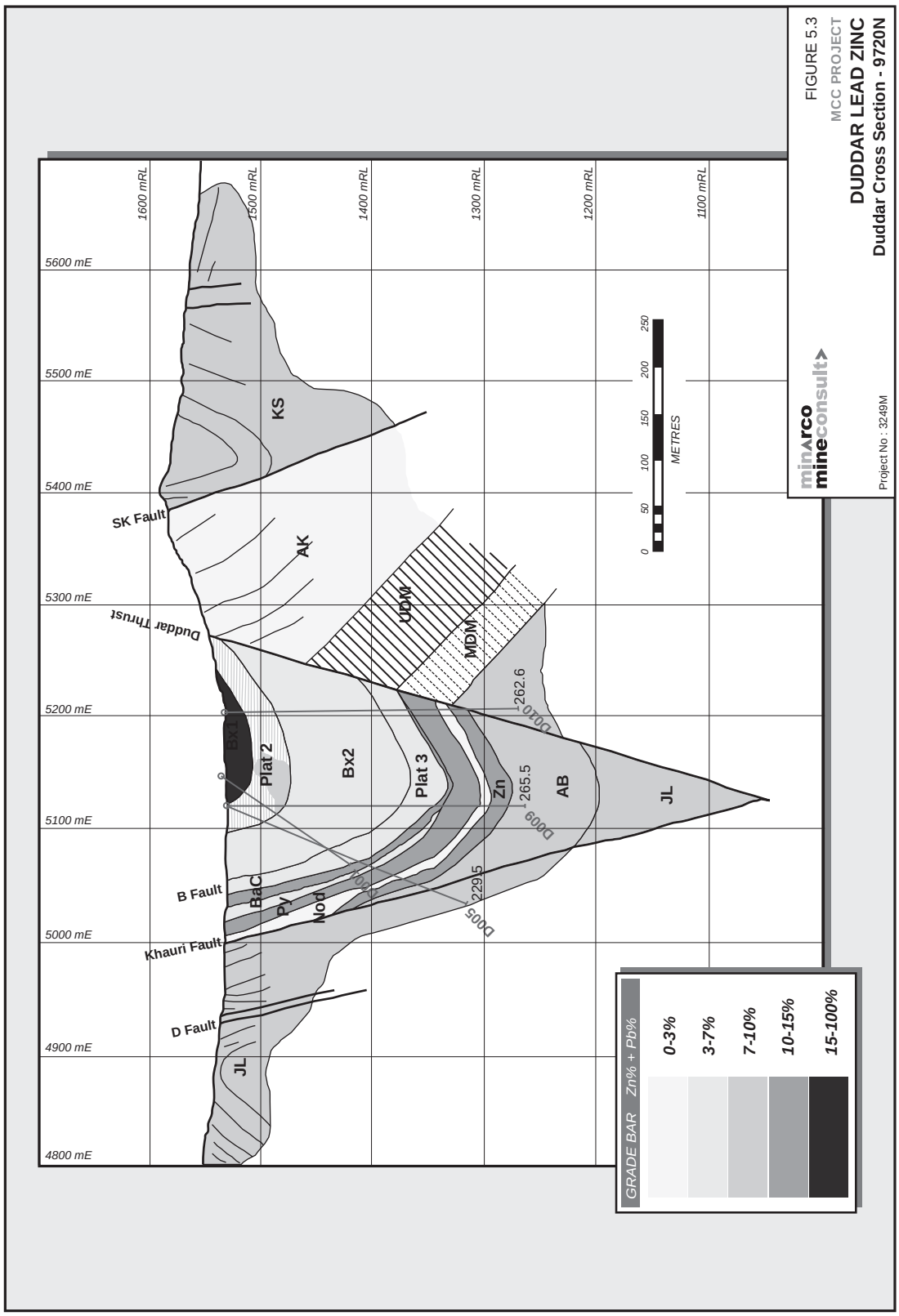


Figure 5.3 — Duddar Lead Zinc — Geological Cross Section



5.6 RESOURCES AND RESERVES

M-MC has reviewed and validated the 2005 Datamine resource model compiled by the China Central Engineering Institute for Non-ferrous Metallurgical Industries (ENFI). The methodology applied to the resource estimates by ENFI in their 2005 model is appropriate and correct for this style of mineralisation. The resource classification applied has been reviewed against the recommendations of the JORC code and appears reasonable. M-MC was unable to carry out a site visit due to perceived political instability and therefore has not validated the underlying data or its quality.

A total of 119 holes have been completed in three exploration programs totaling 46,426m. Some of the holes were angled holes. Most of the drilling was carried out at less than 100m spacing. The location of drill-holes is shown in ***Figure 5.2*****.**

Exploration methods are summarised in ***Table 5.3*****.**

Table 5.3 — Duddar Lead Zinc — Exploration Methods — Summary

Exploration Methods	Purpose	Comments
Aerial Photography	Structural mapping	1:44,000 scale was later enlarged to 1:10,000 scale
Geological Mapping	Geology	
Geophysical mapping	Physical properties of the mineralisation quantified	Loop E.M, gradient array IP,
Soil Sampling Mobile Metal Ion (MMI)	To test possible MMI response	62 MMI samples, No obvious anomaly in the prospect, but comparatively higher MMI response for multiple metals indicating faults controlling mineralisation
Elemental concentration	Zn, Pb and Cu analyzed	62 samples analyzed; strong correlation with MMI data
Diamond Drilling	Resource definition	46,426m drilling, poorly designed grids
Sampling	Geological logging and assaying	Good core recovery $>$98%, poor spatial mapping of some drill holes Down-hole surveys carried out at 50m Increments Database in good order, some issues with un-sampled intervals. 0.5-1m sample length based on geology.
Geochemical analysis	Cu, Pb, Zn, Ag, Ba and Fe analyzed	AAS technique was used
Duplicates and assay checks	Cu, Pb, Zn, Ag, Ba and Fe analyzed	AAS, XRF, ICP-OES techniques used, satisfactory correlation was found
Specific Gravity analysis	Ore Density	Diamond core samples. No bulk sampling reported
Geotechnical	Material characteristics	Poor sampling due to lack of training in the first phase, later revised.

Source: 2005 Basic Design Report and ENFI communication

The drill holes were surveyed (down hole) to locate the drill-hole data in three-dimensional space. The drill-hole cores were logged and recorded digitally for lithology and structure using a consistent lithological code and format. The data was stored for manipulation using industrial Techbase® software. An industry standard core-logging procedure was followed to log the geotechnical information of the diamond-drill cores.

In M-MC's opinion, exploration methods were appropriate and sampling and assay techniques are reliable.

5.6.1 Mineral Resources — In Situ Quantities

The Duddar deposit is a stratiform sulphide deposit with high grade Pb and Zn. Mineral Resource estimates for this project have been carried out in 5 main phases as drilling and understanding progressed from 1994 to 2005. The latest estimate was carried out in 2005 by ENFI using all available drilling information. This resource estimated Zn and Pb grades and formed the basis for the ENFI 2005 Basic Design Report. M-MC has reviewed this estimate and makes the following comments.

- The geological interpretation is consistent with the logging and understanding of the deposit.
- Geological wireframes were constructed for faults and geological stratigraphic units within the deposit.
- Resource wireframes have been constructed in accordance with a >7% (Zn+Pb) Cut-off grade and honour the fault and geological wireframes. Wireframes not being snapped to drill holes has lead to slight misappropriation of grades inside the composite files.
- Resource model was estimated using an unfolded IDW^3 methodology and orientated ellipsoidal searches, using 2m drillhole composite data from 4 main mineralisation domains. M-MC has reviewed and validated the block model and estimation parameters and considers them reasonable.
- Bulk density information was not reviewed by M-MC and cannot be verified. Based on the mineralisation style and known geology M-MC considers the bulk density applied to the resource to be appropriate.
- Resource Classification has been applied by ENFI based on drillhole spacing. Areas drilled to less than 40m being assigned Indicated Mineral Resource Category. Areas with greater than 40m but less than 80m have being assigned Inferred Mineral Resource Category. M-MC considers this classification appropriate for the style of mineralisation.

M-MC has reported the ENFI Resources in compliance with the recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). The ENFI estimate of Mineral Resources remaining as at December 2008 for Zn and Pb is summarised in **Table 5.4** using a 7% combined (Pb + Zn) Cut-off grade.

Table 5.4 — Duddar Lead Zinc — Mineral Resources, as at December 2008 at >7% (Zn + Pb) Cut-off grade

JORC Category	Indicated				Inferred				Total				Metal Tonnes	
Geological Domains	Mt	Pb %	Zn %	Bulk Density	Mt	Pb %	Zn %	Bulk Density	Mt	Pb %	Zn %	Bulk Density	Pb (kt)	Zn (kt)
Minbxhg	0.54	2.1	7.2	3.6	0.15	1.9	6.4	3.6	**0.69**	**2.1**	**7**	**3.6**	**14.4**	**48.6**
Py zone	1.35	1.8	11.5	3.6	0.53	1.7	11.6	3.6	**1.88**	**1.7**	**11.5**	**3.6**	**32.5**	**217.4**
Zn zone	4.52	3.1	11.9	3.6	2.38	2.5	10.6	3.6	**6.9**	**2.9**	**11.5**	**3.6**	**200.4**	**792.3**
Sw zone	2.87	5	7.8	3.3	2.14	4.9	7.2	3.3	**5.01**	**4.9**	**7.5**	**3.3**	**246.4**	**377.3**
Total	**9.28**	**3.4**	**10.3**	**3.5**	**5.2**	**3.4**	**9.2**	**3.5**	**14.48**	**3.4**	**9.9**	**3.5**	**493.7**	**1,435.7**

Source: Datamine 2005 Resource Model by ENFI.(modip55.mdl)
Notes: Mineral Resources are inclusive of Ore Reserves.

The 2005 ENFI resource model did not estimate the significant associated components Ag, Ba and Fe which are known to occur within the resource area. These have previously been estimated by Pasminco in their JORC reported 1997 model. For reference the results from this estimate are summarised in ***Table 5.5.***

Table 5.5 — Duddar Lead Zinc — Mineral Resource Summary Pasminco 1997 at >7% (Zn + Pb) Cut-off grade

JORC Category	Tonnes Mt	Ore Density t/bcm	Average Grades (Pb+Zn > 7%) Zn (%)	Pb (%)	Ag (g/t)	Ba (%)	Fe (%)
Indicated	6.49	3.58	11.0	2.7	17.8	3.0	18.7
Inferred	9.35	3.33	6.8	3.4	21.1	5.4	12.7
Totals	**15.84**	**3.43**	**8.5**	**3.1**	**19.7**	**4.4**	**15.2**

Source: 1997 Pasminco JORC Resource Report
Notes: Rounded totals to indicate accuracy of estimate
59% Indicated and 41% Inferred
Mineral Resources are inclusive of Ore Reserves

Previous Mineral Resource estimates were prepared by Jones (1994), O' Flaherty (1994) and Hudson, (1996). A comparative validation of these estimates with the 1997 estimate is summarised in **Table 5.6**.

Table 5.6 — Duddar Lead Zinc — Comparative Estimates

JORC Category	Inferred (Mt)	Indicated (Mt)	Measured (Mt)	Total (Mt)	Ore Density t/bcm	Zn (%)	Pb (%)	Comments
1997	6.5	9.4	nil	15.8	3.4	8.5	3.1	*cog Pb+Zn >7%*
Polygonal 1996	5.6	13.1	1	18.7	2	8.7	3.3	*cog Pb+Zn >7%*
Jones 1994	3.4	6.9	3	10.3	4	11.4	2.1	*Indicated Grades*
O' Flaherty 1994	2.4	6.9	5	9.3	6	8.5	1.7	

Source: 1997 Pasminco JORC Resource Report

Geological risks include:

- Unsnapped wireframes have lead to miscoding of the database which will result in poor mine designs and slight inaccuracies in estimated grades. (globally these will not be significant)
- Associated components such as Ag, Ba, Fe as well as penalty elements such as Hg and As should be estimated for future reference
- Bulk density information should be estimated in future resource estimates

Geological opportunities include:

- Significant potential for ore zone extensions (additional resources) down dip (at greater depths), this includes a significant drillhole intercept in drillhole D102 of 66m at 2.96% Pb and 11.3% Zn, 550m down dip of the current resource model.

5.6.2 Reserves — Mineable Quantities

As part of the "2005 Basic Design Report" by ENFI an estimate of Mineable Quantities was carried out based on mine designs applied to the ENFI 2005 Datamine model. The resource is planned to be extracted using sub level open stopping with backfilling of voids where required. The currently designed mine plans will deplete the resource by 9.9Mt at 10.03% Zn and 3.29% Pb. The average ore loss is 14.76% and dilution 7.66%. Due to lack of reporting of the original resource/reserves into either Chinese or JORC code classification and a lack of digital mine design, M-MC could not report the reserves in compliance with the recommendations of the JORC code. For this reason M-MC has used Mineable Quantities when referring to the reserves as shown in ***Table 5.7***.

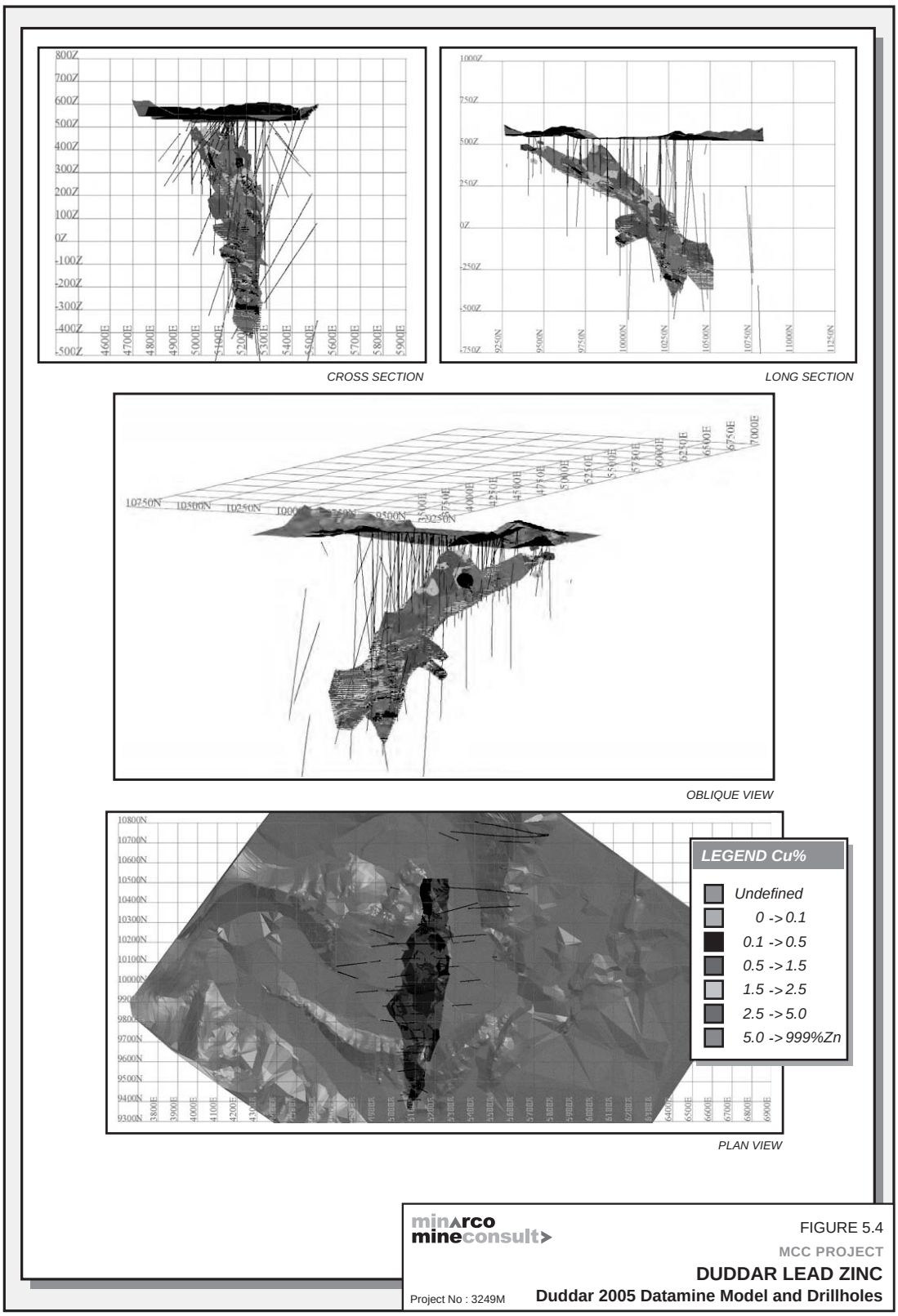
Table 5.7 — Duddar Lead Zinc — Mineable Quantities Estimates at >7% (Zn + Pb) Cut-off grade

Zones	Total Mineable Quantities			Metal Tonnes	
	Tonnes (Mt)	Pb %	Zn %	Pb (kt)	Zn (kt)
Total	9.13	3.0	9.3	273	849

Source: Datamine 2005 Resource Model by ENFI.(modip55.mdl)

Notes: Due to lack of backing documentation and break down of reserves into category M-MC has reported the reserves as Mineable Quantities.

Figure 5.4 — Duddar Lead Zinc — Datamine Block Model



5.7 MINING

5.7.1 General Description

M-MC's review was based on a document "2005 Basic Design Report" by ENFI.

The orebody has been divided into three different ore types which have then been divided into an upper and lower zone. The ore types are the Stratiform Zone, Stockwork Zone and the Mixed Stratiform and Stockwork Zone. The upper zone has been classified as all levels above the 100 Level and the lower zone has been classified as all levels below the 100 Level. These zones are separated into main levels, which are 100m apart and sublevels, which are 20m apart.

Considering orebody characteristics, mining conditions, rock stability and flexibility, three mining methods have been considered appropriate. Proposed mining methods and the proportion of production include:

- Point pillar overhand slicing and filling (13%)
- Sublevel filling (25%)
- Sublevel open stoping and subsequent filling (62%)

Due to the poor continuity and flat dip angles in the Duddar orebody, sublevels above 100m are mainly mined using the sublevel filling and point pillar slice filling methods. Sublevels below 100m are mainly mined using the sublevel open stoping and subsequent filling method as the orebody is relatively concentrated and steeper.

5.7.2 Forecast Production

Recoverable Resources for the Duddar Pb-Zn Underground Mine have been estimated at approximately 9.9Mt. The "2005 Basic Design Report" itemised 'Mineable Quantities' by 50m vertical increments in the underground mine. This allowed an accurate estimation of tonnes and grade. Each mining method had varying dilution rates and recovery rates, which were used along with the percentage of production for each mining method to estimate recoverable Pb and Zn metal quantities.

The upper stopes would be put into production ahead of schedule when the second year of infrastructure is completed, while the whole mine would be put into full production when the third year of infrastructure is completed.

Based on Mineable Quantities estimates of 9.13Mt, the Duddar Pb-Zn Mine has an approximate mine life of 13.8 years. Full production is not obtained immediately though so the actual mine life is approximately 15 years, based on current reserves. The orebody is not yet defined at the northern extent and there is over 6Mt of Inferred Mineral Resources, which may help to prolong the life of the mine.

The "2005 Basic Design Report" used a production rate of 2kt of ore per day. Based on the continuous working roster of 330 days/ year, 3 shifts/day and 8hrs per shift, annual production is estimated to be 660ktpa. There was no information detailing the date that full production would be reached, but it has been assumed by M-MC that full production is reached in 2012. ***Table 5.8*** illustrates the forecast production figures supplied by MCC in January 2009.

Table 5.8 — Duddar Lead Zinc — Forecast Production Figures

Stream	Unit	2,008	2,009	2,010	2,011	2,012	2,013	2,014
ROM Feed	kt	—	30	100	400	500	600	660
Lead grade	%	—	1.20	2.10	2.50	2.80	2.90	2.95
Zinc grade	%	—	7.80	9.10	9.20	9.25	9.30	9.35
Lead Concentrate	t	—	432	2,730	14,000	20,160	22,778	25,488
Grade (Pb)	%	—	50	50	50	50	55	55
Recovery (Pb)	%	—	60	65	70	72	72	72
Zinc Concentrate	t	—	3,744	15,288	63,296	74,000	81,840	83,546
Grade (Zn)	%	—	50	50	50	55	60	65
Recovery (Zn)	%	—	80	84	86	88	88	88

Source: MCC provided Capex and Production figures February 09

Based on a review of production estimates, production rates used in the "2005 Basic Design Report" are considered reasonable for the Duddar Pb-Zn Underground Mine.

5.8 MINERAL PROCESSING

The ore types at Duddar consist of massive and disseminated structures and it appears that a reasonable quantity of the ore types contain the economic minerals in fine associations with each other and the marcasite/ pyrite. A feature of the ores is the in situ interactions between the marcasite/pyrite and both the galena and sphalerite.

Two ore types are distinguished as either 'layer' or 'vein' types. The chemical and mineral compositions of the 'layer' ore are presented in ***Table 5.9*** and ***Table 5.10***. The tables show that the dominant economic mineral is sphalerite and the dominant gangue mineral is quartz followed by feldspar. The mined ore has a significant marcasite/pyrite content of 50% and an organic carbon content of 0.5%.

Table 5.9 — Duddar Lead Zinc — Layer Ore Feed Grade

Species	Zinc	Lead	Sulphur	Iron	Copper	Silver (g/t)	Gold (g/t)	Silica
Assay (%)	10.45	2.11	31.92	23.38	0.04	11.14	0.06	21.05

Source: 2005 Basic Design Report

Table 5.10 — Duddar Lead Zinc — Layer Ore Mineralisation

Mineral	Sphalerite	Galena	Chalcopyrite	Tetrahedrite	Iron Sulphide	Quartz	Feldspar	Organic Carbon
Proportion (%)	14.98	2.35	0.1	few	49.96	19.1	4.5	0.5

Source: 2005 Basic Design Report

For the 'layer' ore, the galena is typically fairly coarse, with more than 52% coarser than 74 microns. It has a close relationship with marcasite and the gangue minerals, particularly as composites. While sphalerite is quite coarse (45% coarser than 74 microns), it generally forms a very fine relationship with the gangue minerals, most notably quartz, which makes this separation difficult. Sphalerite can also have an intimate relationship with marcasite, similarly causing difficulties during separation. Iron sulphide is present predominately as marcasite, with very little pyrite present. While the marcasite is fairly coarse (82% coarser than 74 microns), it generally forms very fine structures with the sphalerite and the galena, which affects the separation process.

The chemical and mineral compositions of the 'layer' ore are presented in ***Tables 5.11*** and ***5.12***. The tables show that the composition of the vein ore is very similar to that of the layer ores, except that more silica is present while the amount of marcasite has decreased significantly to 37%. The structure of this ore is mainly zonal followed by massive.

Table 5.11 — Duddar Lead Zinc — Vein Ore Feed Grade

Species	Zinc	Lead	Sulphur	Iron	Copper	Silver (g/t)	Gold (g/t)	Silica
Assay (%)	10.72	3.07	25.19	18.18	0.03	21.44	0.05	26.07

Source: 2005 Basic Design Report

Table 5.12 — Duddar Lead Zinc — Vein Ore Mineralisation

Mineral	Sphalerite	Galena	Chalcopyrite	Tetrahedrite	Iron Sulphide	Quartz	Feldspar	Organic Carbon
Proportion (%)	14.67	3.2	0.08	few	36.87	23.5	7.76	0.8

Source: 2005 Basic Design Report

In this ore, the galena is typically fairly coarse, with more than 51% coarser than 74 microns. While it has some close relationships with sphalerite and the gangue minerals, it is generally easily separated from these minerals. As with the layer ore, the sphalerite is quite coarse (45% coarser than 74 microns), and generally forms a very fine relationship with the gangue minerals, most notably quartz, which makes this separation difficult.

Iron sulphide is present predominately as marcasite, with very little pyrite present. The marcasite is fairly coarse (68% coarser than 74 microns) and can form fine structures with the sphalerite and the galena, which may affect the separation process.

On a general analysis basis, between 6.35% and 9.60% of the lead is present as lead oxides while 4.88% and 8.15% of the Zn occurs as zinc oxides. In the separation process adopted at Duddar, these oxides minerals are not recovered, meaning that the maximum recoveries of these metals is limited to 90.4% to 93.65% for Pb and 91.85% to 95.12% for Zn.

A reasonable quantity of testing has been conducted on ore types from Duddar and the general process behaviour of the ore types is understood. This consisted mainly of flotation testing as well as mineralogy, measuring important parameters such as the Bond Indices and the settling and filtration rates of tailings and concentrates. In the 1990s, pilot plant testing was been conducted at Lakefield in Canada and Amdel in Australia, with Beijing General Institute of Mining and Metallurgy (BGRIMM) completing the testing in 2004 based on samples provided by the China Metallurgical Group Corporation Resources Development Company. Pasminco Pty. Ltd. (Australia) conducted a Pre-feasibility Study in 1997 which was complimented by both a Preliminary Study (2000) and a Feasibility Study (2004) undertaken by ENFI. BGRIMM also conducted testing to produce a 'sulphur' concentrate containing most of the marcasite. This concentrate has potential as feed for a sulphuric acid facility.

The processing method commences with mined ore being crushed underground in a primary crusher 600mm x 900mm with a 75kW motor. The crusher treats 114tph of ore up to 500mm in size and crushes it to below 200mm. Ore is then hoisted to the surface and stored in a stockpile.

Ore is recovered from the stockpile and crushed in a three stage crushing circuit ***Figure 5.5*** until it is below 12mm and then stored in a 2,000t live capacity fine ore bin. The crushed ore is withdrawn from the bin and fed to a two stage milling circuit. The first milling stage consists of 3.2m diameter by 5.4m long ball mill in closed circuit with a nest of three 550mm diameter hydrocyclones. The hydrocyclone overflow, 55% to 60% passing 74 microns, reports to a similar sized ball mill in closed circuit with a nest of five 500mm diameter hydrocyclones. This produces an overflow 80% passing (P_{80}) 74 microns at 34% solids. The Bond Ball Mill work index is quite high at 15.5kWh/t and the milling circuit is expected to draw on a continuous basis around 1.46MW of power.

The hydrocyclone overflow reports to a $22m^3$ conditioning tank (7 minutes residence time) where lime is added to depress the marcasite and allow the economic minerals to float. The flotation feed rate is 83tph and Pb is then recovered in a rougher-scavenger flotation operation consisting of fourteen $20m^3$ roughing flotation cells (residence time is 20 minutes) followed by two banks of ten $20m^3$ scavenging flotation cells. Scavenger concentrate is returned to the head of the roughing circuit. The Pb rougher concentrate is upgraded in a cleaning circuit consisting of three stages: nine $8m^3$ first cleaning flotation cells, four $8m^3$ second cleaning flotation cells and two $8m^3$ third cleaning flotation cells. This cleaning circuit produces a final Pb concentrate assaying 67% lead at an overall recovery of 72%. This is around 77% to 80% of the available Pb, which is a little low.

The tailings from the lead circuit report to two stages of conditioning (each $22m^3$ and 5.7 minutes residence time) where the pH is adjusted with lime and copper sulphate added to make the Zn mineral float. The Zn is then recovered from the conditioned slurry in seven $20m^3$ roughing flotation cells and eight $20m^3$ scavenging flotation cells. The rougher flotation concentrate, the 'fast floating Zn', is cleaned in a two stage cleaning circuit consisting of three $20m^3$ flotation cells followed by two $20m^3$ flotation cells. The scavenger concentrate is re-ground in a 2.5m diameter by 3.6m long ball mill in closed circuit with four 250mm diameter hydrocyclones until the material has a P95 of 43 micron. The overflow from this circuit reports to a conditioning tank ($11m^3$ and 5 minutes residence time) where more copper sulphate is added in preparation for three stages cleaning: three $20m^3$ first cleaner flotation cells, three $8m^3$ second cleaner flotation cells and a final cleaning circuit of two $8m^3$ flotation cells. The cleaned concentrates from both the roughing and reground scavenging flotation circuits are combined as the final Zn concentrate. Overall, a good quality concentrate is made at 55% Zn at 88% recovery, which is 92% to 95% of the available Zn.

Both concentrates are then dewatered in thickeners followed by filtration to produce a final product with 10% moisture. The Pb concentrate reports to a 18m diameter thickener ($0.32t/m^2$-d) to produce a 60% to 70% solids product for filtration in $15m^2$ ceramic filter ($0.26t/m^2$-d). The Zn concentrate feeds a 38m diameter thickener ($0.36t/m^2$-d) and the underflow is filtered with two $30m^2$ ceramic filters (filtration rate is $0.32t/m^2$-h), see ***Figure 5.6***.

Both filtered concentrates are bagged for export to the ZhuZhou smelter. Silver is recovered during smelting from both the concentrates. The zinc concentrate amounts to nearly 105ktpa containing 57,615t of Zn metal. Some 17.9ktpa of lead concentrate is produced containing 11,975t of Pb metal. Overall, only 50% of the silver is recovered, mainly to Pb concentrate (4.52t of silver metal).

The plant is operated for 330 days a year with equipment availabilities of 62%, 90% and 80% respectively for crushing, milling and flotation and dewatering. The plant is manned by three 8 shifts a day.

Marcasite is a highly reactive form of pyrite and significant quantities of lime are required to depress this mineral (12.2kg/t). Butyl xanthate, a reasonably strong collector, is used to recovery the galena. Moderate quantities of copper sulphate (0.84 kg/t) are used to activate the sphalerite during Zn flotation while reasonable quantities of zinc sulphate (1.1 kg/t) are used during Pb flotation to prevent any activation of the Zn.

The mining operation employs cemented sand fill which uses some 994tpd of material from the flotation tailings. The remaining 638tpd is sent to a 15m diameter thickener and the underflow (50% solids) to a tailings dam (4 million m^3).

There appear to be a number of opportunities to improve the metallurgy in terms of Pb and Zn recovery. In addition, a number of approaches could be employed to lower the reagent consumption rates and make the flotation even more selective.

Figure 5.5 — Duddar Lead Zinc — Crushing and Mining Processing Flowsheet

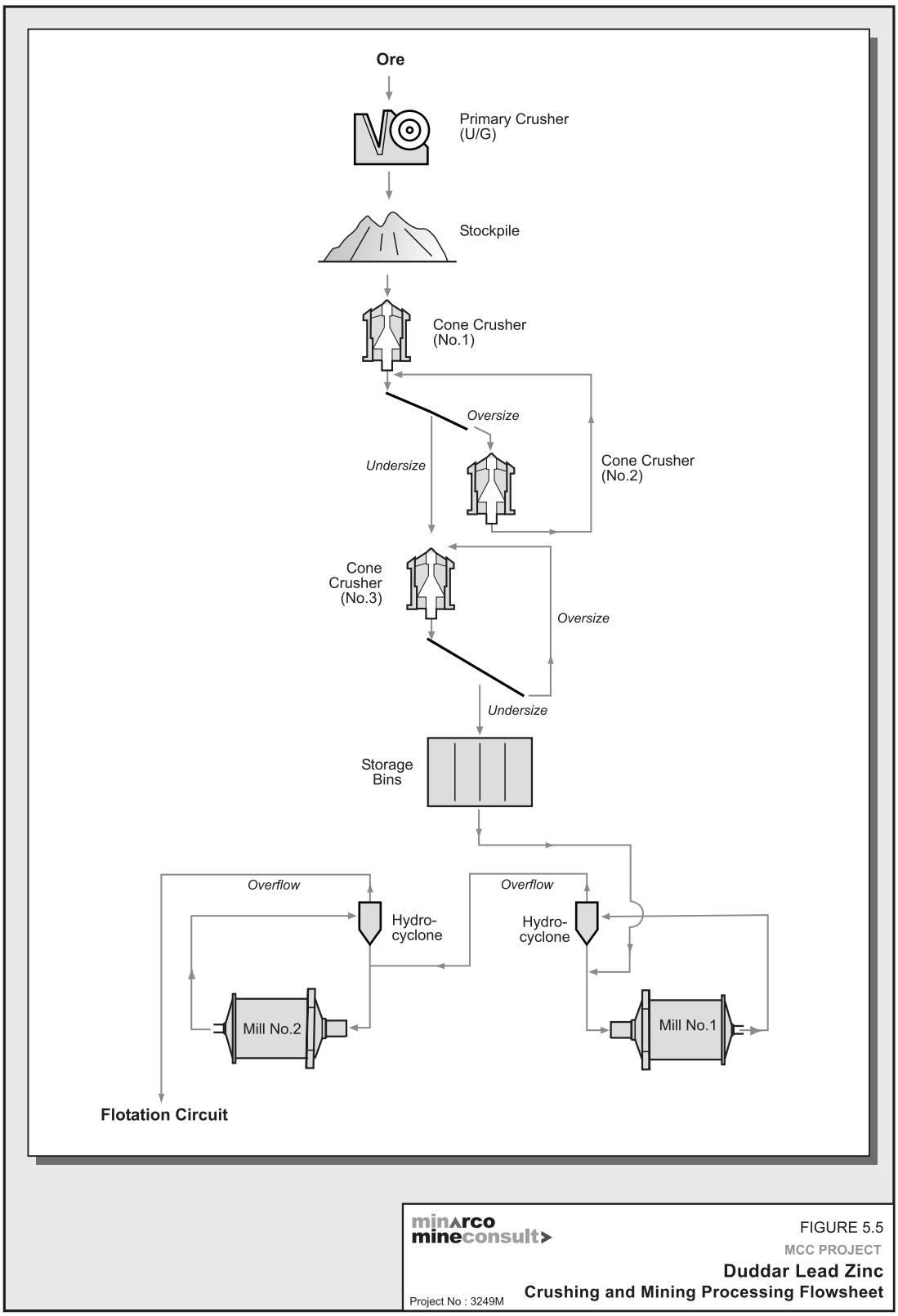
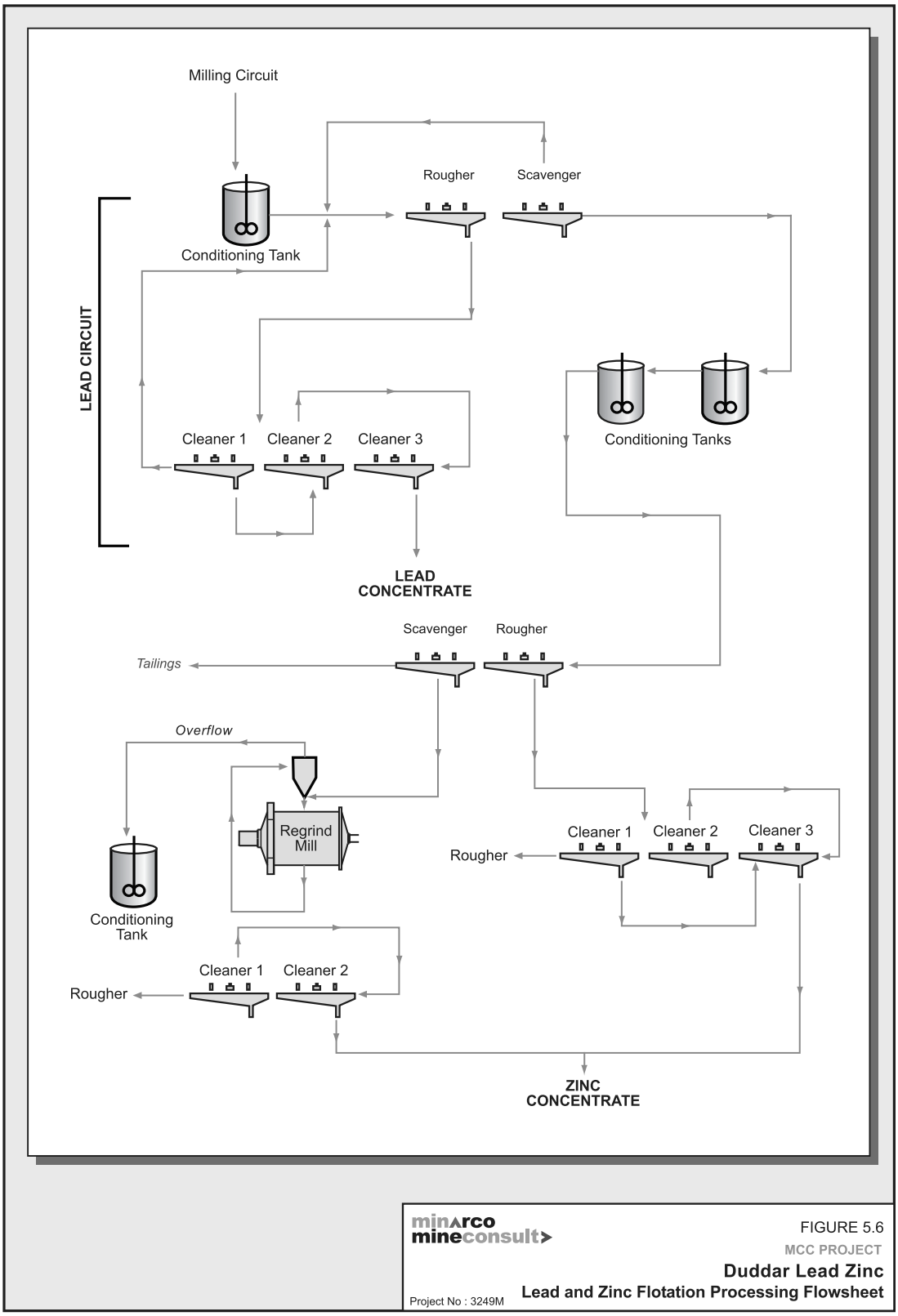


Figure 5.6 — Duddar Lead Zinc — Flotation Processing Flowsheet



5.9 INFRASTRUCTURE AND SERVICES

The level of services and infrastructure is typical of small mining and processing operations, which only requires modest quantities of power, water and consumables as well as manpower.

Electricity will be provided by four 2.2MW heavy oil generators.

The project consumes 26,503m^3 of water, of which 4,507m^3/d is required as fresh water, presumably gathered from the Kharrai River. Discharge of water to the Kharrari River is expected to be 372m^3/d, which is treated in a two stage biochemical process prior to discharge.

The underground mine experiences a maximum of 6,000m^3/d of water inflow, which may be converted to fresh water after treatment.

The design of the new tailings dam appears to have addressed all the local hydrological issues and should be able to resist a 30 year flood in the earlier stages and a 100 year flood thereafter.

5.10 CAPITAL AND OPERATING COSTS

Information regarding operating costs were provided for the period from 2009 to 2011. Historical production and cost data is not available, so comments on the reasonableness of the forecast figures cannot be made.

The costs originally provided by MCC in ***Table 5.13*** appeared to be extremely high compared to other similar operations. The total mining and processing cost estimates ranged from approximately 597RMB/ROM t to 1,731RMB/ROM t over the 6 year forecast. In the opinion of M-MC, a combined mining and processing cost of between 200RMB/ROM t and 500RMB/ROM t would be achievable, once production reaches full capacity.

Table 5.13 — Duddar Lead Zinc — Client Supplied Original Costs

Description	Unit	2008	2009	2010	2011	2012	2013	2014
ROM								
ROM Tonnes	kt	—	30	100	400	500	600	660
ROM Lead Grade	%	—	1.2	2.1	2.5	2.8	2.9	2.95
ROM Zinc Grade	%	—	7.8	9.1	9.2	9.25	9.3	9.35
Price								
Lead Metal	RMB/t	—	6,493	8,500	10,500	12,500	13,000	13,000
Zinc Metal	RMB/t	—	6,288	9,000	11,000	13,000	13,500	13,500
Total Mining Cost	**RMB/ROM t**	—	**733**	**590**	**455**	**410**	**385**	**375**
Processing Cost	RMB/ROM t	—	555	280	190	180	175	172
Administration Cost	RMB/ROM t	—	443	150	60	55	50	50
Total Operating Cost (Mining & Processing & Admin)	**RMB/ROM t**	—	**1,731**	**1,020**	**705**	**645**	**610**	**597**

Source: MCC provided Capex and Opex figures February 09

Verbal communication with site personnel confirmed that the actual mining cost was approximately 300RMB/ROM t and the processing cost was approximately 100RMB/ROM t. M-MC also believes that the concentrate prices supplied by MCC reflect the current world metal prices.

Table 5.14 tabulates the operating costs verbally provided by MCC and in M-MC's opinion, these costs appear reasonable in comparison to other similar operations.

Table 5.14 — Duddar Lead Zinc — Client Supplied Adjusted Costs

Description	Mining	Processing	Total
Unit	RMB/ ROM t	RMB/ ROM t	RMB/ ROM t
Cost	**300**	**100**	**400**

Source: MCC staff advice March 09

Total capital investment for this project was estimated at USD113.0 million in 2005. As of July 2009 MCC have invested 92.4M USD and have forecasted that an additional 20.6M USD will be required to bring the project into production. A detailed breakdown of the actual and forecasted Capex costs is not known. However, even allowing for a 75% escalation in costs, this capital cost is still relatively cost-effective for a project this type and size. Since details of the capital cost breakdown were not provided, M-MC is unable to comment on the reasonableness of the capital allocation.

5.11 SAFETY AND ENVIRONMENT

Sufficient attention appears to have been paid to both safety and environmental matters. The basis of the Safety Plan is based on the appropriate Pakistani regulations as well as the World Bank guidelines. Apparently these were referenced to the related regulations of China. These regulations cover Safety Regulations in metal underground mines, Blasting safety regulations, Hygienic Design Standards of industrial design, Noise Control Design Standards and Hygienic Standards of drinking water.

Attention has been paid to noise suppression around the mine site, particularly the processing plant. Good dust collection and suppression systems have been designed for the processing plant while air conditioning has been considered for most office and living areas.

The basis of the Environmental Protection is the Pakistan Environmental Protection Act (1997) as well as the National Environmental Quality Standards for Effluents, Gaseous Emissions and Motor Vehicle Exhaust and Noise. The project would start with these standards in place, but how well these standards are monitored by local authorities is not known.

So far, USD3.8 million has been spent on minimising the generation of pollutants. Notably, the major pollutant was dust. It is planned to set an environmental department to monitor and control the environmental commitments of the operation.

Greening has been actively undertaken, where trees have been planted on about 20% of the mine site, mainly along roads and around buildings.

Consultations with the local tribes has found strong support for the operation as long as a few issues were considered such as compensation for loss of lands, the opportunity for work, provision of potable water, provision of healthcare facilities and respect of local customs.

6 SAINDAK COPPER GOLD MINE

M-MC did not make a site inspection of this property due to perceived political instability in Pakistan. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "1991 Basic Design of Saindak Copper and Gold Project in Balochistan Province of Pakistan" (1991 Basic Design Report) — including underlying resource models and drill data — prepared by China Central Engineering Institute for Non-ferrous Metallurgical Industries (ENFI)
- "Pre-Investment Feasibility Study for The United Nations — The Saindak Copper Deposits of the Resource Development Corporation, Pakistan" prepared by Seltrust Engineering Limited, and
- "Detailed Project Report" by SIG: a consortium of PEC — COFRAL, OUTOKUMPU — RTB BOR.

MCC's exploits the Saindak Mine through a 10 year rental agreement with the Balochistan Government expiring in 2012.

6.1 BACKGROUND

The Saindak Cu-Au deposit is located in the "Sulphide Valley" at about 950mRL in the Chagai district, Balochistan Province of north-western Pakistan ***(Figure. 6.1)***. The deposit is about 1,540km from Karachi by road or railroad via Quetta. The topography of the surrounding area is rugged. There are three major mineralisation areas hosted by three stocks of tonalite (a felsic plutonic) porphyry namely: South, East and North. The South Orebody is considered the best economic opportunity.

6.2 ASSETS

The assets and status include;

- An operating open cut mine since 2003, including concentrator and furnace smelter.
- M-MC reported JORC Compliant Mineral Resources of 50.9Mt at 0.47% Cu and 0.46g/t Au, remaining as at December 2008. (cog 0.25% Cu)
- Open cut Mineable Quantities of 49.7Mt at 0.45% Cu and 0.47g/t Au, as at December 2008 based on 1991 Basic Design Report. (cog 0.25% Cu)

6.3 LAND TENURE AND MINERAL RIGHTS

Details of Exploration Rights or "Prospecting Licence" for Cu are shown in ***Tables 6.1*** *and* ***6.2***. These are valid to 2009. Other mining licences are also held for quartz and limestone.

Table 6.1 — Saindak Copper Gold — Prospecting Licence 30K — 30L

Mine/Project	Saindak
Title	Prospecting Licence
No	30K/8.12 – 30L/5.9
Owner	Saindak Metals Limited
Mine/Project Name	Prospecting for Copper over an Area of 3801.65 acres Near Durbanchah District Chagai
Mine Method	n/a
Permit Capacity	n/a
Permit Area	3,801.65 acres
Permit Depth	n/a
Valid Date	May, 31th 2007 – May, 31th 2009
Issue Date	May, 31th 2007
Issuer	Directorate General Mines and Minerals Balochistan

Source: Formal documentation

Table 6.2 — Saindak Copper Gold — Prospecting Licence 34-C

Mine/Project	Saindak
Title	Prospecting Licence
No	34 — C
Owner	Saindak Metals Limited
Mine/Project Name	Prospecting for Copper over an Area of 46487.60 Acres Tehsil District Chagai
Mine Method	n/a
Permit Capacity	n/a
Permit Area	46,487.60 acres
Permit Depth	n/a
Valid Date	Jan, 1st 2007 – Jan, 1st 2009
Issue Date	Jan, 1st 2007
Issuer	Directorate General Mines and Mineral Balochistan

Source: Formal Documentation

M-MC has been informed that the current exploitation of the Saindak mine is through a 10 year rental agreement between the Balochistan government and MCC, signed on the 28th of April 2005. This agreement covers access, development and the royalty and rental payments due to the government as well as terms of the lease with respect to rehabilitation and environmental protection. Rental costs have been reported by the Company as USD 500,000 per annum.

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

6.4 EXPLORATION AND MINING HISTORY

Comprehensive regional exploration began at Saindak in the early 1960's by the Geological Survey of Pakistan (GSP). The first geological mapping at 1:50,000 scale was prepared in 1962 by Ahmed and co-workers.

Detailed geological mapping of the South Orebody at 1:5,000 and later at 1:2,000 scale was prepared to assess economic importance of the mineralised stocks.

Geochemical and geophysical surveys were completed to assess the economic importance of the deposit, as the basis of a diamond drilling programme. This drilling program was planned to define the extensions of mineralisation of the South Orebody.

The exploration history is summarised in **Table 6.3.**

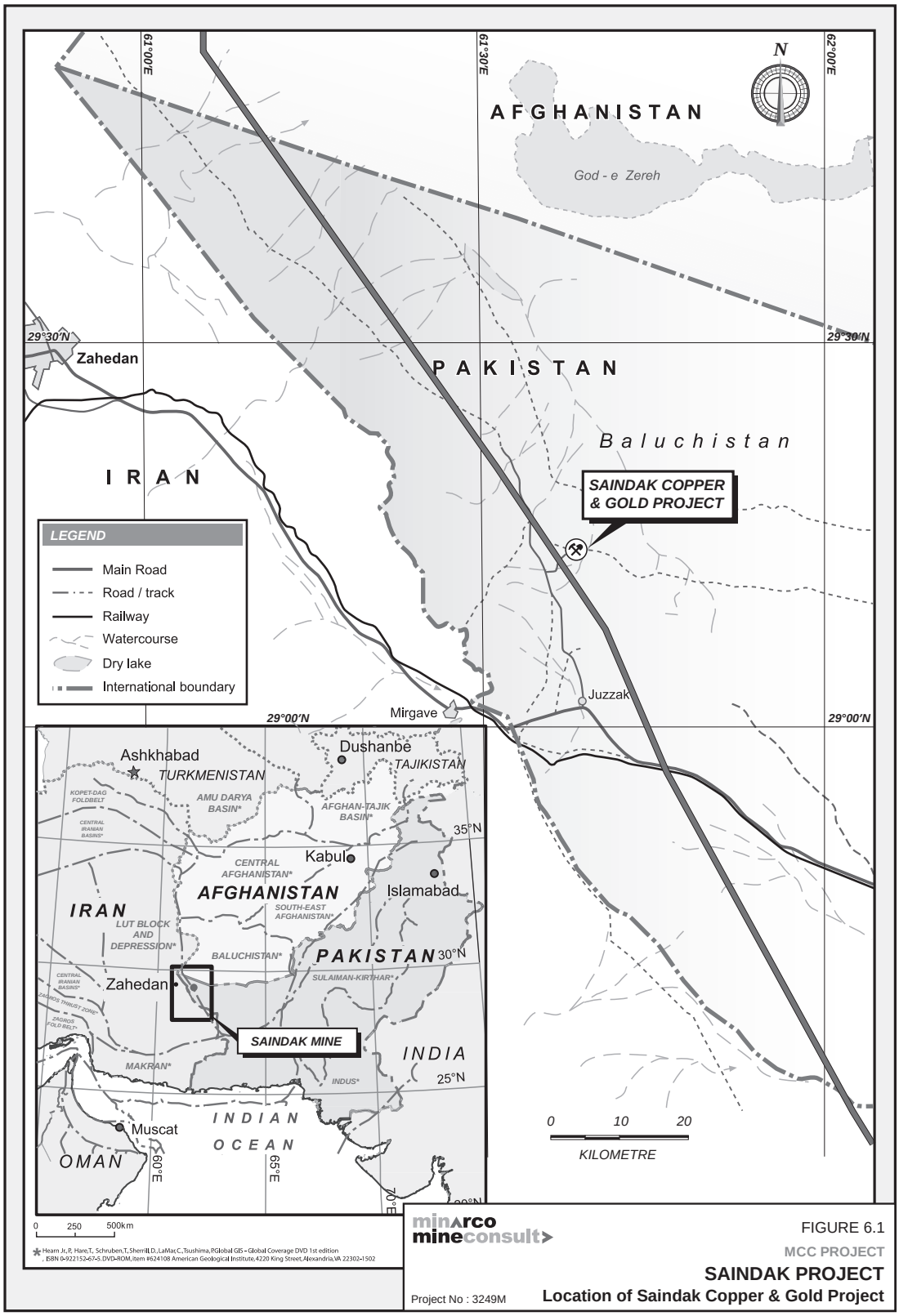
Table 6.3 — Saindak Copper Gold — Exploration Summary

Year	Activity	Agency	Comments
1898	Geological survey of the Chagai Belt	Not known	
1959	Systematic geological survey	Colombo plan	
1962	First report of the mineralisation at Saindak, Ahmad and Co. prepared a 1:50,000 geological map of Saindak area	Geological Survey of Pakistan (GSP),	Map included lithological, structural & tectonic elements, crosscuts of quartz-diorite porphyries and the zones of hydrothermaIly altered rocks were superimposed.
1971 – 74	Ground reconnaissance : geological mapping, rock geochemistry, exploratory drilling, geophysical survey (magnetic)	Geological Survey of Pakistan (GSP),	Magnetic survey by Farah and Nazirullah (1974) I.P. survey by Nicholas (1974)
1974 – 76	Geological reconnaissance	Pakistan Resource Development Company (RDC).	Initial grid spacing: approximately 200m E-W and 120m N-S. Later close spaced drilling at 130m x 60m grid along E-W and N-S.
1977	Total 74 vertical holes were drilled in South Orebody; 5,967 samples (3m long) were collected for Cu, Au and Mo analysis.	RDC	38 drill holes were drilled for preliminary exploration of the South Orebody, 36 drill holes were drilled to collect samples for metallurgical tests. Core recovery factor was above 90%.
1994 – 97	Geological survey work on South Orebody	RDC	Basic geology of the deposit, physical/ metallurgical properties of the ore are satisfactorily established.

Source: Basic Design Report 1991

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

Figure 6.1 — Saindak Copper Gold — Location Plan



6.5 GEOLOGY

In M-MC's opinion, the geological interpretation and mineralisation of the Saindak Cu-Au deposit are well understood.

6.5.1 Regional Geology

The Saindak Cu-Au deposit is located in the Chagai District, Balochistan Province in the north-western corner of Pakistan. The Chagai calc-alkaline series Magmatic Belt is a well known, economically important geological belt hosting porphyry Cu deposits. The Chagai Belt runs about 480km along and inside the Pakistan border with Iran.

The rock types of the Chagai Belt comprises mainly plutonic rocks; granodiorite, greisen diorite and quartz monzonite (granite→diorite series). The mineralisation at Saindak is hosted by the Amalaf and Saindak sedimentary formations of Upper Cretaceous to Oligocene age. The Amalaf Formation is predominantly made up of siltstones, whilst the Saindak Formation is comprised of marls, volcanic agglomerates and andesitic tuffs. The tonalite stocks (quartz diorite porphyry) intrude the Amalaf sedimentary rocks.

6.5.2 Local Geology

Due to prolonged weathering and erosion of the upper portions of the intrusives, a blanket of intensely yellow and red oxidation colours were formed, which is responsible for the name "Sulphide Valley". The local lithology and three mineralised areas are shown in ***Figure 6.2*** and summarised in ***Table 6.4***. Three mineralised stocks are identified as the South, East and North orebodies.

Table 6.4 — Saindak Copper Gold — Orebody Characteristics

	Dimensions of the orebody			
Orebody	**Vertical**	**Length**	**Width**	**Comments**
South	350m	500m N-S	400m E-W	Simple form of mineralisation, even distribution of grades
North	20-80m	350m	30 – 60m	About 2km away from the South Orebody, extends northwestwards 50^{o} ~ 60^{o}, structurally disturbed.
East	500m	1,300m	600m	About 700m away from the South orebody; extends from NW – SE

Source: Basic Design Report 1991

Locally, the host-rocks are cross-cut by quartz-tourmaline, gypsum and anhydrite veins. Two major geological structures are identified in the deposit: the Amalaf Syncline and Saindak Fracture (generally termed as ruptures in the documents reviewed by M-MC). The Amalaf Syncline centres roughly on the East Orebody and extends towards the northwest. The Saindak Fracture extends in an approximate east-west direction, dividing the Saindak area into the South and North Zones. The three mineralised diorite-porphyry stocks occur to the south of Saindak Fracture. Other structural elements in the area include secondary fractures and dykes. There seems to be no apparent structural control of mineralisation.

The sub-vertical stocks are hydrothermally altered. The hydrothermal alteration zones are characterised by distinct mineralogical assemblages. Major alteration zones form roughly concentric patterns, with potassic zone in the centre gradually transiting outward into silicic, sericitic and propylitic zones. The pyrite mineralisation in the

potassic alteration zone is uniform with variable Au contents. The Cu content varies in these alteration zones. The metal content in Saindak deposit is primarily controlled by the alteration zones as summarised in ***Table 6.5***.

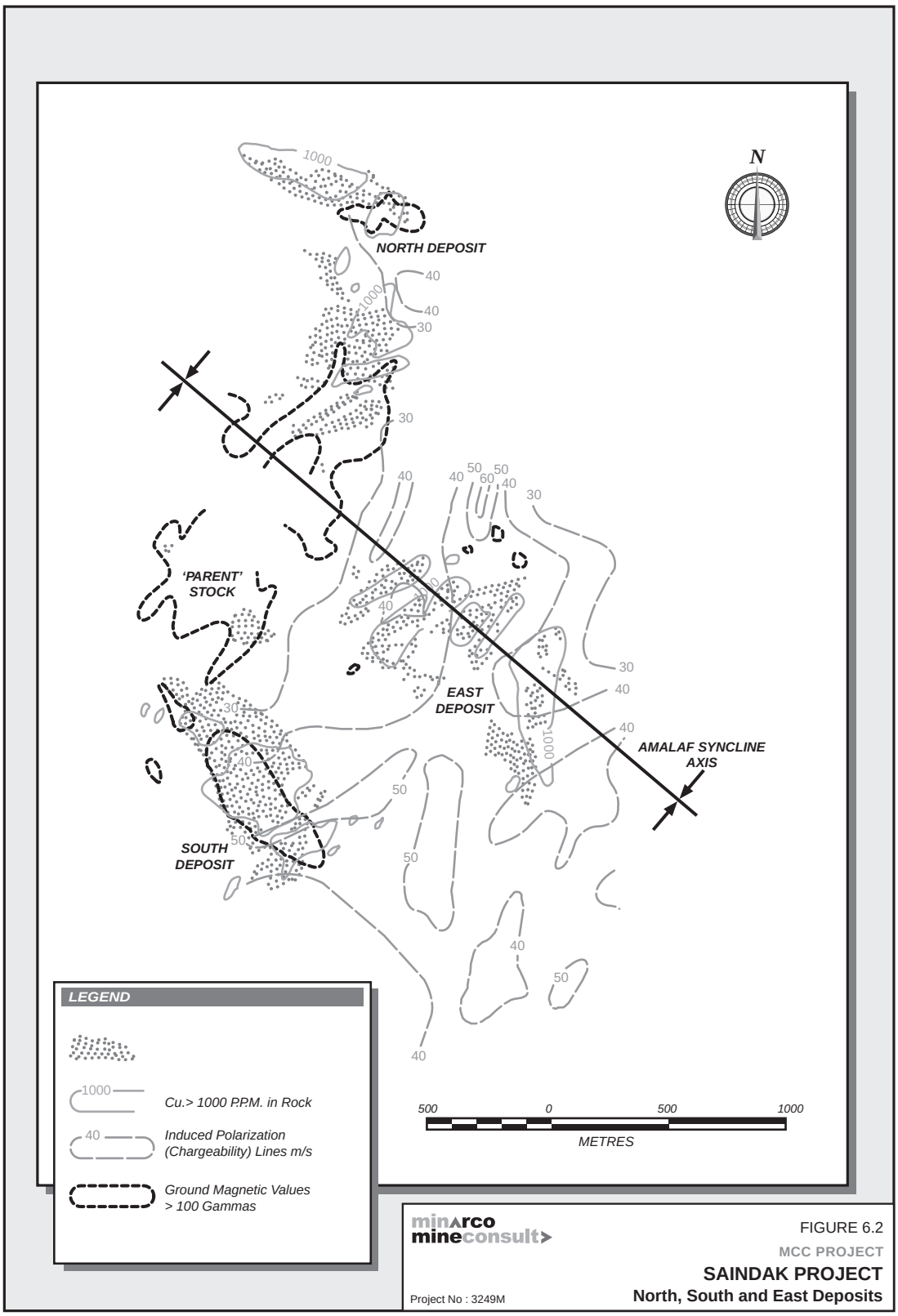
Table 6.5 — Saindak Copper Gold — Grade Distribution in Alteration Zones

Alteration Zone	Average grade Cu (%)	Average grade Au (g/t)	Comments
Strong potassic	0.49	0.56	*Based on data from 74 drill holes*
Weak potassic	0.24	0.31	
Sericitic	0.20	0.24	
Propylitic	0.10	0.22	

Source: Basic Design Report 1991

Three types of mineralisation are reported in the South Orebody: (i) primary mineralisation - dominated by sulphides such as pyrite (FeS_2), chalcopyrite ($CuFeS_2$) and minor molybdenite (MoS_2), (ii) oxidation zone — extending up to ~10m in depth, characterised by Cu carbonate and oxide minerals such as malachite and azurite, and (iii) secondary enrichment zones (cementation zone) — weakly expressed, characterised by Cu sulphide minerals such as chalcocite (Cu_2S), bornite (Cu_5FeS_4) and covellite (CuS).

Figure 6.2 — Saindak Copper Gold — Local Geology and Mineralisation



6.6 RESOURCES AND RESERVES

M-MC has reviewed and validated the 2004 Datamine resource model compiled by ENFI. The methodology applied to the resource estimates by ENFI in their 1991 Basic Design Report and 2004 update model is appropriate and correct for this style of mineralisation. The resource classification applied has been reviewed against the recommendations of the JORC code and appears reasonable. M-MC was unable to carry out a site visit due to perceived political instability and therefore has not validated the underlying data or its quality.

A diamond drilling program based on the geochemical and geophysics surveys was prepared to define the extensions of mineralisation of the South Orebody. The GSP started the diamond-drilling program with two holes drilled (inclined at 43^{o}) in the South Orebody. Between 1974 and 1976, Pakistan Resource Development Company (RDC) drilled more diamond holes on a grid pattern of 200m × 120m (along E-W and N-S directions respectively). Detailed surveying of the drillhole collar locations and deviations along the drill holes was completed.

A total of 74 resource drill holes (18,079m) were completed in two drilling programmes. The second drilling programme included samples for metallurgical testing. A third program of shallow angled holes was undertaken for metallurgical purposes targeting the shallower portions of the resource, this drilling was not used in the resource estimate. The drilling summary is shown in ***Table 6.6.***

Table 6.6 — Saindak Copper Gold — Drilling Summary

Stage	Holes	Metres	Spacing
Stage #1	38	10,993	200m × 120m
Stage #2	36	7,086	50m × 60m
Stage #3	19	1,150	Metallurgical
Total	**93**	**19,229**	

Source: Basic Design Report 1991

Exploration methods and data is summarised in ***Table 6.7.***

Table 6.7 — Saindak Copper Gold — Exploration Methods

Exploration Methods	Details of activities	Comments
Litho-geochemical survey Geophysical mapping	500 samples analysed	Three areas were identified with Cu and Mo anomaly. These areas overlap with potash-silicate alterations.
Magnetic Survey	Magnetic survey by Farah and Nazirullah in 1974 and I.P survey by Nicholas in 1974	Magnetic anomalies are conformable with the effects of intrusive structures and sedimentary formations in the area
Diamond Drilling	38 exploration drill holes and 36 metallurgical drill holes	Total 18,078.91m drilling
Sampling	Core samples were collected for geochemical analysis and metallurgical testing	Approx. 10,000 samples were prepared for geochemical analysis. Samples of 3m length for metallurgical analyses were prepared at 5m or 10m for inclined drill holes and at 6m for vertical drill-holes.
Geochemical analysis Duplicates and assay checks	Elemental analyses were conducted for Cu (total, sulfide and oxide), Au and Mo Duplicates of every tenth sample were verified by other Laboratories.	All work originally carried out included extensive QAQC and indicated no problems with precision or accuracy.
Specific Gravity analysis	More than 200 diamond drill core samples tested by RDC.	Average specific gravity (Ore Density) was determined as **2.68 t/m^3**

Source: Basic Design Report 1991

6.6.1 Mineral Resources — In Situ Quantities

The Saindak Cu-Au deposit is a hydrothermally altered porphyry type deposit with medium to low grade Cu and Au with minor Silver (Ag). A resource estimate for this project has been carried out in 2 main phases and only includes the South Orebody. A geological model was prepared in proprietary 3D mining software (Orpheus, ENFI-DEPOSMODEL v.4.0 in 1991). This model included geological rock types, alteration zones with grade estimated for Cu and Au using Kriging. It formed the basis for the 1991 Basic Design Report by ENFI. ENFI subsequently updated this resource using Datamine software in 2004, see ***Figure 6.3***. This Kriged model used the same drill data as in 1991 but accounted for mining depletion as at December 2004. M-MC has validated this estimate for estimation errors and against the underlying drill data and considers the estimate to be a good representation of the mineralisation and grade within the South Orebody.

The total identified In Situ Quantities reported in 1991 was 96Mt at 0.41% Cu and 0.44g/t Au (cog 0.25% Cu). M-MC has updated this estimate using the 2004 Datamine model provided by MCC to reflect the current mine depletion. M-MC has reported the Resource in compliance with the recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). The M-MC estimate of Mineral Resources remaining as at December 2008 is summarised in ***Table 6.8.*** Resource classifications applied to the 2004 Datamine model by ENFI were applied to the blocks based on kriging variance

and distance from the drillhole. Due to the good distribution of drilling and continuity of mineralisation M-MC considers this classification appropriate.

Table 6.8 — Saindak Copper Gold — (South Orebody) M-MC Estimated Mineral Resources, as at December 2008

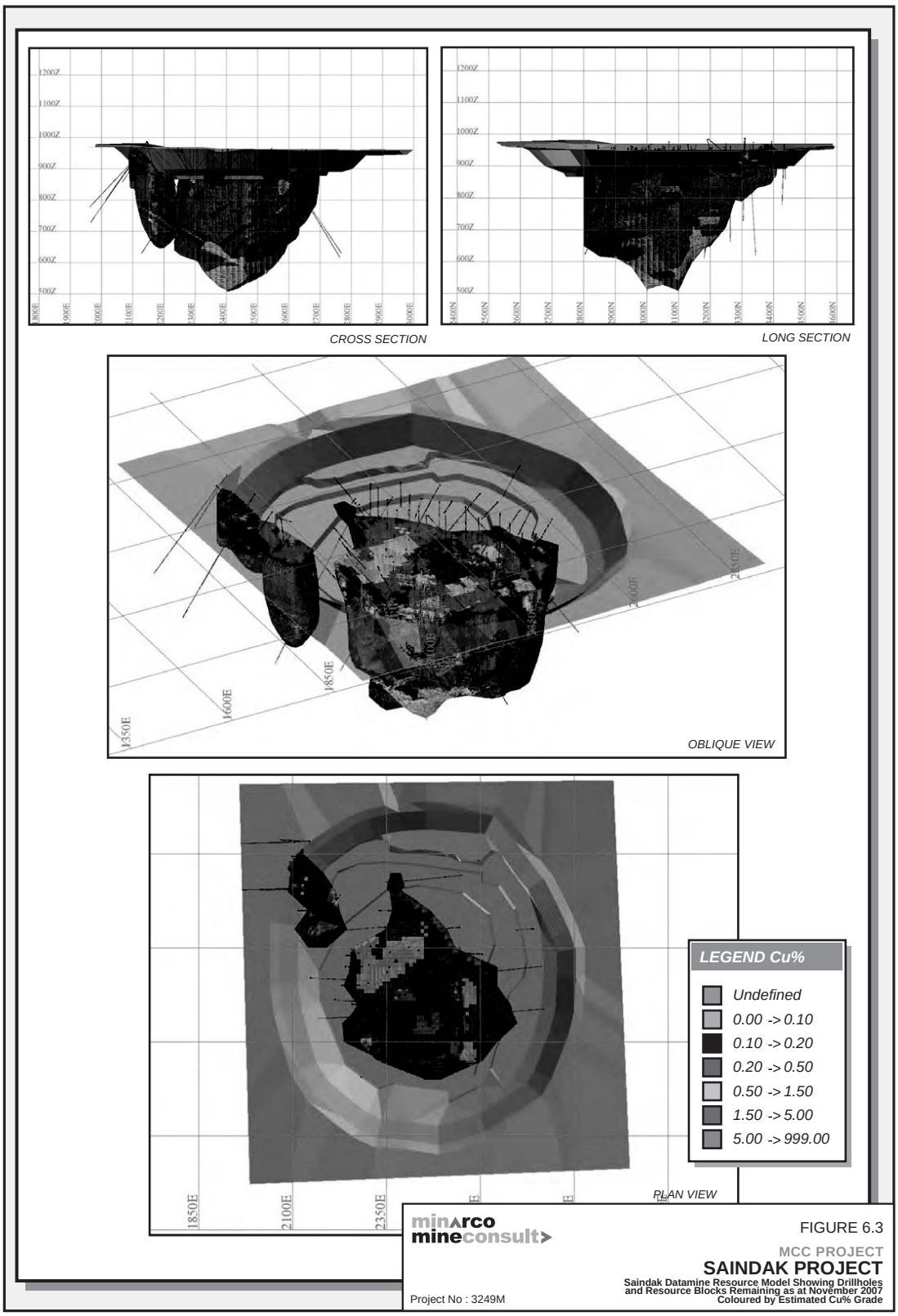
JORC Category	Tonnes Mt	Average Grade (cog >0.25% Cu) Cu %	Au g/t
Measured	21.6	0.51	0.49
Indicated	14.8	0.46	0.45
Inferred	14.6	0.44	0.44
Totals	**50.9**	**0.47**	**0.46**

Source: M-MC estimated based on the, Datamine 2004 Resource Model by ENFI.

Notes: M-MC has estimated the Resources remaining as at December 2008 based on site surveys and production information. Mineral Resources are inclusive of Ore Reserves.

Ag is known to occur in this deposit in close association with Au. Ag grades in the order of 2.2-2.6g/t are expected to occur throughout, based on previous production. These however cannot be reported under Resources due to lack of supporting drill information.

Figure 6.3 — Saindak Copper Gold — Resource Model and Current Pit Level



6.6.2 Reserves — Mineable Quantities

Ore Reserves have not been reported by category, and do not include parameters to reflect mining loss and dilution. The estimates of "ore reserves" have therefore been referred to as "Mineable Quantities". M-MC has estimated the Mineable Quantities remaining as at December 2008 based on information contained within the 1991 Basic Design Report and recent site surveys and production information for the South Orebody only.

The South Orebody open cut design is based on various optimisations carried out by ENFI in 1991 using USD2,680/t Cu and USD12,868/kg Au prices. This work indentified the 626mRL as the base of economic extraction by open cut with an overall slope angle of 45^{o} above the 758mRL and 42^{o} below. The reserves were reported within this pit shell with no dilution or ore loss factor applied and a variable Cu cut-off grade, based on depth, between 0.275% and 0.25% Cu.

A summary of M-MC's estimated Mineable Quantities remaining as at December 2008 for the South Orebody is shown in **Table 6.9.** M-MC reported these quantities as "Mineable Quantities" without application of recoveries or dilution, as quoted in the 1991 Basic Design Report.

Table 6.9 — Saindak Copper Gold — (South Orebody) — M-MC Estimated Mineable Quantities Summary, as at December 2008

Elevation	Mining	Cut-off Grade % Cu	Total (Mt)	Ore Density	Cu(%)	Au(g/t)
854-626 mRL.	Open cut	0.25%	49.7	2.68	0.45	0.47
Total			**49.7**	**2.68**	**0.45**	**0.47**

Source: *Basic Design on Geology of Saindak Mine 1991*
Notes: *Estimate updated by M-MC based on Site Surveys and Production Information*
Mining as at December 2008 had reached parts of the 842mRL.
These estimates do not include mining loss or dilution.

Silver grades in the order of 2.2-2.6g/t are also expected to be recovered during mining, based on previous production. These however cannot be reported under Mineable Quantities due to lack of supporting drill information.

6.7 MINING

The Saindak Cu-Au Mine uses open cut truck and shovel mining methods. Waste is mined in successive cutbacks and dumped in three adjacent dumps. The ore is mined and transported approximately 1km south of the pit. The layout of the mine is illustrated in ***Figure 6.4***.

The equipment used includes five electric face shovels with a bucket size of $10m^3$ and a smaller face shovel with a $4m^3$ bucket. The fleets comprise of three Terex TR100 trucks and 32 smaller Chinese LN392 68t trucks. Support equipment includes small dozers, graders and water trucks. In M-MC's opinion, based on the specifications and number of equipment, there is more than required capacity to achieve the forecast production targets.

Delineation of the ore and waste during mining is carried out through the use of infill drilling on 25m by 25m spacing to a depth of 50m and followed up with blast hole sampling on a 7m by 7m drill spacing, with Cu and Au assayed at this stage. Based on the amount of data collected it appears that MCC has a well established procedure for controlling dilution and ore loss during mining.

A reconciliation of the block model between the December 2004 surface and the December 2007 surface against actual production revealed larger quantities of ore had been mined at a lower grade. This according to MCC

is the result of the lowering of the mining cut off grade to take advantage of the high commodity prices of the past few years.

6.7.1 Historical and Forecast Production

The tables below detail the historical and forecast production. The final pit shell which is illustrated in ***Figure 6.5*** has an average stripping ratio of 1.91. In the previous six years, the operation had stripped large quantities of waste at an average stripping ratio (S/R) of 3.38 t waste/t ore. The next four years has an average S/R of 3.32. As of December 2008, the remaining quantities of waste in the pit have a S/R of 0.82. There is an opportunity to defer this waste therefore increase the value of the project.

Table 6.10 — Saindak Copper Gold — Historical Production

Item	unit	2003	2004	2005	2006	2007	2008	Total
ROM	**Mt**	2.2	4.3	5.0	5.3	5.4	5.3	27.4
Waste	**Mt**	9.4	13.4	16.2	17.6	18	18	92.6
S/R	**t/t**	4.38	3.11	3.24	3.34	3.34	3.43	3.38

Source: Basic Design on Geology of Saindak Mine 1991

Through direct communication with the mine site, the following forecast production quantities were provided.

Table 6.11 — Saindak Copper Gold — Forecast Production

Item	unit	2009	2010	2011	2012	Total
ROM	**Mt**	5.0	4.3	4.3	4.3	17.8
Waste	**Mt**	16.0	15.0	14.0	14.0	59.0
S/R	**t/t**	3.20	3.53	3.29	3.29	3.32

Source: Provided by on-site personnel

M-MC have calculated the remaining mineable in situ quantities from the block model using the December 2007 topography then subtracting the 2008 production data. Based on M-MC's calculation, the forecast waste targets seem to be overestimated.

Table 6.12 — Saindak Copper Gold — M-MC Estimated Remaining Mineable Quantities (December 2008)

Item	unit	Quantity
Ore	**Mt**	49.7
Waste	**Mt**	40.7
S/R		0.82

Source: M-MC Estimated based on the ENFI Resource Model
Note: Final pit design from Basic Design Report 1991

The historical and forecast metallurgical production for Saindak is shown in ***Table 6.13***. Production peaked in 2007 with 18,277 tonnes of blister copper containing 102,316 ounces of silver and 58,619 ounces of gold. With the ROM tonnage dropping slowly until 2010, the subsequent production of blister copper will be 15,500tpa containing 35,525 ounces of silver and 30,871 ounces of gold. The silver and gold appears to harder to recover from ores mined after 2010.

Table 6.13 — Saindak Copper Gold — Historical and Forecast Metallurgical Production

Stream	Unit	2006	2007	2008	2009	2010	2011	2012
ROM Feed	kt	5,265.4	5,384.5	5,250.5	5,000.0	4,250.0	4,250.0	4,250.0
Copper grade	%	0.18	0.39	0.39	0.39	0.39	0.39	0.39
Silver grade	g/t	2.63	2.72	2.63	2.30	2.20	2.20	2.20
Gold grade	g/t	0.51	0.51	0.51	0.42	0.49	0.49	0.49
Concentrate	t	81,501	82,187	81,547	78,000	71,180	71,180	71,180
Copper grade	%	22.4	22.7	22.4	22.3	22.0	22.0	22.0
Copper recovery	%	90.4	89.7	89.0	88.8	89.0	89.0	89.0
Smelter (Blister Copper)	t	18,266	18,277	17,861	17,800	15,500	15,500	15,500
Copper grade	%	99.44	99.43	99.45	99.30	98.5	98.5	98.5
Silver grade	g/t	170.4	174.1	166.5	142.9	71.3	71.3	71.3
Gold grade	g/t	100.7	99.7	99.5	74.3	80.0	80.0	80.0

Source: MCC provided Capex and Opex figures February 09

Opportunities

- Revise the current mine plan to defer waste mining.
- Operating costs could be reduced by decreasing equipment numbers
- Undertake a mineralogical and processing plant audit to reveal the potential for improving the recovery of copper, silver and gold into a higher grade copper concentrate
- Producing blister copper as anode ingots to expand the marketing opportunities

Risks

- Geotechnical risk with any open cut mine greater than 300m deep

Figure 6.4 — Saindak Copper Gold — Mine Site Layout

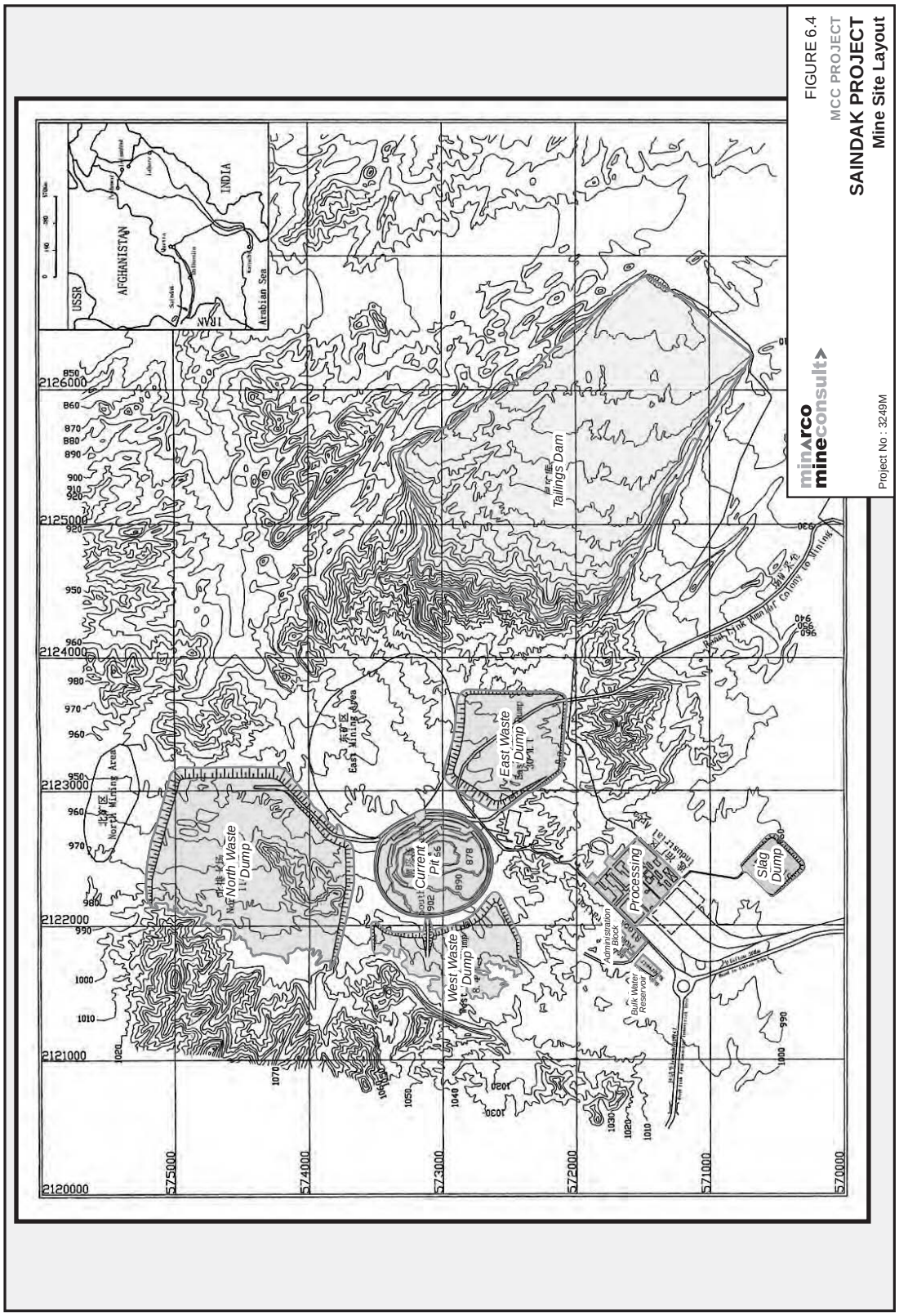
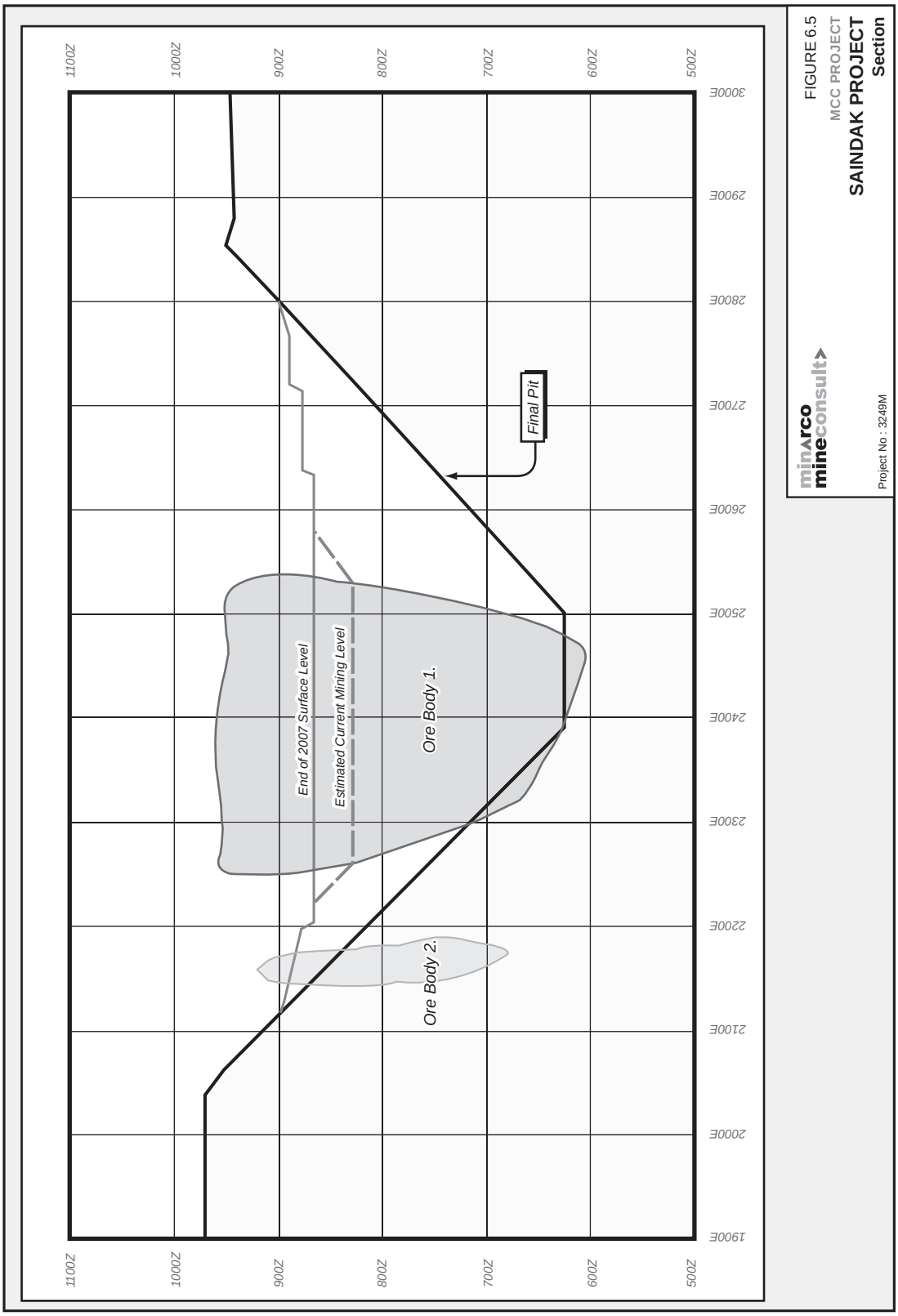


Figure 6.5 — Saindak Copper Gold — Estimated Current Mining Level



6.8 MINERAL PROCESSING

The Saindak processing circuit is conventional and employs a three stage crushing circuit, two stages of milling followed by a flotation circuit which includes a regrinding mill.

Crushing and floatation

The crushing circuit consists of a gyratory crusher (1,250tph with a Closed Side Setting (CSS) of 150-170mm), standard cone crusher (740tph with a CSS 22-25mm) and short head cone crusher (422 tph with a CSS 7-8mm) with a double screen (40mm/14mm apertures) after the primary crusher and a single screen (12mm apertures) after the secondary crusher. The final product is minus 10.5mm and is stored in a fine ore storage bin.

Ore from the fine ore storage bin is fed to a series of three parallel overflow ball mills (5.03mØ x 6.4m each with a capacity of 174-200tph) in closed circuit with a nest of 650mmØ hydrocyclones. The underflow is returned to the ball mill feed for further regrinding while the overflow (P_{68}=74 microns) reports to the flotation circuit.

The flotation circuit is a typical circuit with a rougher and two scavengers ($39m^3$ flotation cells with a slurry pH of 8-9 with lime) where the concentrate from all stages are upgraded in a cleaning circuit consisting of two stages of cleaning ($8m^3$ flotation cells with a slurry pH of 9-12) and a cleaner scavenger bank. The cleaner scavenger concentrate reports back to the rougher feed while the second cleaner concentrate re-circulates to the first cleaner feed. The first cleaner concentrate is further processed to produce a final copper concentrate. Scavenger tailings is the final tailings.

This consists of a re-grinding to P_{95}=74 microns in two ball mills in parallel (2.7mØ x 4m [45tph] and 2.1mØ x 3m [15tph]). The cyclone overflow is floated in a secondary rougher/scavenger circuit with the rougher concentrate undergoing two stages of cleaning to produce the final Cu concentrate. The scavenger tailings are further treated in a second scavenger bank and the tailings is directed to the final tailings. The second scavenger concentrate reports back to the feed of the first scavenger while the first scavenger concentrate re-circulates to the secondary rougher feed. The first cleaner tailings also reports to the secondary rougher feed while the second cleaner tailings is fed back to the first cleaner feed. The opportunity exists for the concentrate from the first few cells of both the rougher and first cleaner to report to the final Cu concentrate.

There is the possibility of producing a separate pyrite concentrate by fine grinding the Cu concentrate however no local market exists for this product.

The flowsheet for the crushing, roughing and cleaning flotation circuits are presented in ***Figure 6.6***.

The final Cu concentrate is dewatered in a 30mØ thickener and filtered to 12% moisture with a press filter. The final tailings are thickened in a 27.4mØ high rate thickener and the underflow is pumped to the tailings dam. A total of 301 people are employed in the processing plant, 65 being Chinese.

Typical metallurgy shows that nearly 90% of the Cu is recovered to a 22% grade Cu concentrate — refer to ***Table 6.14***.

Table 6.14 — Saindak Copper Gold — Historical and Forecast Copper Concentrate Production

Measure	unit	2006	2007	2008	2009	2010	2011	2012
Quantity	**t**	81,501	82,187	81,547	78,000	71,180	71,180	71,180
Grade	**% Cu**	22.39	22.63	22.41	22.30	22.00	22.00	22.00
Recovery	**% Cu**	90.43	89.72	89.04	88.77	89.0	89.0	89.0

Source: MCC provided Capex and Opex figures February 09

The crushing, milling and flotation separation appears reasonable based on the limited information provided however no comment can be made on the capacity or sizing of the various pieces of equipment without more detail being made available. This includes the potential for increased throughput and improved metallurgy.

The rather rapid fall in the amount of silver and gold produced after 2010 suggests there are mineralogical problems that are not resolved with the current processing facility. It would indicate either a change in precious mineral associations and/or in grain size. As noted earlier, there would appear to be an opportunity to improve the recovery of copper, silver and gold into a higher grade copper concentrate by undertaking a mineralogical and processing plant audit.

smelter

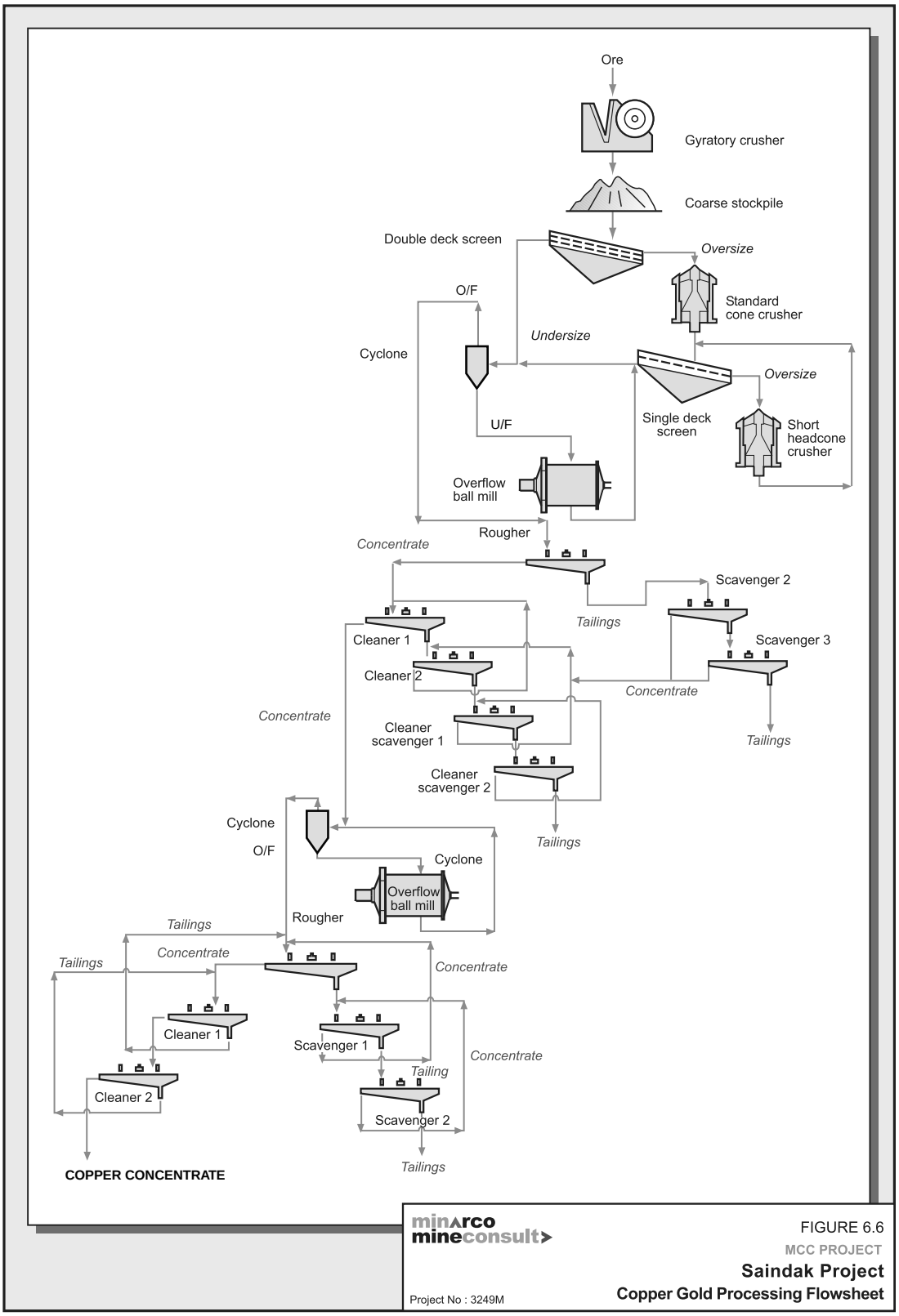
The copper concentrate is dewatered and smelted in a 140m^2 reverberatory furnace with a specific smelting, capacity of 2.47t/m^2 d. Two P-S40 rotary converters (3.2mØ x 6.6m long) are employed to produce blister copper at a rate of 70tpd and a recovery of 97.5% Cu. The blister copper is then cast into 800kg ingots, cooled with water sprays and stored until transport to market. A total of 252 people work at the smelting operation, 63being Chinese.

The smelting operation is capable of handling 90,000tpa of Cu concentrate and 18,500t of Cu concentrate (26.8% Cu) are purchased and blended as feed to the smelting operation. Moisture content of the smelter feed is less than 8% and an overall copper content of 23%. Nearly 21,000 tonnes of silica grading 90% Si is used during the first stage of smelting to remove the iron as a slag contained in the copper minerals.

The flue gases from the smelting and converting operations are treated in an Electrostatic Precipitator (ESP) to remove dust. There is no sulphuric acid plant to capture the sulphur dioxide in the flue gases. These gases are diluted so that exhaust specifications are meet and exhausted to the atmosphere via a stack.

The smelting operation also has a jaw crusher and small ball mill where spent refractory linings are prepared for treatment to recover the entrained copper. It is not clear what this treatment consists of, but presumably the finely ground refractory material is returned to the flotation plant for upgrading. The convertor slag is presumably returned to the reverberatory furnace capture of the entrained copper and the reverberatory slag is possibly discarded with a very low copper content.

Figure 6.6 — Saindak Copper Gold — Copper Gold Processing Flowsheet



6.9 INFRASTRUCTURE AND SERVICES

The level of services and infrastructure is typical of a relatively large mining and processing operation, which requires significant quantities of power, water and consumables as well as manpower.

Electricity is provided by five 11.52MW heavy oil Sulzer engines coupled to 12.25kVA Siemens generating sets, four operating and one on standby. Total generating capacity is 50MW at 6.3kV and this provides power for the mine and processing as well as the township.

Water is supplied from an underground source located some 37km from the operation. Six pumps draw water from eight wells to a 2,000m^3 storage dam, before being pumped to a 6,000m^3 storage dam on site. Water is also recovered from the concentrate and tailings dewatering operations including the tailings dam, for re-use in the process.

6.10 CAPITAL AND OPERATING COSTS

The capital costs associated with this project were not made available to M-MC for comment. MCC site personnel however have indicated that no capital expenditure is planned until the end of the current rental agreement. M-MC considers that if the rental agreement is extended beyond the current cut off date some capital expenditure will be required to upgrade some of the mining equipment which has been in service since 1993 and other fixed plant infrastructure.

Table 6.15 summarises the total historical and forecast operating costs for the Saindak Cu-Au operation, including concentrate sale costs and management fees.

Table 6.15 : Saindak Copper Gold : Historical and Forecast Operating Costs

Mining Cost	Unit	2006	2007	2008	2009	2010	2011	2012
Auxiliary Material	USD (000's)	10,023	11,719	14,824	13,303	12,638	11,000	11,000
Water & Power	USD (000's)	1,292	1,312	2,016	1,386	1,240	1,200	1,200
Labour	USD (000's)	4,475	4,931	6,119	5,848	5,560	5,000	5,000
Repair & Maintenance	USD (000's)	7,285	10,152	9,398	6,200	6,000	5,500	5,500
Mine Development	USD (000's)							
Others	USD (000's)	1,296	2,339	2,796	3,069	2,915	2,600	2,600
Sub-total	**USD (000's)**	**24,371**	**30,453**	**35,153**	**29,806**	**28,353**	**25,300**	**25,300**
Processing Cost	USD (000's)	29,315	31,104	41,884	34,234	32,523	31,300	31,300
Smelting cost (concentrate)	USD (000's)	12,511	13,814	20,487	15,762	14,974	14,500	14,500
Other costs	USD (000's)	228	88	108	190	200	200	200
Concentrate sale	USD (000's)	1,599	1,559	1,647	1,574	1,550	1,463	968
Management fee	USD (000's)	6,616	9,119	10,249	8,226	7,500	7,500	8,000
Sub-total	**USD (000's)**	**50,269**	**55,684**	**74,375**	**59,986**	**56,747**	**54,963**	**54,968**
Total	**USD (000's)**	**74,640**	**86,137**	**109,528**	**89,792**	**85,100**	**80,263**	**80,268**

Source: MCC provided Capex and Opex figures February 09

*Notes: * Includes smelting, concentrate, other and management costs*

The Saindak Cu-Au Mine unit operating costs vary from USD18.80/t to USD 27.56/t (refer to ***Table 6.16***). While the forecast operating costs appear low, they are reasonable for a large tonnage, high throughput operation.

Table 6.16 — Saindak Copper Gold : Historical and Forecast Unit Operating Costs

Operating Cost	Unit	2006	2007	2008	2009	2010	2011	2012
Mining	**USD/ROM t**	4.63	5.66	6.70	5.96	6.67	5.95	5.95
Processing	**USD/ROM t**	5.57	5.78	7.98	6.85	7.65	7.36	7.36
Smelting	**USD/ROM t**	2.80	2.80	3.35	2.70	2.69	2.90	2.90
Other Costs	**USD/ROM t**	5.80	7.41	9.53	8.41	9.70	8.63	8.63
Total*	**USD/ROM t**	**18.80**	**21.65**	**27.56**	**23.92**	**26.69**	**24.84**	**24.84**

Source: MCC provided Capex and Opex figures February 09

6.11 SAFETY AND ENVIRONMENT

Sufficient attention appears to have been paid to both safety and environmental matters. The basis of the Safety Plan is based on the appropriate Pakistani regulations as well as the related regulations of China, including Noise Control Standards of Drinking Water standards. Emissions such as smoke, gaseous and dust emissions are rated against World Bank standards.

Environmental audits are conducted annually by an independent environmental protection agency on behalf of the Pakistan government. Labour and management practices are also checked regularly. The basis of the Environmental Protection is the Pakistan Environmental Protection Act (1997) as well as the National Environmental Quality Standards for Effluents, Gaseous Emissions and Motor Vehicle Exhaust and Noise.

As noted earlier, the operation does not employ a sulphuric acid plant to capture the sulphur dioxide from the flue gases produced during smelting, particularly converting. Under these circumstances, the expected practice would be to dilute the flue gases after dust removal with air and disperse into the atmosphere via a tall stack. The practices that MCC does employ on this site appear to meet the required Gaseous Emissions Standards of Pakistan.

Attention has been paid to noise suppression around the mine site, particularly the power generating facility ($<$85 decibels) and the living quarters ($<$55 decibels). Good dust collection and suppression systems have been employed for the processing and smelting plants while air conditioning has been considered for most office and living areas.

7 CAPE LAMBERT MAGNETITE PROJECT

MCC Australia Holdings Pty Ltd (MCCAH) is completing technical and financial studies to determine the feasibility of developing a magnetite iron ore mine at the Cape Lambert Project. MCC's equity stake in the project is 100%.

M-MC carried out a site visit to the Cape Lambert Project in July 2009. The site visit confirmed the layout of the project, the location of drill holes and site and regional infrastructure.

Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "Resource Model Update, Cape Lambert Iron Ore Deposit, Western Australia" (2009 resource report) — prepared by Golder Associates for MCCAH.
- "Cape Lambert Magnetite Iron Ore Project Pre-feasibility Study Report" prepared by Northern Engineering and Technology Corporation, MCC for MCCAH.

7.1 BACKGROUND

The Cape Lambert Iron Ore (CLIO) deposit is located in the Pilbara region of Western Australia. It lies less than 10km from the coast, some 5km south-west of Wickham and 25km east of the regional centre of Karratha. The project area consists of flat lying coastal plain and ironstone ridges with elevation ranging from 20m to 100m above sea level. Much of the area in the east of the tenement that is underlain by the Cleaverville Formation rocks is moderately rugged consisting of low but moderate to steep sided ridges with intervening rolling country in the valleys. Similar country although with even steeper slopes is present in the Cleaverville Beach area in the north of the property.

The CLIO deposit is a magnetite bearing Banded Iron Formation (BIF) deposit which outcrops to form prominent ridges over a strike length of some 7km. The stratigraphy and mineralisation dips to the east at moderate to shallow angles and has been drill tested to a depth of approximately 400m.

The deposit was explored initially by Robe River Mining Company Pty Ltd (Robe) in the early 1990's. Robe completed a number of drilling programs between 1994 and 1996. The project was subsequently acquired by Cape Lambert Iron Ore Limited (Cape Lambert) which completed drilling programs in 2006 and 2007.

The project was acquired by MCC Australia Holding Pty Ltd (MCCAH) in 2008 for AUD $320M. MCCAH completed further drilling, resource estimation and a pre-feasibility study (PFS) in 2008. The company is about to commence a bankable feasibility study (BFS) on the project, with anticipated completion in first half 2010.

The development scenario being proposed is large scale open pit mining with ore production of 48Mtpa at a grade of 29.5% Fe. Processing will involve crushing, grinding and magnetic separation to produce a high grade concentrate of 15Mtpa at 65% Fe. The concentrate will be transported in slurry form to the coast via a pipeline then loaded onto ships for export.

An underground gas pipeline runs through the central and eastern portions of the tenement to the north of the CLIO deposit and the Robe River Railway that terminates at the iron ore port of Cape Lambert lies across the southern portion of the CLIO deposit. Two power transmission lines are also present in the southern part of the tenement area. This infrastructure will need to be relocated to allow mining to proceed on much of the CLIO deposit.

7.2 ASSETS

The assets and status include;

- A substantial magnetite iron ore deposit delineated by a large number of quality drill holes.
- JORC Compliant Mineral Resources of 1.9Bt at 30.7% Fe (20% Fe cut-off)
- Potential open cut Mineable Quantities of 1.31Bt at 29.5% Fe (20% Fe cut-off)
- Potential annual concentrate production of 15Mtpa at 65% Fe based on 2008 PFS

7.3 LAND TENURE AND MINERAL RIGHTS

Details of the tenements held by MCC are shown in ***Tables 7.1*** *to* ***7.4***. All of the tenements are Exploration Licences and are in good standing.

Exploration licences (EL's) provide a right to explore the area. Prior to any development of the project, Mining Leases (ML's) need to be granted. This process can take several years and requires negotiation with government departments and environmental authorities. The region is also subject to the Aboriginal Heritage Act and requires a Native Title agreement to be negotiated with the traditional Aboriginal owners of the land.

Within the tenement areas are existing small mining leases held by other parties involved in the production of river sand, gravel and aggregate. Miscellaneous Licences also surround the rail, power and gas infrastructure that crosses the CLIO tenements. Agreements need to be reached with the owners of these various licences prior to the conversion of the EL's to ML's.

Table 7.1 — Cape Lambert Iron Ore Project — Exploration Licence 47/1233

Mine/Project	Cape Lambert
Title	Exploration Licence
No	E47/1233
Owner	Cape Lambert Iron Ore Ltd
Mine/Project Name	n/a
Mine Method	n/a
Permit Capacity	n/a
Permit Area	25 blocks
Permit Depth	n/a
Valid Date	November, 17th 2005 - November 16th 2010
Issue Date	November, 28th 2002
Issuer	Department of Industry and Resources, Western Australian Government

Source: Formal documentation

Table 7.2 — Cape Lambert Iron Ore Project — Exploration Licence 47/1248

Mine/Project	Cape Lambert
Title	Exploration Licence
No	E47/1248
Owner	Cape Lambert Iron Ore Ltd
Mine/Project Name	n/a
Mine Method	n/a
Permit Capacity	n/a
Permit Area	4 blocks
Permit Depth	n/a
Valid Date	January, 23rd 2006 - January 22nd 2011
Issue Date	January, 23rd 2003
Issuer	Department of Industry and Resources, Western Australian Government

Source: Formal documentation

Table 7.3 — Cape Lambert Iron Ore Project — Exploration Licence 47/1271-I

Mine/Project	Cape Lambert
Title	Exploration Licence
No	E47/1271-I
Owner	Cape Lambert Iron Ore Ltd
Mine/Project Name	n/a
Mine Method	n/a
Permit Capacity	n/a
Permit Area	20 blocks
Permit Depth	n/a
Valid Date	September, 6th 2006 - September 5th 2011
Issue Date	July, 11th 2003
Issuer	Department of Industry and Resources, Western Australian Government

Source: Formal Documentation

Table 7.4 — Cape Lambert Iron Ore Project — Exploration Licence 47/1462

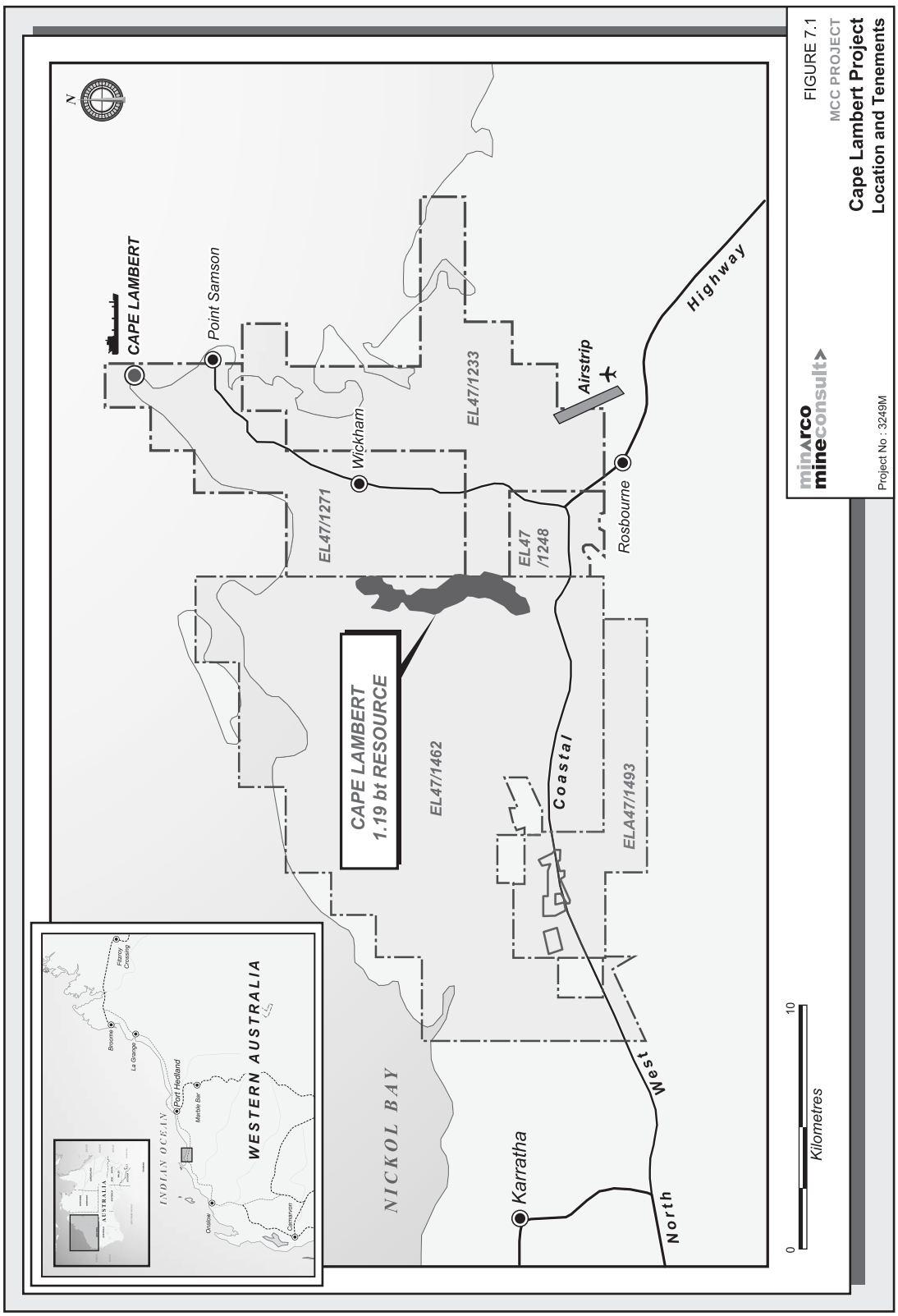
Mine/Project	Cape Lambert
Title	Exploration Licence
No	E47/1462
Owner	Cape Lambert Iron Ore Ltd
Mine/Project Name	n/a
Mine Method	n/a
Permit Capacity	n/a
Permit Area	70 blocks
Permit Depth	n/a
Valid Date	March, 24th 2006 - March 23rd 2011
Issue Date	October, 28th 2004
Issuer	Department of Industry and Resources, Western Australian Government

Source: Formal documentation

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

The project location and tenement outlines are shown in ***Figure 7.1.***

Figure 7.1 — Cape Lambert Iron Ore Project — Location Plan



7.4 EXPLORATION AND MINING HISTORY

Detailed exploration began at the CLIO deposit in the early 1960's when the project was held by Robe. Robe completed 186 drill holes (183 RC and 3 RCDD). Preliminary evaluation by Robe suggested that the deposit was not viable and the tenement was relinquished (Met-Chem 2007).

Cape Lambert acquired the project in 2006. The company completed a number of drilling programs and resource estimates between 2006 and 2008.

In 2008 the CLIO project was sold to MCC Corporation and is now operated by its Australian subsidiary MCCAH. MCCAH has completed further drilling, updated the resource estimate and carried out a pre-feasibility study (PFS). In 2009, MCCAH called for tenders from suitably qualified companies to prepare a bankable feasibility study (BFS) for the project with an expected completion in the first half of 2010.

Geochemical and geophysical surveys were completed to assess the economic importance of the deposit, as the basis of a diamond drilling programme. This drilling program was planned to define the extensions of mineralisation of the South Orebody.

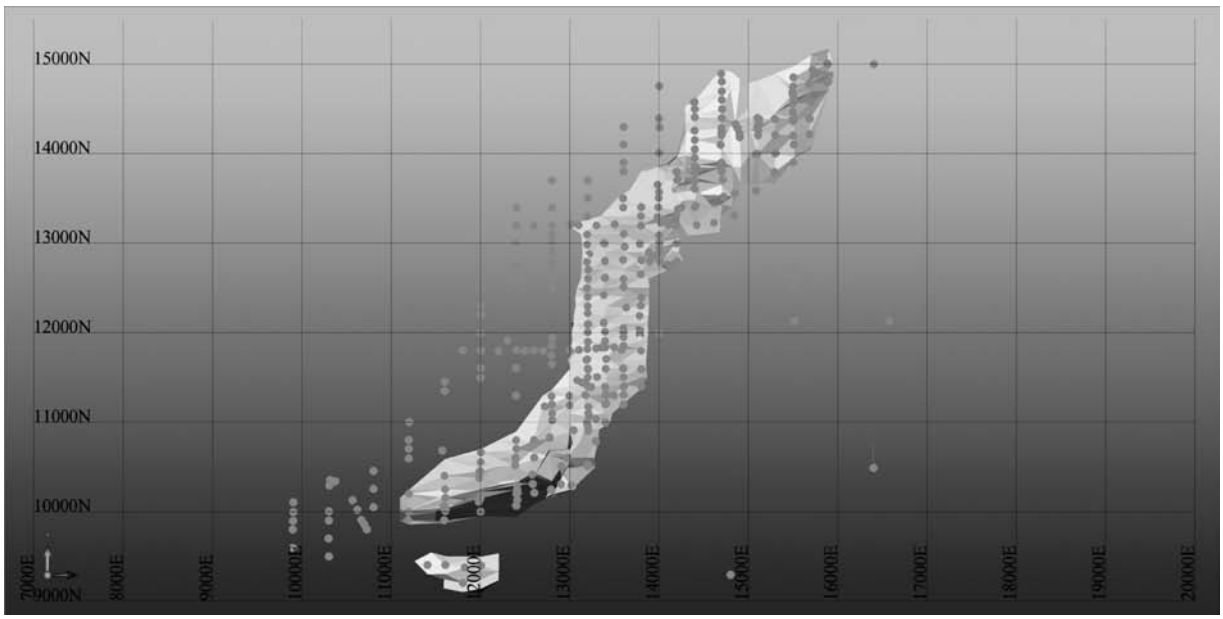
The exploration history is summarised in **Table 7.5.**

Table 7.5 — Cape Lambert Iron Ore Project — Exploration Summary

Year	Activity	Agency	Comments
1994-1996	Drilling and resource estimation	Robe River Mining Company Pty Ltd	Project surrendered
2006-2007	Drilling and resource estimation. Scoping study completed	Cape Lambert Iron Ore Ltd	Positive outcome from scoping study.
2008	Project sold to MCC Corporation	MCCAH	
2008	Drilling and resource estimation. PFScompleted	MCCAH	Positive outcome from PFS, decision to proceed with BFS
2009	Further drilling and resource estimate.	MCCAH	
2009	Tenders called for completion of BFS	MCCAH	

The extent of the deposit and the location of drill holes as at March 2008 are shown in ***Figure 7.2***.

Figure 7.2 — Cape Lambert Iron Ore Project — Drill hole Location Plan



7.5 GEOLOGY

In M-MC's opinion, the overall geological interpretation and mineralisation of the CLIO deposit are well understood.

7.5.1 Regional Geology

The following information was sourced from Golder, 2009.

The Cape Lambert property is located within an Archaean sequence of basic volcanics, felsic volcanic, ultramafics, sediments and cherts and banded iron formation (BIF) rocks. Volumetrically the BIF sequence, known as the Cleaverville Formation, is a subordinate part of the sequence but nevertheless has an estimated thickness ranging from 800m to 1,400m (***Figure 7.3***)

The depositional environment of the Cleaverville Formation is generally considered to be shallow water. The various chert units have been attributed to a number of origins including primary deposition, silicification and weathering. The iron bearing BIF units are however generally considered to be primary.

The Cleaverville Formation is part of the Gorge Creek Group of BIF and clastic sedimentary rocks. The unit is underlain by the predominantly volcanic rock sequence of the Whundo Group with the contact being a possible low angle unconformity. Overlying the Cleaverville Formation are rocks of the Fortescue Group, the basal unit of which is the Mount Roe Basalt that is present in the north-eastern and eastern parts of the Cape Lambert property. From the evidence of the drilling, the area of basalt is more extensive than shown on the published geological maps, as it is present within the eastern part of the tenement. The Mount Roe Basalt unconformably overlies the Cleaverville Formation.

The Archaean sequence in the Cape Lambert property area is intruded by a number of generally small Archaean granitoids. Much of the area, especially towards the coast, has Cainozoic surficial deposits overlying the bedrock sequence.

7.5.2 Local Geology

The following information was sourced from Golder, 2009 and NETC, 2008.

The large-scale structure of the Cape Lambert area is a series of north-east trending synclines and anticlines. The axis of such an anticline is located in the central portion of the Cape Lambert tenement area. The Cleaverville iron deposit is located on the north-western limb of the anticline located near the coast with the main area of drilling by Robe being on the south-eastern limb of the syncline and the north-western limb of the adjacent anticline.

The area is typically overlain by Cainozoic surficial cover up to 6m thick. The local stratigraphy has been gently folded resulting in three defineable zones within the main deposit. These are referred to as Northern, Central and Southern Regions. The local lithology and three mineralised areas are shown in ***Figure 7.3*** and summarised in ***Table 7.6***. The overall dip of the sequence in the drilled Cape Lambert deposit area is easterly at moderate angles.

At a small scale, interpretation of the results from the drilling has demonstrated the presence of a series of synclines and anticlines that have separations between fold axes of around 100m. It is possible to discern these in densely drilled locations where they can be traced in areas of distinct lithological changes but in more monotonous sequences, their presence cannot be proved. It is in general not possible, therefore, to trace such folds over more than short distances although their presence is suspected in much of the sequence with the overall easterly dip.

Geological mapping also resulted in the recognition of small scale folding although few fold axes were shown on the maps. Folding styles were considered to be isoclinal with an overall dome and saddle pattern.

Faulting is known both from the published geology and the more detailed mapping undertaken during the middle 1990's. A dominant fault direction is north-easterly but other directions are northerly and easterly. In the course of interpreting the geology of the drilled area, the presence of faults was suspected in some areas but there is insufficient evidence for the orientation and continuity to be assessed.

The project area comprises felsic volcanic, sedimentary, ultramafic assemblages as well as the iron bearing chert and BIF lithologies.

Table 7.6 Cape Lambert Iron Ore Project — Orebody Characteristics

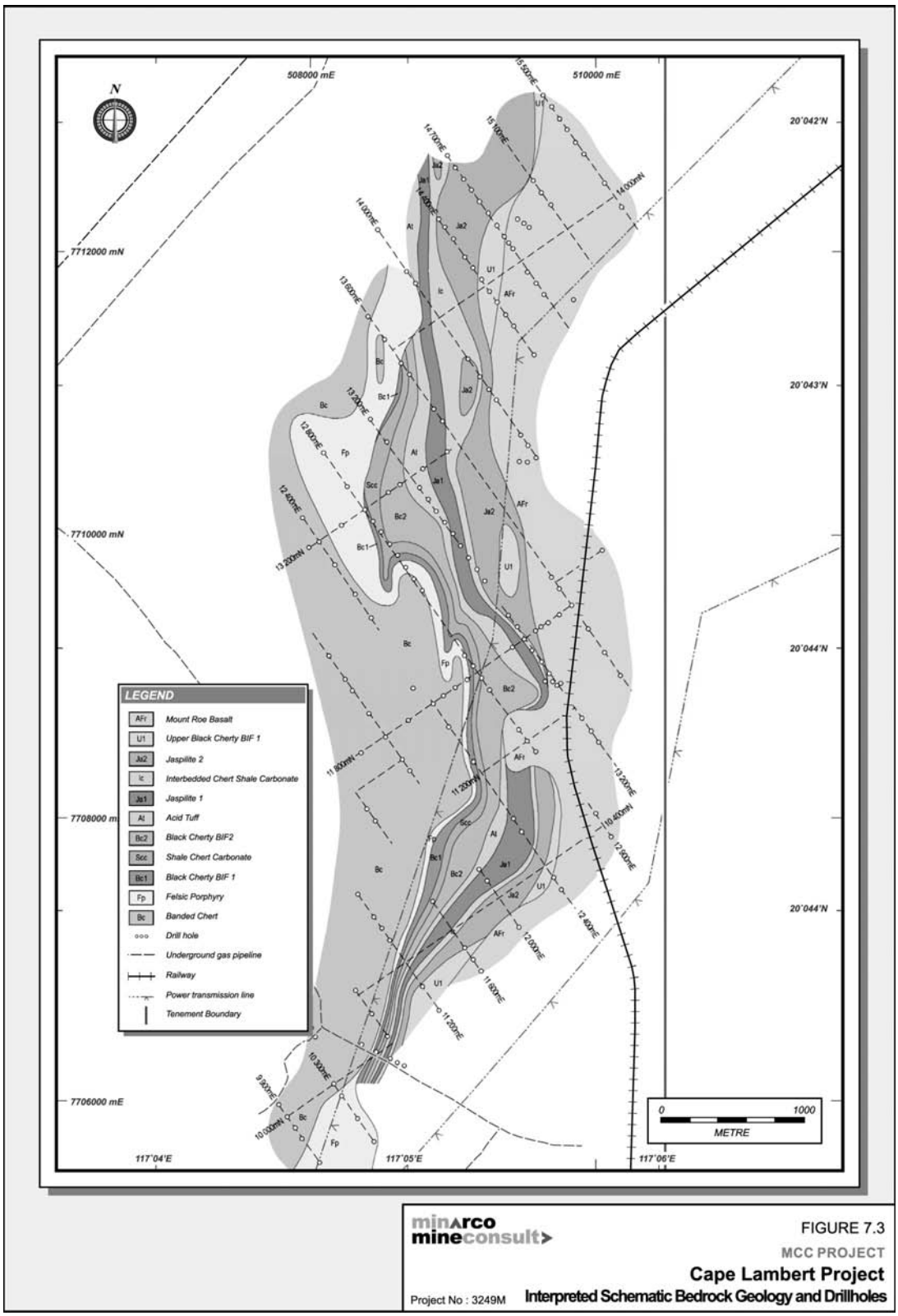
	Dimensions of the Orebody			
Region	**Vertical**	**Length**	**Width**	**Comments**
Northern	100m	1,200m N-S	2,000m E-W	NE strike, SE dipping at 20^{o}
Central	100m	3,000m N-S	1,400m E-W	NS strike, E dipping at 15-20^{o}
Southern	150m	2,500m NE-SW	1,500m NW-SE	NE strike, SE dipping at 30^{o}

Source: NETC 2008

In the deposit area, the BIF and chert horizons are typically 80-100m in thickness. Magnetite is the main iron bearing mineral, with hematite, limonite and goethite also present. Gangue minerals include quartz, carbonate (ankerite) and grunerite.

The grades of Fe and accessory and deleterious elements are relatively uniform throughout the deposit.

Figure 7.3 — Cape Lambert Iron Ore Project — Local Geology and Mineralisation



7.6 RESOURCES AND RESERVES

M-MC has reviewed the resource estimate prepared in 2009 by Golder. The methodology applied to the resource estimate by Golder is generally appropriate and correct for this style of mineralisation. The resource classification applied has been reviewed against the recommendations of the JORC code and appears reasonable. The overall project layout, drill hole location and mineralisation were confirmed by M-MC during a site visit on 7 July 2009.

A total of 377 resource drill holes (83,957m) were completed between 1994 and 2008. The majority of holes were used the reverse circulation (RC) drilling method. A total of 31 holes were core drilled, with RC pre-collars. The drilling summary is shown in ***Table 7.7.***

Table 7.7 — Cape Lambert Iron Ore Project — Drilling Summary

Stage	Holes	Metres	Spacing
1994-1995 Robe Drilling	186	22,505	200m × 120m
2006-2007 Cape Lambert	166	52,849	Variable
2008 MCCAH	25	8,608	Variable
Total	**377**	**83,960**	

Source: Golder 2009

Drilling samples were combined into either 2m or 4m composite samples and analysed for a range of elements using XRF. In addition, samples determined to be within the resource envelope were also analysed using the Davis Tube Recovery (DTR) method. This is a laboratory scale method for determining the grade and recovery volume of magnetic separation products. This was expected to provide an indication of beneficiation performance throughout the resource. The DTR grades and recovery were also estimated by Golder in the2009 Mineral Resource estimate. CLIO and MCCAH used the ALS laboratory in Perth for head and DTR analyses.

Exploration methods and data is summarised in ***Table 7.8.***

Table 7.8 — Cape Lambert Iron Ore Project — Exploration Methods

Exploration Methods	Details of activities	Comments
Drilling	346 RC and 31 precollared core holes	Total 83,960m drilling
Sampling	Samples were taken at 2m or 4m in RC drilling and from 1m to 12m in core drilling.	Approx. 23,600 samples were prepared for geochemical analysis.
Geochemical analysis	Elemental analyses were conducted for Fe, Fe++, Al_2O_3, MgO, TiO_2, SiO_2, S, P, CaO, K_2O, Na_2O, LOI	XRF technique by ALS Laboratories in Perth, WA.
Beneficiation analysis (DTR)	Concentrate grades and LTR were prepared Fe, Fe++, Al_2O_3, MgO, TiO_2, SiO_2, S, P, CaO, K_2O, Na_2O, LOI	Samples with Fe>10% were routinely analysed using DTR
Duplicates and assay checks	Duplicates of every tenth sample were verified by other Laboratories.	All work originally carried out included extensive QAQC and indicated no problems with precision or accuracy.
Specific Gravity analysis	In mineralized zones, 132 density determinations carried out on drill core.	Average specific gravity (Ore Density) was determined as 3.35 **t/m^3**

Source: Basic Design Report 1991

Due to the early stage nature of the project, Ore Reserves cannot be quoted. The results of preliminary mining studies are shown in Section 1.6.2 of this report. All mining studies to date have included Inferred Mineral Resources which will be excluded from any future stated Ore Reserves.

7.6.1 Mineral Resources — In Situ Quantities

The CLIO magnetite deposit is a BIF and chert hosted deposit with medium to low grade Fe. An independent resource estimate for this project has been carried out in March 2009 by the international consulting group Golder Associates in its Perth office.

Drill hole data and resource interpretations were provided to Golder by MCCAH. Golder validated the drill hole database and analysed the QAQC results. Golder determined that the QAQC results were very good, although a number of sample swaps were noted.

The resource interpretations were checked and adjusted by Golder, then used to prepare wireframes within which the mineralised zones were defined. Vulcan software was used for geological modelling. Golder then composited the samples within the wireframes to even 4m intervals then carried out exploratory data analysis and spatial data analysis to identify characteristics and grade trends within the mineralised zones. Golder used its own proprietary statistical software for spatial analysis of the data (variography) which showed relatively low nugget variance and long ranges of continuity for Fe.

Golder separated the deposit in to three main domains (north, central, south) for variography and analysis. The domains were based solely on Fe grade using a 20% Fe threshold to define resource outlines. The characteristics of each domain were found to be similar, with orientation and geometry being the main differences. The different orientations were incorporated into the grade estimation utilising Ordinary Kriging. M-MC has reviewed this estimate and compared it against the underlying drill data and considers the estimate to be a good representation of the mineralisation and grade within the Southern and Northern Zones. Interpolation directions for

the Central Zone are not optimal and will have caused incorrect grade assignment on a local basis. The global estimate is unlikely to be materially affected.

Density determinations were carried out on drill core. A total of 132 values were available from the mineralised zones. An average value of 3.35t/m^3 was derived from the data. M-MC considers this reasonable at scoping level, however the data is inadequate for a BFS level evaluation.

The total identified Mineral Resource reported in the 2009 estimate was 1.91Bt at 30.7% Fe (20% Fe cut-off). M-MC has reported the Resource in compliance with the recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves (2004) by the Joint Ore Reserves Committee (JORC). The M-MC estimate of Mineral Resources at the project at June 2009 is summarised in ***Table 7.9.*** Resource classifications defined by Golder have been retained. Due to the good distribution of drilling and very regular Fe grade distribution, M-MC considers this classification appropriate.

Table 7.9 — Cape Lambert Iron Ore Project — Golder Associates Estimated Mineral Resources, as at March 2009

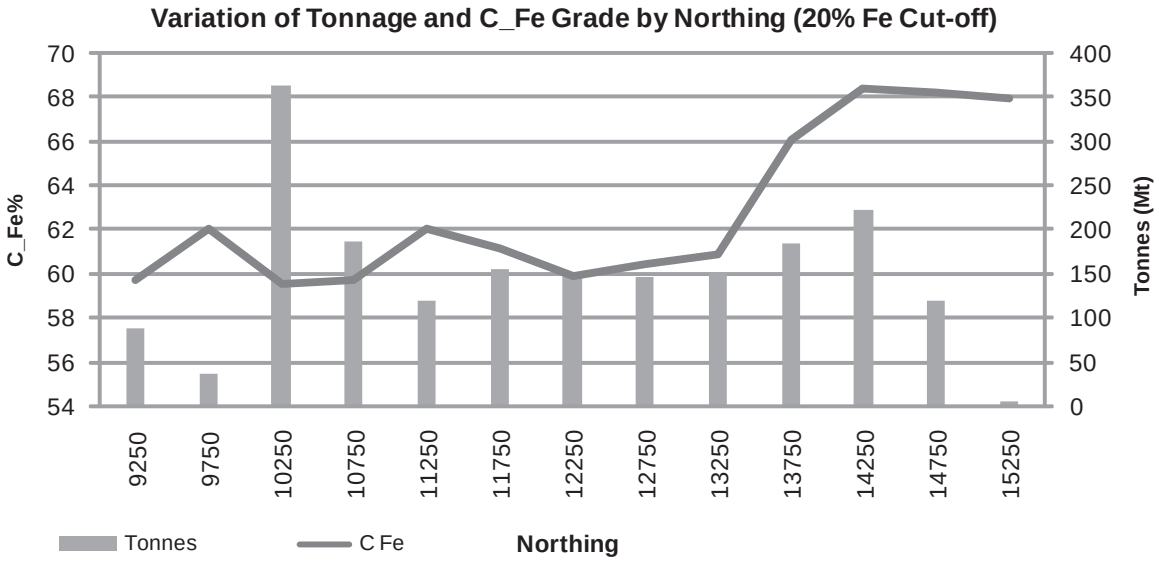
	Head Grade Estimate (20% Fe Cut off Grade)											
JORC Classification	**Tonnes**	**Fe**	**Fe++**	**SiO_2**	**Al_2O_3**	**P_2O_5**	**LOI**	**CaO**	**K_2O**	**MgO**	**S**	**TiO_2**
	Mt	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Measured												
Indicated	1,434	30.7	16.0	40.4	2.32	0.03	7.22	2.66	0.19	2.61	0.14	0.17
Inferred	481	30.5	16.0	41.1	2.81	0.03	5.44	3.09	0.28	2.67	0.19	0.20
Total	**1,915**	**30.7**	**16.0**	**40.6**	**2.44**	**0.03**	**6.78**	**2.77**	**0.21**	**2.63**	**0.15**	**0.17**

Source: Golder 2009 Resource Report.

	Concentrate Grade Estimate (20% Fe Cut-off Grade)											
JORC Classification	**DTR**	**Fe**	**Fe++**	**SiO_2**	**Al_2O_3**	**P_2O_5**	**LOI**	**CaO**	**K_2O**	**MgO**	**S**	**TiO_2**
	Rec%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Measured												
Indicated	31.7	61.7	22.0	10.2	0.62	0.01	−.77	0.72	0.05	1.00	0.11	0.08
Inferred	32.2	62.0	22.7	10.4	0.63	0.01	−1.3	0.67	0.05	0.89	0.26	0.09
Total	**31.8**	**61.8**	**22.1**	**10.3**	**0.62**	**0.01**	−0.9	**0.71**	**0.05**	**0.97**	**0.15**	**0.08**

The tonnage and C_Fe grade varies throughout the deposit. M-MC has reported the resource in northing intervals to show this variation. Results are shown in ***Figure 7.4.***

Figure 7.4 — Cape Lambert Iron Ore Project — Variation of Tonnage and C_Fe grades



The resource model coloured by Fe% is shown in ***Figure 7.5***, and the model coloured by C_Fe% is shown in ***Figure 7.6.***

Figure 7.5 — Cape Lambert Iron Ore Project — Resource Model Coloured by Fe% (Looking Northwest)

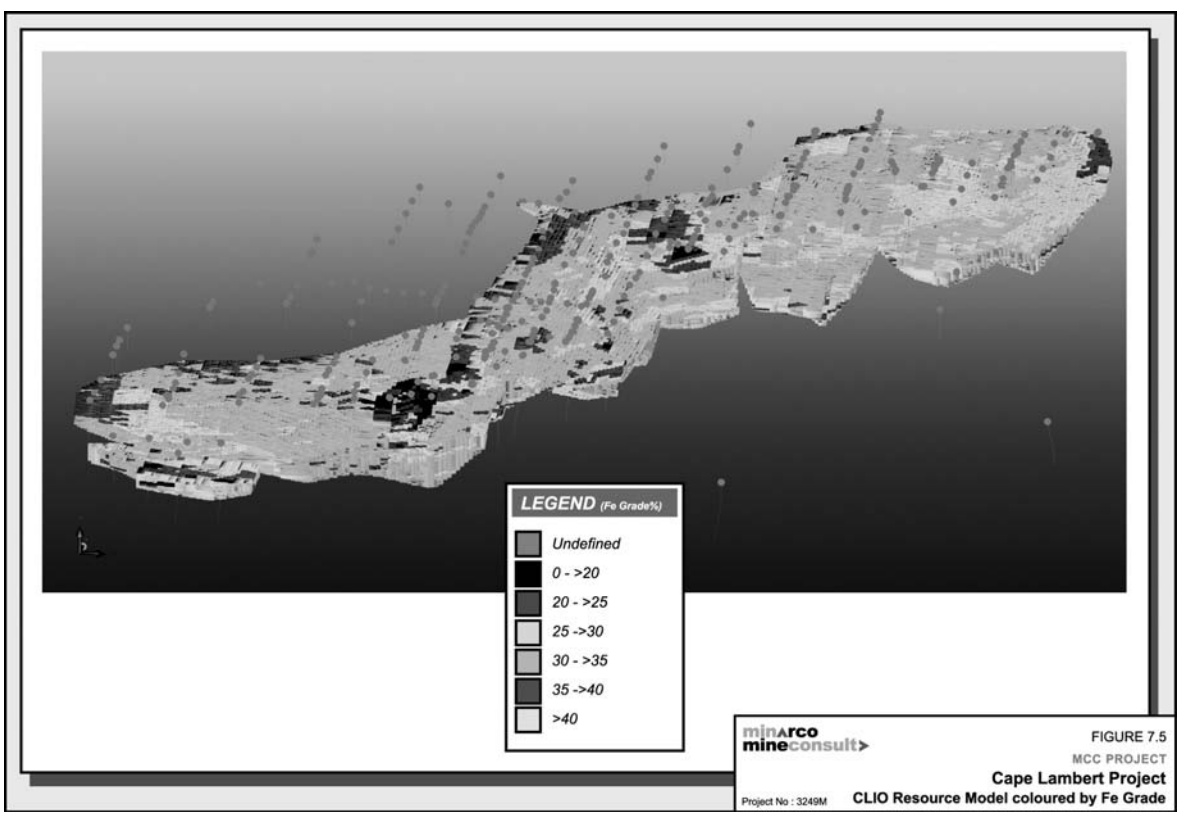
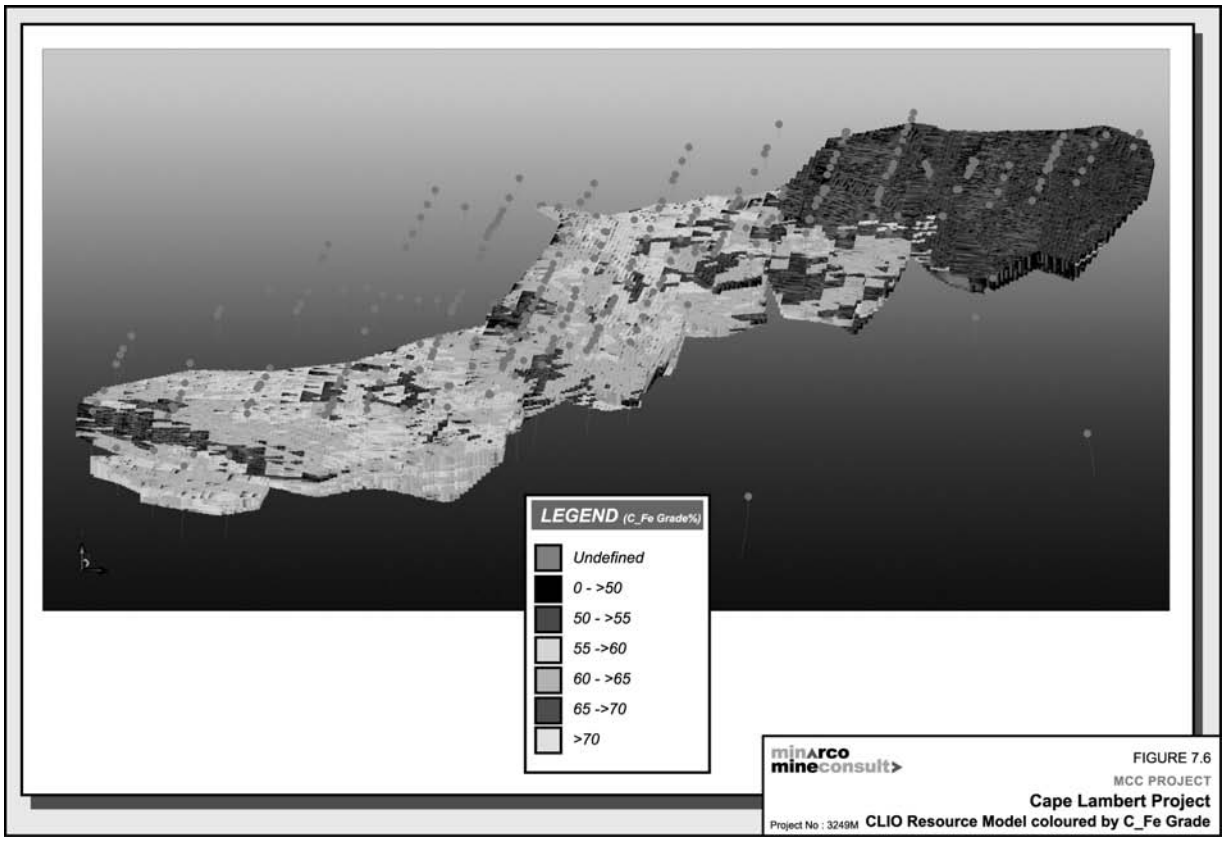


Figure 7.6 — Cape Lambert Iron Ore Project — Resource Model Coloured by C_Fe% (Looking Northwest)



7.6.2 Reserves — Mineable Quantities

At the current stage of the evaluation, Ore Reserves cannot be defined. However mining studies were carried out as part of the 2008 PFS, and these resulted in the preparation of a pit design from within which mineral inventories can be reported. Note that the mineral inventories and all production forecasts include Indicated and Inferred Mineral Resources. Under JORC Inferred Resources cannot be included in any future Ore Reserves stated for the project. For this reason MMC has referred to the Resources within the pit as Mineable Quantities.

The pit design was prepared by NETC as part of the 2008 PFS and utilised the 2008 Golder Mineral Resource model. It was based on pit optimisation carried out by NETC, using the parameters shown in ***Table 7.10***. Lower values for the parameters were used in the financial evaluation analysis regarding a mining cost of AUD$5.09/ROM t, a processing cost of US$8.51 and a concentrate value of AUD$100/t at US$0.80: AUD$. The total operating cost, however, is closer to AUD$22/ROM tonne. A longer term concentrate price (US$60/t) should be considered in all analyses.

Table 7.10 — Cape Lambert Iron Ore Proj ect — 2008 PFS Optimisation Inputs

Item	unit	Quantity
Fe Concentrate Grade	Fe%	65
Fe Concentrate Selling Price	AUD$/t	113.22
Mining Cost	AUD$/t	5.81
Processing Cost	AUD$/t	9.72
Management Cost	AUD$/t	0.60
Shipping Cost of Concentrate	AUD$/t	1.25
Other Financial Cost	AUD$/t	0.18
Overall Pit Slopes	Footwall/North & South/Hangingwall	Max $45^o/46^o/52^o$
Dilution/Mining Loss	—	—

Source: NETC 2008 PFS Report

The costs and revenues used in the optimisation are considered by M-MC to be appropriate for an iron ore project of the proposed size operated in the Pilbara region of Western Australia.

The mining inventory is a conceptual estimate of the likely tonnage and grade that could be captured within an ultimate pit design. The design was generated as part of the PFS using assumed design parameters without any geotechnical investigation. Furthermore, no sensitivity analysis, scheduling, blending or other options were considered.

No geotechnical drilling has been carried out in the project area to date. In the absence of actual geotechnical data, the slope parameters used for the optimisation have been calculated from a desktop study based on estimated rock strength properties of the various geological domains. In MM-C's opinion the 52^o overall wall angle used for the hangingwall is at the upper end of the range of likely final wall angles, particularly given the uncertainty surrounding the depth of weathering of the rock profile.

No statement is made in the 2008 PFS that any sensitivity studies have been carried out on inputs likely to impact the optimised pit shell, such as selling price, exchange rate or wall angles.

The mineral inventory for the design produced from the floating cone study is shown in Table 7.11.

Table 7.11 — Cape Lambert Iron Ore Project — 2008 PFS Pit Design Mineable Quantities

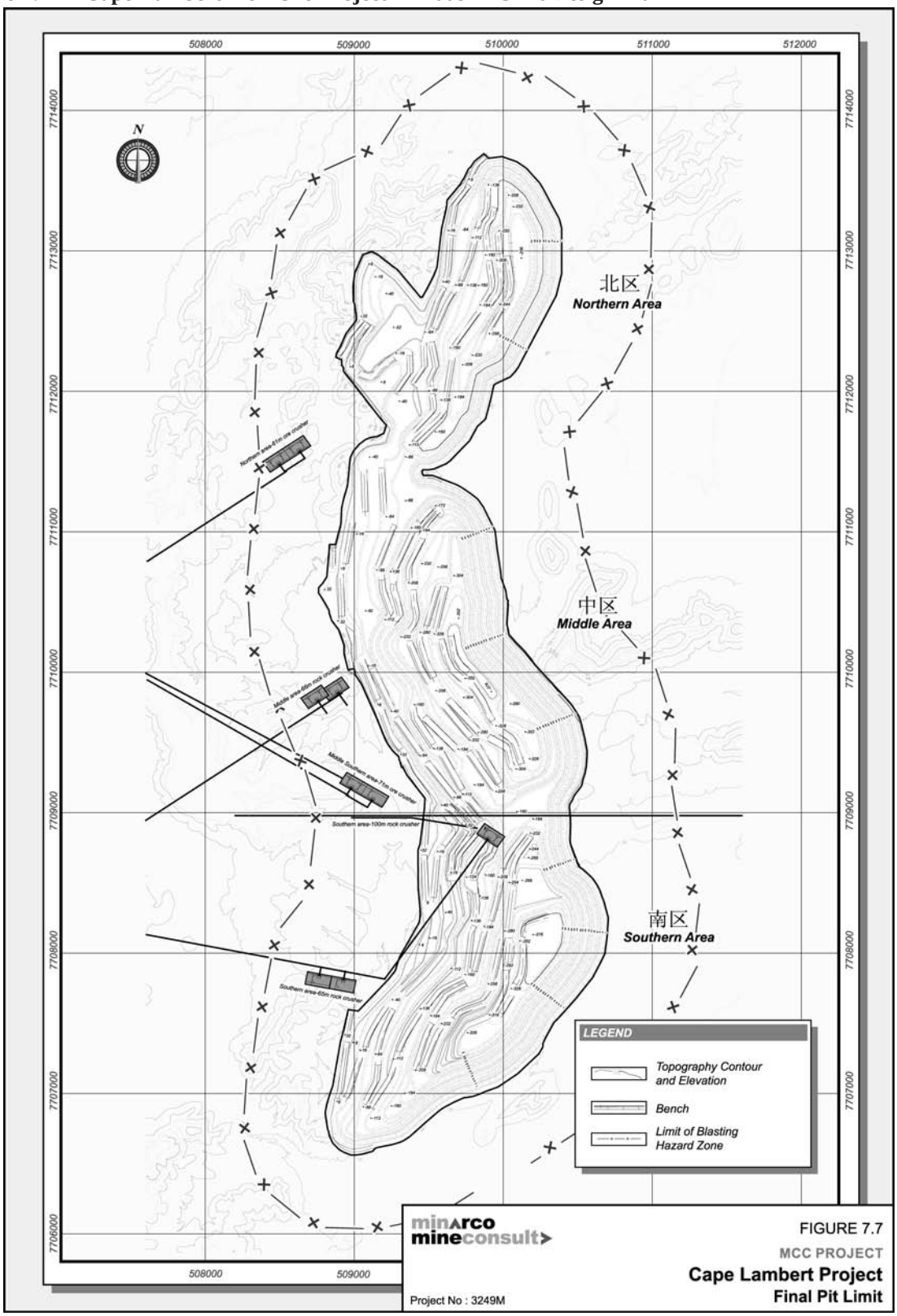
Region	Ore (Mt)	Waste (Mt)	Strip Ratio
Southern	606	989	1.63
Middle	486	1,146	2.36
Northern	221	569	2.58
Total	**1,313**	**2,704**	**2.06**

Source: NETC 2008 PFS Report
Note: Mineable Quantities composed of Inferred and Indicated JORC Resources. These are not JORC Reserves.

The design has been split into three regions which are planned to be mined sequentially, starting in the south and progressing towards the north on the basis that resource confidence is highest and strip ratio is lowest in the southern region of the deposit.

The pit design is shown in ***Figure 7.7***.

Figure 7.7 — Cape Lambert Iron Ore Project — 2008 PFS Pit Design Plan



The parameters used to design the pit are shown in ***Table 7.12***.

Table 7.12 — Cape Lambert Iron Ore Project — 2008 PFS Pit Design Parameters

Parameter	Value	Units
Bench Height	12	Metres
Berm Interval	24/36	Metres
Berm Width	5/14	Metres
Operating Face Angle	65	Degrees
Final Face Angle	70	Degrees
Haul Road Width	33	Metres
Ramp Gradient	8	Percent

Source: NETC 2008 PFS Report

The bench height, berm width and berm intervals result in an overall slope angle of approximately 52^{o} as used for the optimisation input. The eastern wall of the pit is designed to this configuration, whilst the western wall follows the flatter dip slope of the orebody. The road and ramp design parameters are appropriate for the size of the proposed truck fleet.

The ramp system incorporates a large number of switchbacks down the western wall of the pit to access the lowest benches of the pit. Given the flat wall angle used on the western side of the pit, there is potential to use a straighter ramp system with likely little increase in stripping requirements. A ramp system utilising less switch backs will be safer, will reduce wear on the truck fleet and will increase truck productivity due to higher average speeds. Potentially a redesigned ramp system could also reduce the number of crusher moves required by the current development strategy.

7.7 MINING

Cape Lambert will be a conventional open cut mine utilising a combination of truck/shovel and mobile crushing and conveying methods. Mining is to be carried out utilising contractors.

The overall development strategy is to commence mining in the southern area of the pit and then progress successively to the middle and northern areas. Initially waste will be placed in an ex-pit dump, however as development allows, waste will be backfilled into mining voids. Given this strategy, consideration needs to be given to ensuring that in-pit backfill is not sterilising potential future resource.

Ore will be hauled to semi-mobile crushing plants located either in-pit or immediately adjacent to the pit. Once crushed, the ore will be conveyed to the beneficiation plant for further processing. As mining progresses north, the crushers will be progressively relocated further north adjacent to active mining areas.

Waste will be hauled to semi-mobile crushing plants located near to those used to crush ore. The crushed waste will be conveyed to either external pits or in pit voids as the development schedule allows.

The decision to utilise a combination of hauling and crushing/conveying for waste movement is based on an economic comparison carried out in the 2008 PFS. Hauling waste directly to dumps using trucks was compared with hauling waste to nearby crushers and then conveying the crushed waste to dumps. This comparison found the latter option to be the most cost effective. Insufficient detail exists within the 2008 PFS document to determine the validity of analysis.

The load and haul fleet is proposed to consist of six $34m^3$ hydraulic face shovels and twenty one 365t haul trucks. In MM-C's opinion this fleet combination will provide sufficient capacity to achieve the required total movement initially. However it is MM-C's belief that a larger truck fleet than anticipated will be required to

maintain total movement targets once deeper sections of the pit are being mined. Further investigation is recommended.

Drill and blast is to be carried out utilising 6 drill rigs each drilling 100,000m/yr. Ore patterns will be drilled and blasted on a 7m by 8m pattern, whilst waste will be drilled on an 8m by 10m pattern. All patterns will use a 2m sub-drill. Sufficient drilling capacity has been allowed for using these pattern sizes to achieve the planned total movement requirements.

An appropriate amount of ancillary equipment including graders, water trucks, refuelling trucks, dozers, explosives trucks and other minor items has been allowed for to support mining operations.

No mention of planned grade control practices is made in the 2008 PFS document.

7.7.1 Forecast Production

Approximately two years of pre-strip is planned to take place at Cape Lambert. A proportion of the waste mined during this period will be used for site construction projects with the remainder being sent to an external waste dump located to west of the southern mining area. Ore will be primarily sourced from the southern mining area up until Year 16. From Year 16 through to Year 26 the main ore source will be the middle mining area, with waste being sent ex-pit until mining is completed in the south at which point the southern mining void will be backfilled. After Year 26, production will be derived from the northern mining area. Waste will be dumped ex-pit until final pit limits are reached in the middle mining area allowing in-pit backfill to commence.

The forecast mining schedule is shown in ***Table 7.13***.

Table 7.13 — Cape Lambert Iron Ore Project — 2008 PFS Mining Schedule

Item	unit	Year 0	Year 1	Year 2	Year 3-15	Year 16-22	Year 23-26	Year 27	Year 28	Year 29	Year 30	Total
Ore	**Mt**	0	0	16	48	48	48	46	46	37	16	1,313
Waste	**Mt**	45	127	114	82	101	115	88	74	21	7	2,703
Total	**Mt**	45	127	130	130	149	163	134	120	58	23	4,016
S/R	**t/t**	n/a	n/a	7.1	1.7	2.1	2.4	1.9	1.6	0.6	0.4	2.06

Source: NETC 2008 PFS

At full production, 15Mt of iron concentrate grading 65% Fe is planned to be produced. The concentrate grade has been assumed to remain constant throughout the life of the project, however the DTR results used to estimate concentrate recovery and grade in the resource model shows a total deposit average C_Fe grade of 61.8%. The C_Fe% grade varies from around 60% in the southern portion of the deposit to around 68% in the northern portion. The mass recovery of 31.8% demonstrated by the DTR results supports the project life of mine assumption of 31.25%.

7.8 MINERAL PROCESSING

Overview

The processing flowsheet is at an advanced conceptual stage, with possibly at least two more iteration's before it is frozen. This would mainly involve the silica rejection circuit and possibly the comminution circuit. Sufficient testing of an adequate standard has been undertaken for this stage of the project using reasonably representative ore samples of the proposed mining area. The measured ore characteristics as well as process testing results support the suitability of the proposed flowsheet as well as the interpreted metallurgical performance.

A Pre-Scoping Study (Met-Chem), focussed on the development of the flowsheet and a Scoping Study (MetPlant Engineering Services), developing capital and operating costs, have been conducted. This work was re-examined and updated in the NETC 2008 PFS.

The processing operation at Cape Lambert would be located near the mining operation within company owned leases. The process used to produce a marketable magnetite concentrate consists of two stages where the first stage would recover magnetite-silica composites from unwanted material. A standard magnetic separation process is proposed to produce a magnetic rich concentrate. This concentrate would be upgraded in the second stage by removing the silica as a concentrate using a standard flotation process. Further testing will identify any need for additional cleaning technologies. The tailings from this operation would be the final product and would be dewatered for transport. Both the magnetic separation tailings and the silica flotation concentrate would be pumped for storage in a tailings dam. The proposed 2008 PFS flowsheet is presented in ***Figure 7.8***.

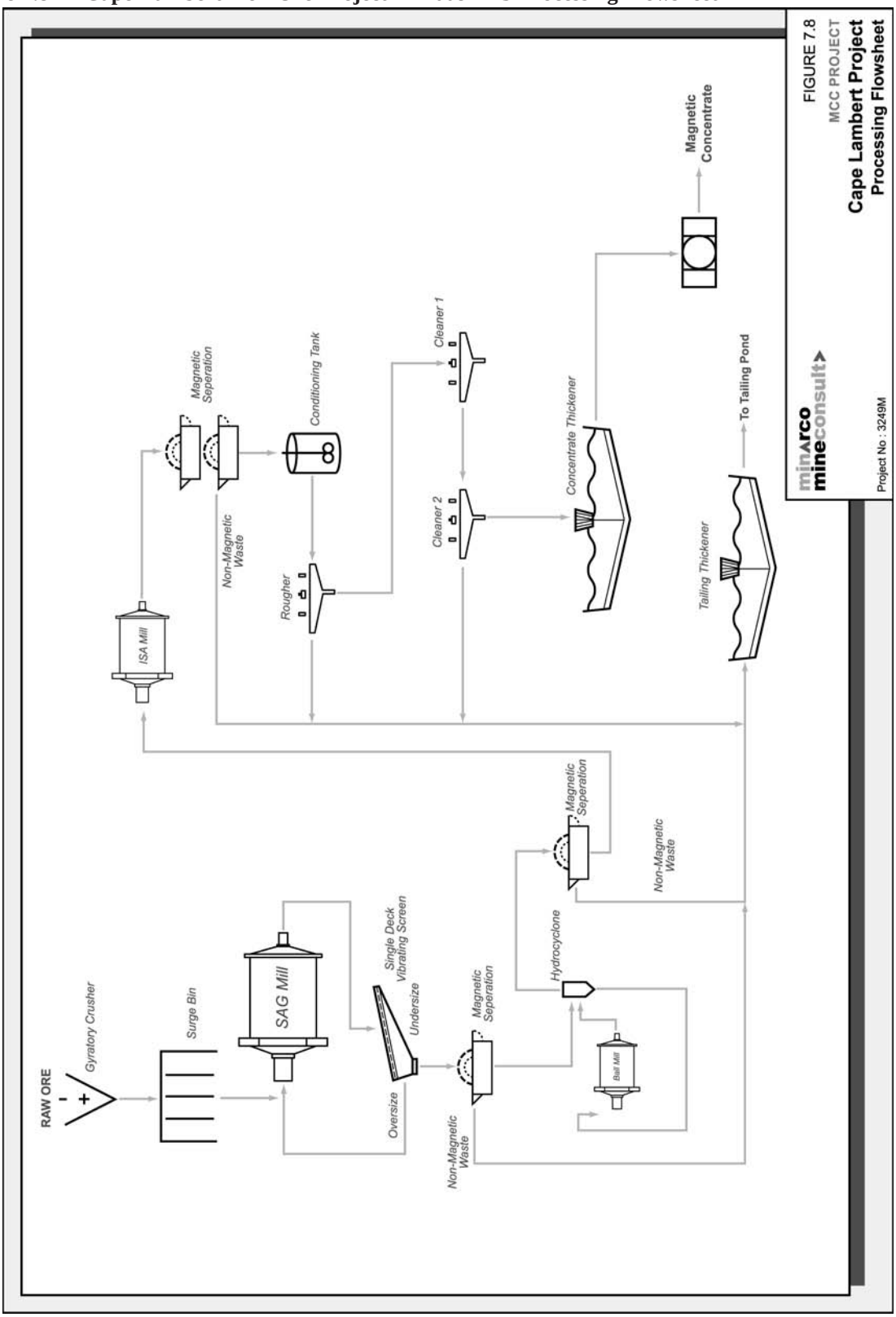
The proposed Cape Lambert processing facility will be a very large operation when in full production; processing 48 million tonnes of ore annually to yield 15 million tonnes of magnetite concentrate (refer to ***Table 7.14***). Overall, an iron recovery of 68.8% is projected into a magnetite concentrate containing 65% iron and weighing 31.25% of the original feed. The 2008 PFS anticipates that the received magnetite concentrate value would be USD$80/tonne over the first three of production (2012 to 2014), indicating a nominal annual revenue of USD$120 million (AUD$150 million).

Table 7.14 — Cape Lambert Iron Ore Project — Forecast Production

Material	Unit	2012	2013	2014
Run-Of-Mine (ROM)				
Production	t	16,000,000	32,000,000	48,000,000
Grade	% Fe	29.54	29.54	29.54
Magnetite Concentrate				
Production	t	5,000,000	10,000,000	15,000,000
Grade	% Fe	65.00	65.00	65.00
Total Iron Recovery	%	68.80	68.80	68.80
Mass Recovery	%	31.25	31.25	31.25
Forecast Price (exclude. Taxes)	US$/t conc	80	80	80

Source: Provided by CLIO, June, 2009.

Figure 7.8 — Cape Lambert Iron Ore Project — 2008 PFS Processing Flowsheet



Mineralogy

The Cleaverville Formation, which constitutes the deposit, consists of 15 stratigraphic units of which four main units host iron contents greater than 25% Fe. These units are identified by the waste mineral type, such as Jaspilite 1 and 2 and Black Cherty Banded Iron Formation (BIF) 1 and 2. Magnetite is the dominant mineral present and typically several microns in size and intergrown with mainly silica minerals. Ore near the surface also contains iron as hematite, siderite, goethite and limonite, which range in magnetic properties from moderate to weak and are not directly recovered during the recovery of magnetite.

The predominate gangue or unwanted mineral is quartz followed by carbonates, ankerite and grunerite. A feature of the ore types at Cape Lambert are the low phosphorus, sulphur, alumina and magnesia contents. Both drill cores and composite samples were used in testing, typically assaying 32.6% Fe, 38.9% Si and 26.3% magnetite. An interesting feature of the ore types was the Loss On Ignition (LOI), which can be relatively high due to the presence of iron carbonate (siderite). It was noted that the northern area ore types displayed higher LOI's and thus contained a higher quantity of siderite.

The iron and silica content of the drill core was found to increase with depth and makes the ore harder. At greater depths, it is likely that quartz would be the dominant form of silica. Harder ores would mean a small increase in grinding and media costs however higher grade magnetite concentrates.

Testing

The testing is of a suitable standard and scope for the current level of study. Both drill core and composite samples were used in testing and appear to be representative of the potential mined ores. Basic parameters such as mineralogical and physical properties have been identified as well as magnetic and flotation process options. Similar ore process responses and process flowsheet requirements were reported by all of the testing facilities.

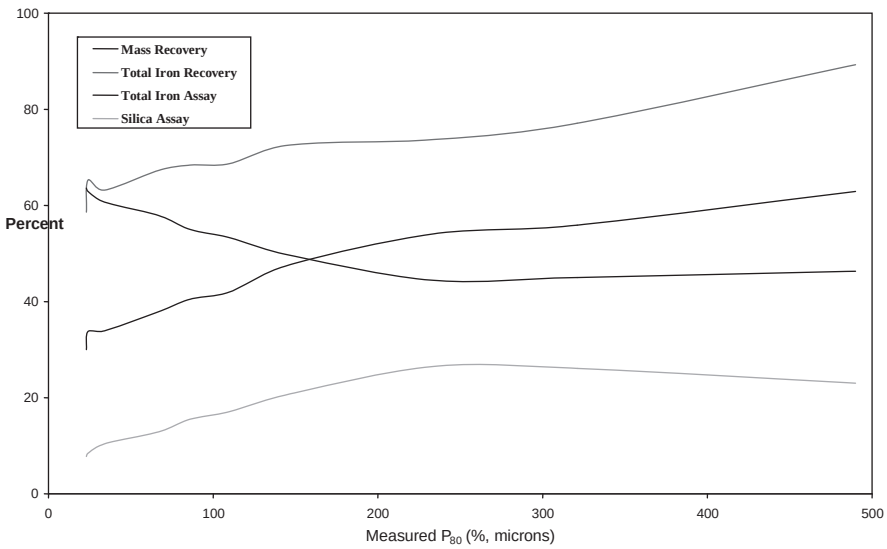
More testing would be required, particularly the determination of the dewatering properties of the tailings and magnetite concentrate streams. Fine tuning of the final milling circuit configuration in terms of equipment types (e.g. HPGR, SABC, etc.) and milling parameters through testing and milling simulations would be required in the next stages of the project development.

Ore type characterisation and the subsequent variation in process response deserves further investigation, particularly with respect to the non-quartz silica content. Confirmation of the capacities of various pieces of equipment, such as that of the third stage of magnetic separation, would be determined.

Previous testing on ores from this deposit was conducted by the Robe River Mining Company between 1994 and 1997. This work consisted of Davis Tube testing followed by flotation with RC and diamond drill core samples. A fine grind (20 microns) was needed to achieve a reasonable magnetite-silica separation, while the silica content could be decreased to below 5% by flotation of the magnetite concentrate.

More recent testing determined the mineralogical properties of a number drill cores as well as determining the physical properties (METS, March 2009). CLIO ore types were found to be hard and abrasive. Davies Tube testing was conducted where the iron and silica content as function of size and after treatment in a Davis tube to produce a magnetic concentrate (refer to ***Figure 7.9***). It was noted that to achieve any increase in the iron content, grinding to below 200 microns is required and that to reach a marketable concentrate grade at a relatively high recovery is only possible below 25 microns.

Figure 7.9 — Cape Lambert Iron Ore Project — Davis Tube Testing



Pneumatic flotation testing was recently conducted by Maelgwyn Mineral Services, examining the chemical and flotation environment for the production of a marketable magnetite concentrate. Initial testing indicated that a relatively low silica magnetite concentrate at reasonable iron recoveries was possible. More flotation testing was recommended. As an equipment supplier, this type of testing provides a basis for both equipment and process performance guarantees.

Flowsheet

The flowsheet is depicted in ***Figure 7.8***. It depicts a classical and well established processing approach to the production of a magnetite rich concentrate from a fine grained admixture of magnetite and silica. The selected processing approach is reasonable based on the ores tested and practice elsewhere in the world.

To achieve high iron concentrate grades, these ore types need to be finely ground to liberate the individual magnetite grains, necessitating a large quantity of milling capacity. Sequential size reduction would be employed, where after each stage of grinding, magnetite separation is used to recover magnetite and discard unwanted material. This approach allows the use of smaller equipment with each subsequent processing stage by rejecting unwanted material early as possible in the processing flowsheet. This results in lower capital and operating costs.

ROM ore (F_{100}=1,200mm) would be reduced to 80% passing 175mm by two 60" by 89" mobile gyratory crushers and stored on a stockpile with 410kt live capacity (2.8 days of production). Ore from the stockpile would be fed to five parallel processing lines each consisting of a 36' Ø by 22' SAG mill (16MW motor and P_{80}=850microns) and four primary magnetic drum separators (7.5kW) to recover magnetite from the undersize stream. The oversize stream as well as the primary magnetic separator tailings would report to a 7.2m Ø ball mill (14.5MW motor and P_{80}=850microns) where the overflow would be upgraded in a secondary magnetic drum separator and the concentrate deslimed in 16m Ø vessel (65% solids underflow). The underflow would be further reduced in size using an ISA fine grinding mill (2.6 MW motor and P_{80}=20microns) and processed with four tertiary magnetic double drum separators (7.5kW).

The tertiary magnetic concentrates would report to a pneumatic flotation separation stage consisting of three parallel circuits with a roughing and two cleaning stages where the silica is removed as a concentrate. The final

concentrate would be dewatered to 65% solids in two 70m Ø thickeners and stored in two agitated 19m Ø x 21m tanks before pumping 8 km to the filtration facility located near (0.7 km) the port. Sixteen filter presses would reduce the moisture content of the magnetite concentrate to 10% for storage on the concentrate stockpile (436.2kt and 9 days production). Concentrate would be recovered by a reclaimer (5,000tph) and transported by conveyor for to the load-out facility where barges would deliver the product to ships.

The final tailings, consisting of all the primary magnetic separator tailings, deslimer overflow and the second cleaner flotation concentrate would be dewatered in three 80m Ø thickeners to 57% solids and pumped for storage in tailings dam.

The technical challenges may be summarised as follows:

- A very large scale operation where the size of some of the separation circuits may prove challenging (e.g. fine grinding, filtration,...)
- The silica removal flotation circuit may prove a challenge when quartz makes up less of the silica content

Achieving design metallurgy would be the first task upon commissioning the operating plant and ramping up to full production over the first three years. Assuming no significant design or construction fault is encountered during this time, a better understanding of the equipment performance as well as the processing flowsheet would lead to improvements in throughput and concentrate grade. Ideally over this time, the ore blend produced by mining would exhibit reasonably constant physical and chemical properties, limiting the tasks to mainly fine tuning, such as training, procedures, small equipment upgrades or re-directing piping.

Equipment Selection

The 2008 PFS has selected predominantly western equipment, which trades proven reliability against capital costs. Based on M-MC's experience with projects where MCC is actively involved, further studies would be focused on both finalising technological issues and significantly driving down both capital and operating costs. It is likely that many of the technologies can be replaced by Chinese manufactured equipment with proven performance records, which would significantly lower capital costs without sacrificing too much productivity or process performance.

In the 2008 PFS, established comminution technologies, such as crushers, screens, hydrocyclones and particularly SAG and Ball mills, are employed which are well understood and can be correctly sized. The potential ISA mills also have a demonstrated operational track record, proving to be an effective technology. It is, however, expensive technology and is bundled with Intellectual Property matters. There a number of competitive fine grinding technologies, such as tower mills, that may offer a more satisfactory and lower capital cost solution.

In later studies, it would be expected that the SAG mills would be replaced by ball milling, which is a comminution technology that is more familiar with Chinese operators and manufacturers. This may require the introduction of another crushing stage however overall may lower both capital and operating costs.

The use of pneumatic flotation is a good process equipment choice for the flotation separation of the silica from magnetite. While some mixing is required during the flotation separation, excessive agitation (e.g. mechanical) can affect the quality of this type of separation. The proposed equipment is proprietary German technology and offers a number of features. A competitive and better known technology is column flotation, which may offer similar performance at lower costs.

Process Processing Opportunities

Three processing opportunities are proposed, with the ability to improve the concentrate grade being the most attractive during the first three years of production; thereafter, recovering the non-magnetic iron oxides may become attractive:

- The ability to increase the concentrate grade by 1 or 2% iron may improve both the marketability and value of the magnetite concentrate. This would appear achievable, however probably at the expense of iron recovery.
- Conversely, improving iron recovery would most likely decrease concentrate grade.
- After the primary goal of magnetite production has been achieved; consideration of recovering the non-magnetic iron oxides into a saleable concentrate. Two standard processing options may be suitable and would require confirmation by testing. Only moderate capital expenditure would be required due to the mineral liberation that occurred during the recovery of the magnetite. This process opportunity would enhance both revenues and project economics.

Potential Processing Risks

Besides the standard processing risks, such as the representivity of ore samples, variability of potential ore types as well as the potential comminution and dewatering circuit performances, a major risk is associated with the silica rejection stage. If insufficient silica is removed, the quality of the final magnetite concentrate would be decreased in terms of a lower iron content and an increased quantity of silica. This would not only lower revenue in some ore types but could also result in an unsalable concentrate being produced.

The success of this flotation separation stage is based on the presence of the silica as quartz, since other forms of silica do not respond satisfactorily. It would appear that silica occurs as a number of non-floatable minerals in a number of ore types, thus limiting the amount of silica that can be rejected by this separation technique. Further research would be focused on characterising these ore types in terms of the number and mineable quantities as well as physical properties, variability and process response. Low mineable quantities would mean that blending may well solve this problem. Larger mineable quantities of a number of troublesome ore types would require the investigation of other separation techniques, such a flotation, de-sliming and magnetic separation.

7.9 INFRASTRUCTURE AND SERVICES

The Cape Lambert Iron Ore Project would require the installation of a significant amount of infrastructure, namely a power plant, a desalination plant, port facilities, a camp site as well as the buildings, offices and warehouses. Another aspect of the project development is the relocation of existing infrastructure.

The estimated drawn power load of 255.5MW would be supplied by a 369MW (300MW nominal capacity) gas fired power plant consisting of five CCGT and 2 OCGT units. The breakdown of the required power distribution is shown in ***Table 7.15***. This is a sensible approach to the provision of power since massive gas resources as well as pipelines are located very close to the project. Natural gas provides the best opportunity to supply significant quantities of low cost energy with a low carbon footprint. The estimated power cost of US$120/MW is a little high however probably realistic if the recovery of capital is included.

Table 7.15 — Cape Lambert Iron Ore Project — Estimated Power Requirements

Project Area	Unit	Installed Power	Drawn Power
Mining Operation	MW	55.19	39.26
Processing Operation	MW	254.45	205.66
Filtration Operation	MW	14.47	10.59
Total	**MW**	**324.11**	**255.51**

Source: CLIO Preliminary Pre-Feasibility Study, June 2008.

It is proposed to build a desalination plant located in the vicinity of the concentrate filtration facility to supply water of a suitable quality to the operation. The project water requirements including water quality by area was not disclosed in the 2008 PFS. It may be possible to reduce the size of the desalination plant since the primary demand for high quality water would be for flotation and personnel needs.

A number of options have been considered with regard to the port and transport options. It is proposed to build a temporary port near the concentrate filtration and storage area (4.5km north of the mine) and barge the concentrates to an off-shore ship for delivery to the market.

A residential area is proposed 5.5km to the southwest of the processing facility for 800 people. Houses will be provided for permanent staff while portable housing would be utilised for peak labour periods, such as during maintenance and project closure. A high quality residential environment and facilities is planned to attract and retain staff.

A number of roads allowing site and internal access are proposed. Permanent access to the project facilities would be constructed from the nearby Dampier-Roebourne highway. The 15km road to the concentrate filtration facility would require water culverts, particularly when crossing the tidal flats.

Three pieces of existing infrastructure are required to be re-located, namely a railway line, two power lines and a gas pipeline. Discussions with the infrastructure owners have been initiated and an associated scope of work outlined. Confirmation drilling is planned to confirm the new railway line route while the pathway for the power lines has been determined. With Horizon Power's approval, 20km of 220kV and 12km of 132kV powers lines would need to be relocated. More work is required concerning the re-location of the buried gas pipelines.

The cost of these infrastructure re-locations does not appear to have been included in the capital cost estimate supplied by MCC.

The assumptions for the tailings dam requirements appear to be satisfactory for this level of study; a number of geological and hydraulic studies would be conducted before the final location, design and capital costs can be forecast more accurately.

7.10 CAPITAL AND OPERATING COSTS

The estimated capital costs based on the use of Western manufactured equipment under remotely located Western Australian construction and installation costs to an appropriate standard for an operation producing and processing 48Mtpa of ore are shown in ***Table 7.16***. The total project capital cost is estimated to be AUD$3,773 million. The cost is dominated by the processing plant costs, representing 38.44% of the total investment cost. Another 10.97% would be required to dewater, store, reclaim and ship the magnetite concentrate for export. The proposed infrastructure also would be a significant cost centre, with 25.54% needed for the power station and desalination plant.

Table 7.16 — Cape Lambert Iron Ore Project — Estimated Capital Costs

Cost Centre	AUD (million)	Percent
Auxiliary Mining Facilities	175.45	4.66
Processing Plant	1,450.50	38.44
Tailings Dam	61.10	1.62
Concentrate Handling	210.17	5.58
General Infrastructure	59.44	1.56
Harbour	203.62	5.39
Power Station	587.59	15.57
Desalination Plant	376.01	9.97
Campsite	144.57	3.81
Pre-Construction	504.66	13.38
Total	**3,773.10**	**100**

Source: CLIO Pre-Feasibility Study, June 2009.

The breakdown of this proposed capital expenditure in terms of project activities is shown in ***Table 7.17***. The dominant area of capital expenditure requiring 40.5% of the total investment is the purchase of equipment, followed by construction and installation costs at 34.49%. This figure also includes a rather small contingency of 17.28%, which is low for an engineering study at this early stage (typically 30 to 50%). Additionally, the design management cost, which presumably includes construction, installation, commissioning and training costs, is reasonable at 7.5% of the total project costs.

Table 7.17 — Cape Lambert Iron Ore Project — Activity Capital Cost Breakdown

Cost Centre	AUD (million)	Percent
Construction	1,053.22	27.91
Installation	300.90	7.95
Equipment	1,364.56	36.17
Design Management	212.20	5.62
Other	445.71	11.81
Contingency	396.51	10.51
Total	**3,773.10**	**100**

Source: CLIO Pre-Feasibility Study, June 2009.

There is only a modest small capital allocation (AUD $175.45 million) for mining, indicating that the mining would be contracted out and be expensed as an operating cost. This philosophy may change during the final stages of the project development and if ***'owner operated'*** mining is preferred, then it would be expected that substantial capital (circa AUD$750 million) would be required to acquire the appropriate mining fleet.

As noted earlier, the application of the Chinese project approach would be expected to significantly lower capital costs and possibly operating costs. This would consist of sourcing Chinese equipment with proven performance records and is some cases, changing the equipment selection. For example, it may be expected that the SAG mills would be replaced by Ball mills, which is a comminution technology that is more familiar with Chinese operators and manufacturers. This may require the introduction of another crushing stage however overall may lower both capital and operating costs.

The proposed expenditure for purchase of the equipment and subsequent construction, installation and management costs is spread over four years, with an initial outlay of AUD$500 million during 2010 (refer to

Table 7.18: AUD$1 = USD$0.80). The estimate is based on construction starting sometime in 2009 and this is unlikely to be the case. It is possible that the project timetable may be delayed by one or two years, depending on the speed with which necessary licenses and approvals are processed by regulatory agencies and other interest groups.

Table 7.18 — Cape Lambert Iron Ore Project — Capital Cost Expenditure Timetable

Cost (AUD million)	2010	2011	2012	2013
Expenditure	500	1,500	1,500	277
Total	**500**	**2,000**	**3,500**	**3,777**

Source: Provided by CLIO, July 2009.

The estimated operating costs at full production would be AUD$18.42/ROM tonne as presented in ***Table 7.19***. The processing costs dominate operating costs (45.30%) followed by mining costs (30.30%). It appears that the power costs for the processing have not been included, some, AUD $3.50 /ROM tonne, based on AUD $120MWh. This suggests that the overall operating cost would be around AUD $21-22/ROM tonne, which is reasonable.

Table 7.19 — Cape Lambert Iron Ore Project — Estimated Operating Cost

Cost Centre	AUD/ROM t 2012	2013	2014	Percent
Mining	**5.565**	**5.565**	**5.565**	**30.30**
Auxiliary Material	N/A	N/A	N/A	
Water & Power	N/A	N/A	N/A	
Labour	N/A	N/A	N/A	
Maintenance	N/A	N/A	N/A	
Other	N/A	N/A	N/A	
Processing	**8.32**	**8.32**	**8.32**	**45.30**
Consumables	3.888	3.888	3.888	
Water & Power	3.004	2.60	2.60	
Labour	0.389	0.35	0.35	
Maintenance	1.04	0.53	0.53	
Depreciation	N/A	N/A	N/A	
Other	0.1	0.1	0.1	
Resource tax (6% of income)	**1.88**	**1.88**	**1.88**	**24.40**
Administration	**0.6**	**0.6**	**0.6**	(at full
Other	**1.64**	**1.64**	**1.64**	production)
Sale Expense (exclude. Transport)	**0.48**	**0.48**	**0.53**	
Total	**18.37**	**18.37**	**18.42**	**100**

Source: CLIO Pre-Feasibility Study, June 2009.

7.11 SAFETY AND ENVIRONMENT

The mining site is located approximately 20km east of Karratha in the northwest of West Australia. This area is an established iron ore mining and shipping region. The environmental and social aspects of the Cape Lambert Iron Ore project are based on a raft of Australian and Western Australian legislations. These regulations provide guidelines in terms of acceptable standards with respect to indigenous, health, safety, water, conservation, contamination, soil and wildlife matters. In addition, due cognisance have been paid to climatic (e.g. cyclones) and fire safety factors in the design and operation of all facilities.

The primary ecological impact sand pollution sources have been identified as:

- Those arising from the construction land use
- Surface water
- Air pollution (dust from ore crushing, storage and hauling and drying slopes of tailings dam) and waste gas (power station)
- Environmental impact of waste rock and tailings dam material
- Sound pollution (crusher, fans and trucks)

Measures for the control and management of water around the site have been proposed while traditional solutions to the dust, waste gas and sound pollution issues would be applied.

The proposed investment for environmental protection is 9% of the total investment or AUD$248.73 million. The breakdown of this proposed expenditure is shown in ***Table 7.20***.

Table 7.20 — Cape Lambert Iron Ore Project — Environmental Protection Costs

Cost Centre	AUD (million)	Percent
Land & Ecology Restoration	115.20	46.3
Process Water System	29.30	11.8
Tailings Dam	53.89	21.7
Dust Suppression	3.74	1.5
Sewerage Disposal	4.74	1.9
Noise Control	6.50	2.6
Environmental Monitoring	0.85	0.3
Landscaping	34.51	13.9
Total	**248.73**	**100**

Source: CLIO Preliminary Pre-Feasibility Study, June 2008.

No reference was made to the Environmental Impact Statement (EIS) which underpins all site development. This document would describe all the environmental management practices and potential remedies, including remediation of the site after completion of the project. Additionally, a number of agreements and permits, such as the gas supply agreement, the port facility and the location of the desalination plant, would need to be obtained.

7.12 REFERENCES

Met-Chem, 2007: Cape Lambert Iron Ore Ltd. Pre-Scoping Study for the Cape Lambert Project. Met-Cem Canada Inc report prepared for Metplant Engineering Services Pty Ltd dated August 2007.

MePlant, 2007: Cape Lambert Iron Ore Ltd. Scoping Study for the Cape Lambert Project, Volume 1-Report. MetPlant Engineering Services, dated April 2007

Maelgwyn Mineral Services, 2007: Flotation Testwork Report for SiO2 Reduction of a Magnetite Concentrate from Cape Lambert Iron Ore Ltd, Western Australia. Maelgwyn Mineral Services, dated November 2007.

IML, 2007: Grind Recovery Testwork for Cape Lambert Iron Ore Ltd. Independent Metallurgical Laboratories, dated May 2007.

Golder, 2007: Resource Model Update, Cape Lambert Iron Ore Deposit, Western Australia. Golder Associates report to MCCAH dated February 2008.

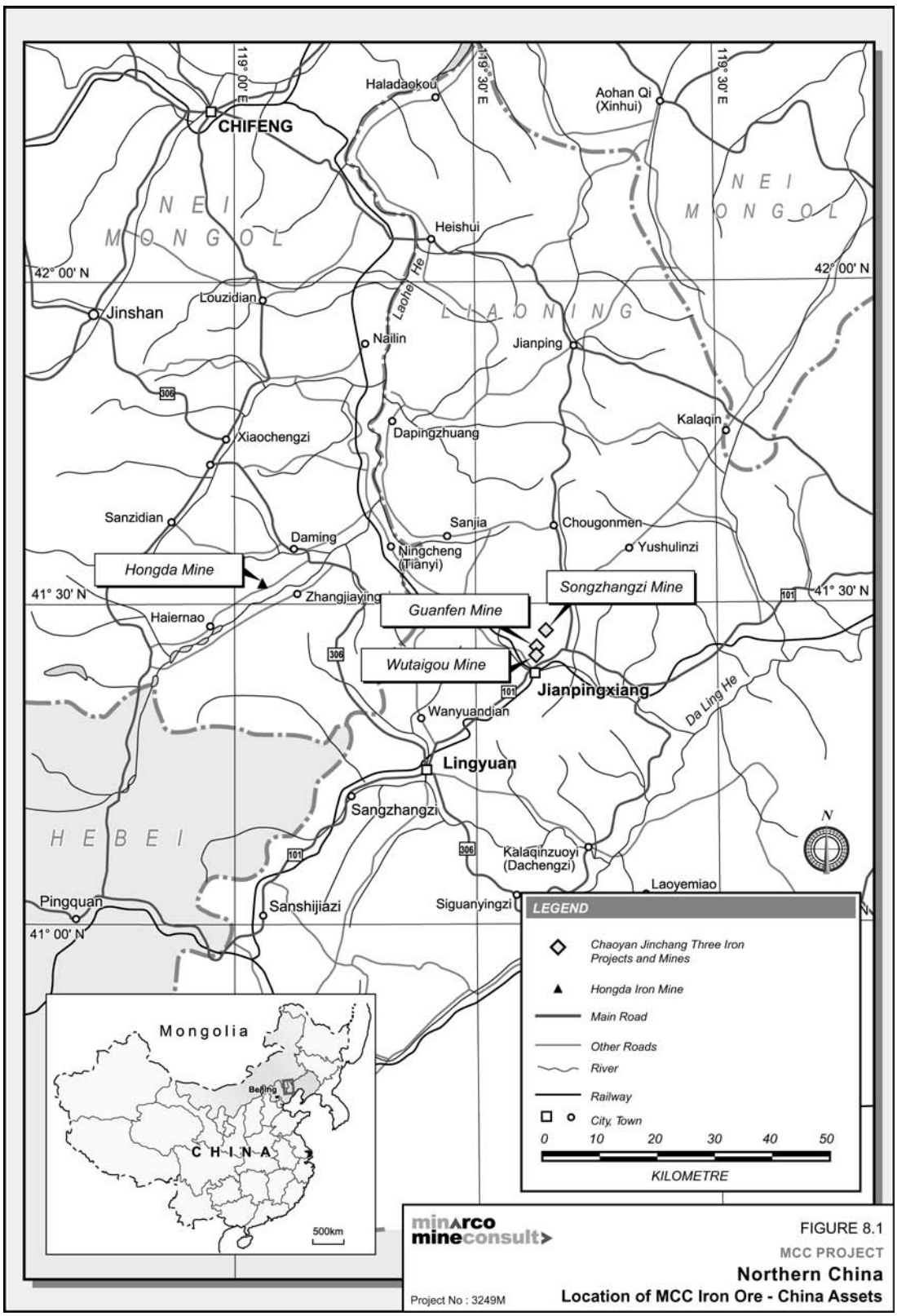
APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

NETC, 2008: Cape Lambert Magnetite Iron Ore Project Pre-feasibility Study Report. Northern Engineering & Technology Corporation, MCC report dated September 2008.

Golder, 2009: Resource Model Update, Cape Lambert Iron Ore Deposit, Western Australia. Golder Associates report to MCCAH dated March 2009.

METS, 2009: Preliminary Metallurgical Testwork Summary Report. Cape Lambert Magnetite Project. Mineral Engineering Technical Services, dated March 2009.

Figure 8.1 — Chinese Domestic Iron Ore Mines Locations



8 JINCHANG MINING ASSETS

M-MC carried out site inspections of these properties in February 2008 to review the resources, processing and mining. In March 2009 M-MC carried out a final site visits to review recent changes to resources, as well as update the current operational status. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "2007, Feasibility Study on Renovation and Extension Projects for Ore Mining and Separating of JianPing Northern Mining Industry Co. Ltd., NETC".
- "July 2008, Songzhangzi Iron Ore Resources Review Reports" prepared by Liaoning 3th Geological Team 2008 Resource Reserve Report).
- "Dec 2008, Songzhangzi Iron Ore Excavation Project Feasibility Study" prepared by MCC North Engineering Technology Co. Ltd.

MCC's effective equity stake in the Jinchang Assets is 85.1%. (85.1% of a subsidiary owning 100% stake in the project)

8.1 BACKGROUND

Various iron ore mines owned by Chaoyang Jinchang Mining Group Co. Ltd (CJMG) are located in Jianping County of Liaoning Province, Northern China, ***Figure 8.1.*** These assets collectively referred to as the "Jinchang Mining Assets" are both disseminated and lode type magnetite (Fe_3O_4) deposits, and include the following iron ore projects:

- Guanfen Iron Ore Mine (Open cut);
- Wutaigou Iron Ore Mine (Open cut);
- Songzhangzi Iron Ore Mine (Underground);

The mining area is located within the sub-drought area of the northern temperate zone with continental monsoon climate. Temperature ranges from -36.9°C to 40.0°C with sub zero temperatures occuring from November to March. The annual average precipitation is 443.4mm, with 70% occurring from June to August. The mine area has undulating topography with elevations generally ranging from 465m to 500m above sea level. The vegetation cover is sparse with considerable exposure of rock.

These projects are located within a small area of 5km^2. Guanfen and Wutaigou Mines are located to the SW and the Songzhangzi Mining Area is located 5km to the NE. A central processing plant and dispatch facility is located between the open cut and underground mining areas as shown in ***Figure 8.2.***

Ore processing for soft ores (now not operating) comprised two stages; a dry magnetic pre-concentration process (Stage 1), located at the individual open cut pits and a wet separation process (Stage 2) in the central processing area. The processing aspects for the Jinchang Assets are described in ***Section 8.9.***

Operating and capital costs for the Jinchang Assets are discussed together in ***Section 8.11.***

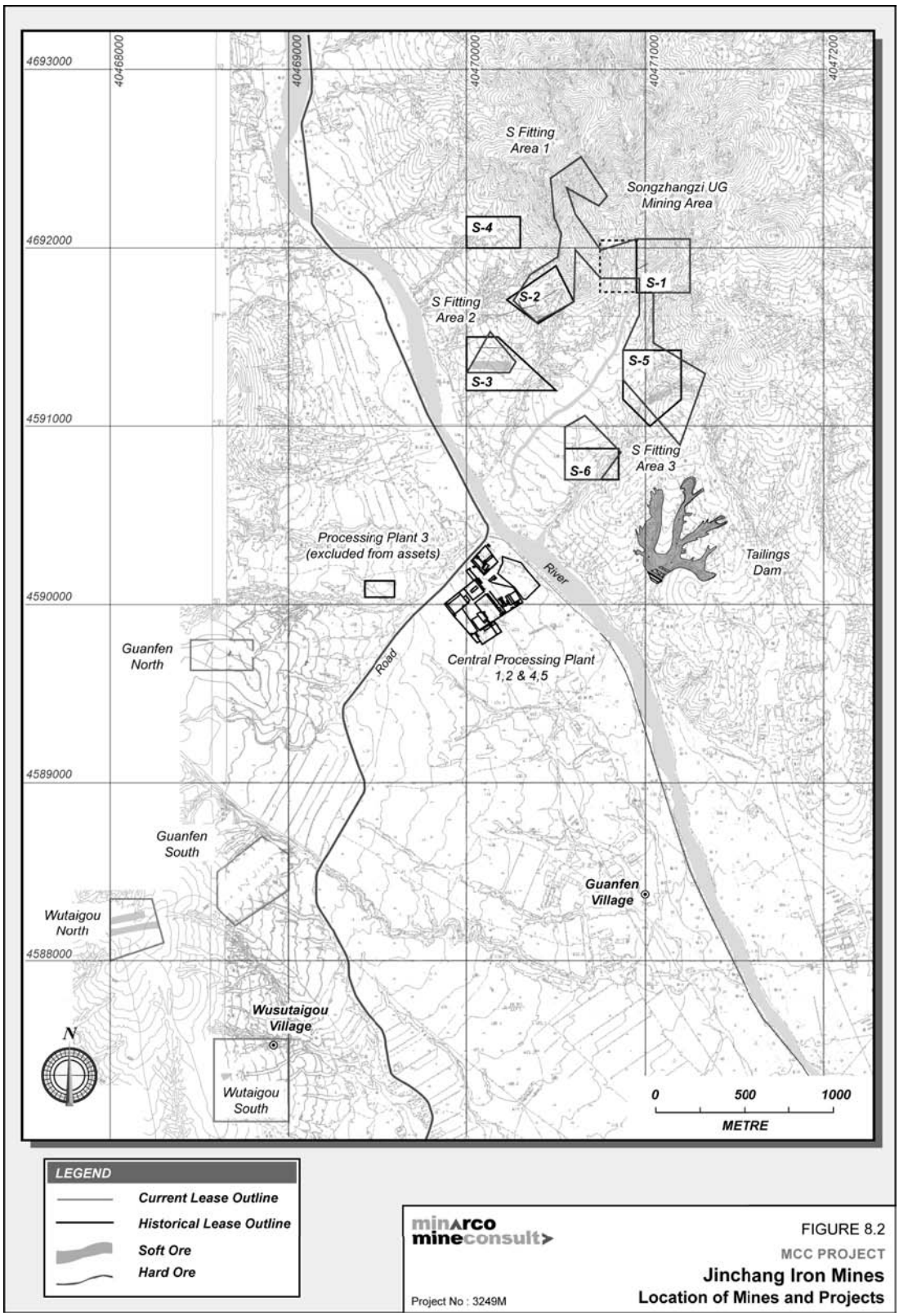
The Chinese institutes report the term "ore" as economically extractable magnetite iron ore. The latest reporting of resources by the Third Geological Team of Liaoning Province (The Institute) has removed all 'soft ore' due to the current metal prices and the low grades, however 'hard ore' resources still remain for the Wutaigo and Songzhangzi mining areas. Current total overall production costs of greater than 500RMB/t product for hard ore types may be uneconomic, and this was supported by concentrate stockpiles (approximately 7,000t) located at the processing plant which remains unsold.

8.2 ASSETS

During the site visit conducted in March 2009, the assets included:

- 1 operating underground shaft;
- 1 newly developed shaft (not operating);
- 1 inclined drift (abandoned);
- 4 open cut pits (not operating);
- Multiple Stage 1 magnetic separation dry processing plants (not operating);
- 1 operating wet processing plant (Stage 2 — crushing, grinding and magnetic separation); and
- 3 "dormant" smaller wet processing plants.

Figure 8.2 — Jinchang Mining Assets — Location Map



8.3 LAND TENURE AND MINERAL RIGHTS

The Liaoning Province Department of Land & Resources granted CJMG the mining rights to the various projects (Guanfen, Wutaigou and Songzhangzi) on November 20, 2006. An updated mining lease was granted in January 2009 covering all three projects under one license. Details are shown in ***Table 8.1***.

Table 8.1 — Jinchang Mining Assets — License Details

Mine/Project	Jinchang Mining Assets
Title	Mining License
No	2100000910006
Owner	CJMG
Mine/Project Name	CJMG of MCC, Songzhangzi Mine
Mine Method	Open cut/Underground
Permit Capacity	80 ktpa
Permit Area	1.072 km^2
Permit Depth	550mRL — 410mRL (UG planning 450mRL to 420mRL)
Valid Date	Jan,2009 — Jan,2010
Issue Date	Jan,2009
Issuer	Liaoning Province Land and Resource Bureau

Source: Formal documentation

Note: One License includes all mining areas.

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

8.4 REGIONAL GEOLOGY

The regional structural feature is a deep, crustal fault which separates medium and high-grade metamorphic rocks of Archaean age to the north from Mesozoic age carbonate, clastic and volcanic rocks to the south.

The host for magnetite enrichment and emplacement of discrete magnetite-quartzite lodes is amphibolite gneiss, within the Archaean metamorphic complex adjacent to major fault structures. Metamorphic texture (gneiss foliation) is generally east-west, varying to north-east and north-west. Dips are generally steep southerly at approximately 70 - 80°.

Magnetite (Fe_3O_4) is an oxide of Fe and is the most magnetic of all minerals. The common term is "lodestone". Magnetite reacts with oxygen (oxidises) to form hematite (Fe_2O_3) which does not report to magnetic product. Mineralisation in the Jinchang Iron Ore deposits is characterised by magnetite enrichment within the host gneiss which has background grades of magnetite (estimated at $<$2%). Mineralisation is controlled by faulting forming possible pathways or tectonic zones for magnetite enrichment.

At the Songzhangzi Underground Mine (Area S2), high grade ore lenses (termed "lodes") up to 4m wide within the enriched structure are being mined by conventional underground methods. The underground mines are mining extensions of the orebodies down dip and down plunge from the abandoned surface (open cut) mines. In the old open cuts, there is evidence that softer wall zones were mined as low-grade magnetite ore.

The area is covered by a regolith (soil and weathered rock) up to 5m thick. The regolith consists of light clay soil overlying bleached clay / saprolite layer grading to thick gravely soils overlying saprolitic bedrock. Weathering extends to a depth of some 30m. The gravels are poorly sorted and consist predominantly of blocks, cobbles and pebbles of gneiss and magnetite-quartzite.

At the dormant Guanfen and Wutaigou Open Cut Mines, the regolith was previously mined and dry-treated through several small scale plants to produce a concentrate carrying in the order of 20%mFe, magnetite (site advice). This beneficiation process was achieved by coarse screening and two-stage magnetic roll / belt separation. Remnant pods of hard ore report to lump and this material was stockpiled for delivery to the central processing plant. Reject from magnetic separation was discarded.

The magnetite-quartzite mineralisation is termed by local operators as "soft ores" and "hard ores", based on physical mineability, i.e. soft ores are open cut resources and hard ores are underground resources. There are remnant pods of hard ore within the soft ore which report to lump in the Stage 1 process. For the soft ores, Fe grade is reported as mFe (magnetic iron content), as magnetite (the predominant material) is easily separated in processing. For the hard ore, Fe grade is reported as TFe (total iron content) which includes some paramagnetic material. The concentrate grade represents total magnetic iron or TFe. This includes up to 15% paramagnetic material.

8.5 GUANFEN IRON ORE MINE

8.5.1 Background

The Guanfen Open Cut Mine operation was commenced in 2006 by a private company then acquired by Northern Engineering & Technological Corporation in late 2006. CJMG was granted tenure in 2006. Open cut mining ceased in late 2008 due to falling commodity prices, low ore grades and lack of 'soft' ore resources.

Small scale surface mining had taken place by local residents which now, has mostly been incorporated into the current open cut pits. Mining operations were from two separate pits using truck and shovel methods.

The magnetite deposit consists of two separate Mining Areas (rights). The main South Pit (Mining Area 1) consists of 2 'ultra lean' (low grade) Fe ore zones named mining stope CK1. CK1 dips to the northwest at between 76° and 78°. The two ore horizons are approximately 50m and 100m wide.

The North Pit (Mining Area 2) consists of 1 'ultra lean' (low grade) Fe orebody and it is named CK2. CK2 dips to the south-southwest at between 78° and 80° and has an average width of 36m.

Open cut reserves (soft ore) are currently depleted and long term production is dependent on the mineability of the harder ore and the metal price. Further exploration could increase the availability of soft ore sources, but at present this has not been completed. During the site visit, there was evidence of historical underground mining in the Guanfen South Pit, but information obtained from site personnel, indicated that there are no future plans for any further underground activity. Open cut mining has been completed to a depth of approximately 30m below the surface.

8.5.2 Geology

Orebody characteristics are summarised in ***Table 8.2***.

Table 8.2 — Guanfen Iron Mine — Orebody Descriptions

Mining Area	Location	Mining Stope Name	Orebody Type	No. of Orebodies	Max. Thickness (m)	Dip Angle (°)	Mining Method & Status
1	South	CK1	Zone	2	105	76-78 NW	Open cut — abandoned
2	North	CK2	Zone	1	44	78-80 SSW	Open cut — abandoned

Notes: Sourced from site information

Two separate irregular open cut pits (approximately 1.5km apart) have been developed to extract weathered or "soft ore" in three identified bands of magnetite-quartzite mineralisation which represent the ore zones at

Guanfen. The pits initially stripped the regolith and extended about 25m into saprolitic gneiss. The open cut "reserves" have been depleted. Small piles of hard, blue / grey magnetite gneiss and quartz magnetite rock were observed on the floor of the pits. These piles may represent fresh, unweathered "hard ore".

The three identified ore zones consist of magnetite bearing amphibolite gneiss lenses with approximately 350m strike length ranging in width from 30m to 105m and dipping steeply. These ore zones occasionally include irregular, lenses of higher grade quartzite-magnetite. The Guanfen South Pit was based on two soft ore type magnetite gneiss bodies with grades of 7-14%mFe which are approximately 50m and 100m wide respectively and strike NE. Guanfen North Pit was based on a single magnetite-gneiss ore zone striking NNW with a width of 50m.

Faulting with displacement of 20m in OB2 (South Pit) is evident on plans.

Geological Risks include:

- Some faulting, and
- Lack of definition of extensions of ore at depth

Geological Opportunities include:

- Additional open cut In Situ Quantities may exist as extensions along strike ore zones outside mining areas,
- Thinner lodes may be recovered by opportunity if located near mining development, and
- Exploration may identify additional ore zones, thicker intersections and deeper ore.

Figure 8.3 — Guanfen Iron Mine — Topography and Geology

8.5.3 Mining

The Guanfen Mine comprises of two small leases referred to as the South Pit (Mining Area 1) and the North Pit (Mining Area 2). Both these areas are currently dormant. The South Pit is the oldest and largest of the two Guanfen pits. The mining method used was a conventional open cut mining technique utilising 30t hydraulic backhoe excavators and 25t rear-dump trucks. The soft ore type is a free digging material and requires no blasting.

Guanfen South Pit

The main Guanfen South Pit is a small, narrow open cut that is approximately 200m long and has been developed to a depth of approximately 30m. The crest elevation is 500mRL and the pit floor is 470mRL. The Pit floor is at the base of weathering (soft ore) and any deeper open cut mining in Hard Ore will require drilling and blasting to fragment the rock before excavation.

The pit includes two main ore bodies (CK1 and CK2). The Guanfen South Pit open cut has been depleted of all soft ore sources.

No geotechnical issues were noted with only minor superficial cracking near the pit crest. In M-MC's opinion, there are no identified geotechnical or groundwater risks.

Guanfen North Pit

The Guanfen North Pit, which commenced in 2007, is located approximately 1.5km north of the South Pit. It is a small narrow open cut that is approximately 100m long and has been developed to a depth of approximately 30m. The crest elevation is 500mRL and the pit floor is 470mRL.

The pit incorporates one main orebody (CK4). The Guanfen North Pit open cut has been depleted of all soft ore sources.

In M-MC's opinion, there are no identified geotechnical or groundwater risks to prevent the open cut operation from extending to the limits of the soft ore.

Historic production is given in ***Table 8.3***.

Table 8.3 — Guanfen Iron Mine — Historic Production

Ore Production	Units	2007	2008
Opencut	ROM kt	246.78	278.52
Strip Ratio (OC Only)	Waste t : Ore t	24:1	24:1

Source: Client provided information.

There is no forecast production in the above table due to current commodity prices, however the maximum production level for the Guanfen Mine is 300ktpa based on site information.

Mining risks include:

- Lack of drill defined Mineral Resources (or In Situ Quantities).

Mining opportunities include:

- Additional Mineable Quantities defined by further exploration (drilling) and economic mining methods
- Potential to mine higher grade "hard ore" from open cut development which could achieve lower mining costs and higher recovery than underground mining.

8.6 WUTAIGOU IRON ORE MINE

8.6.1 Background

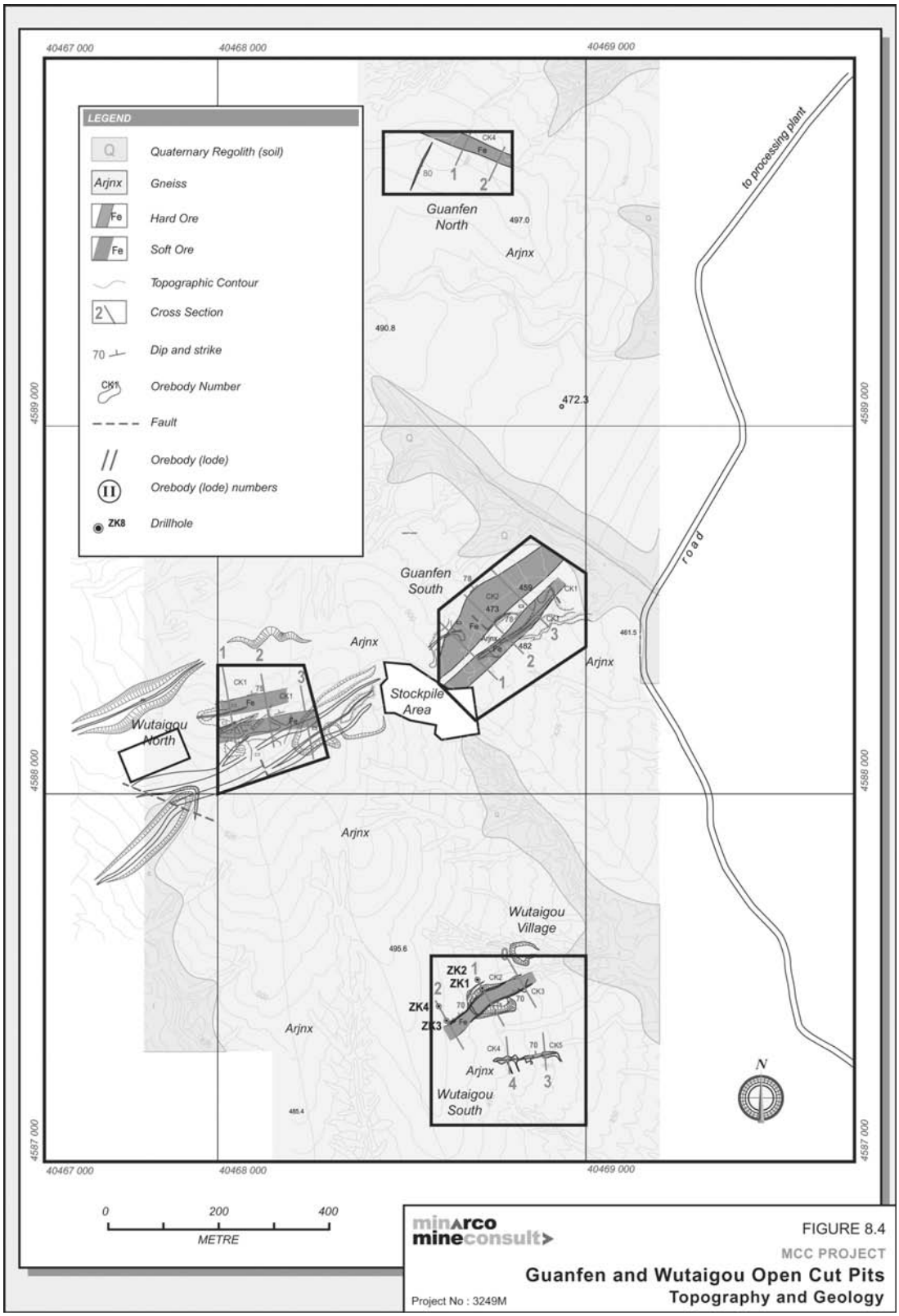
The Wutaigou Iron Ore Mine comprises two separate Mining Areas within separate leases adjacent to the Guanfen South Pit. The North Area is located 500m to the west and the South Area 800m to the south of the Guanfen South Pit ***(Figure 8.4)***.

In 2004 and 2005, the geological team conducted detailed mapping at 1:2,000 and completed four diamond drill holes in the South Pit totalling 495m. This data was the basis of a (332, 333) resource estimate (In Situ Quantities) of 136.4kt with average grade in two hard ore zones of 29.51%TFe. The soft In Situ Quantities was also reported at this time as 1,458.5kt at an average grade of 10.03%mFe.

Before development of the mine in 2006, local residents had conducted small-scale diggings. Evidence remains with some small-scale mining tunnels into orebodies defined as Line 1, Line 2 and Line 3. Since commencement there have been seven small-scale open cut pits in the southern and northern Mining Areas.

Recent operations were based on two larger pits; the South Pit (Mining Area 1) and the North Pit (Mining Area 2). Open cut mining methods used truck and shovel equipment with drill and blast as required. Open cut "reserves" (soft ore) have been depleted.

Figure 8.4 — Guanfen and Wutaigou Iron Mines — Topography and Geology



8.6.2 Geology

The North Area comprised several pits based on narrow lodes (5m to 20m wide) which strike NE and dip steeply (approximately 75° NW). Orebody characteristics for the lodes are shown in ***Table 8.4***. Plans reviewed by M-MC show thin orebodies which are the high grade portions of the lodes. M-MC assume the wider orebodies outlined in ***Table 8.4*** include the higher grade lodes and the surrounding lower grade material.

Grades of 6%mFe to 13.5%mFe were recorded in 3 sections of channel samples in the North ore zones. Minor faulting is indicated on maps with horizontal displacements of approximately 10m.

Table 8.4 — Wutaigou Iron Mine — Orebody Descriptions

Location	Mining Area No.	Ore Body No.	Pit Location	Length	Real Thickness (m)	Dip Angle (°)	Average Grade TFe%	Ore Type
South	1	2	North	85	7.94-9.28	73	27.99	Hard
		1	Centre	100	6.89-8.32	73	28.52	Hard
		3	South	170	2.04-2.23	76	26.99	Hard
North	2	7	North	110	3.73-6.54	69	14.62	Soft
		5	Centre	310	9.61-17.30	74	11.01	Soft
		4	South	320	17.30-21.15	74	13.21	Soft

Source: Site information

The South Area comprised two pits based on two separate ore zones which strike NE and ENE and dip steeply at approximately 70°NW. The weathered zone is approximately 20m to 30m deep.

The North Pit was the main operating pit and based on an ore zone defined by four (4) diamond drill holes. Ore zone width (soft ore) was approximately 80m with boundary zones of less than 5m. The main part of the ore zone (soft ore) had grades ranging from 8%mFe to 13.6%mFe. The boundary zones (hard ore) have grades ranging from 27%TFe to 30%TFe.

M-MC did not observe any significant water in-flow in the Wutaigou pits.

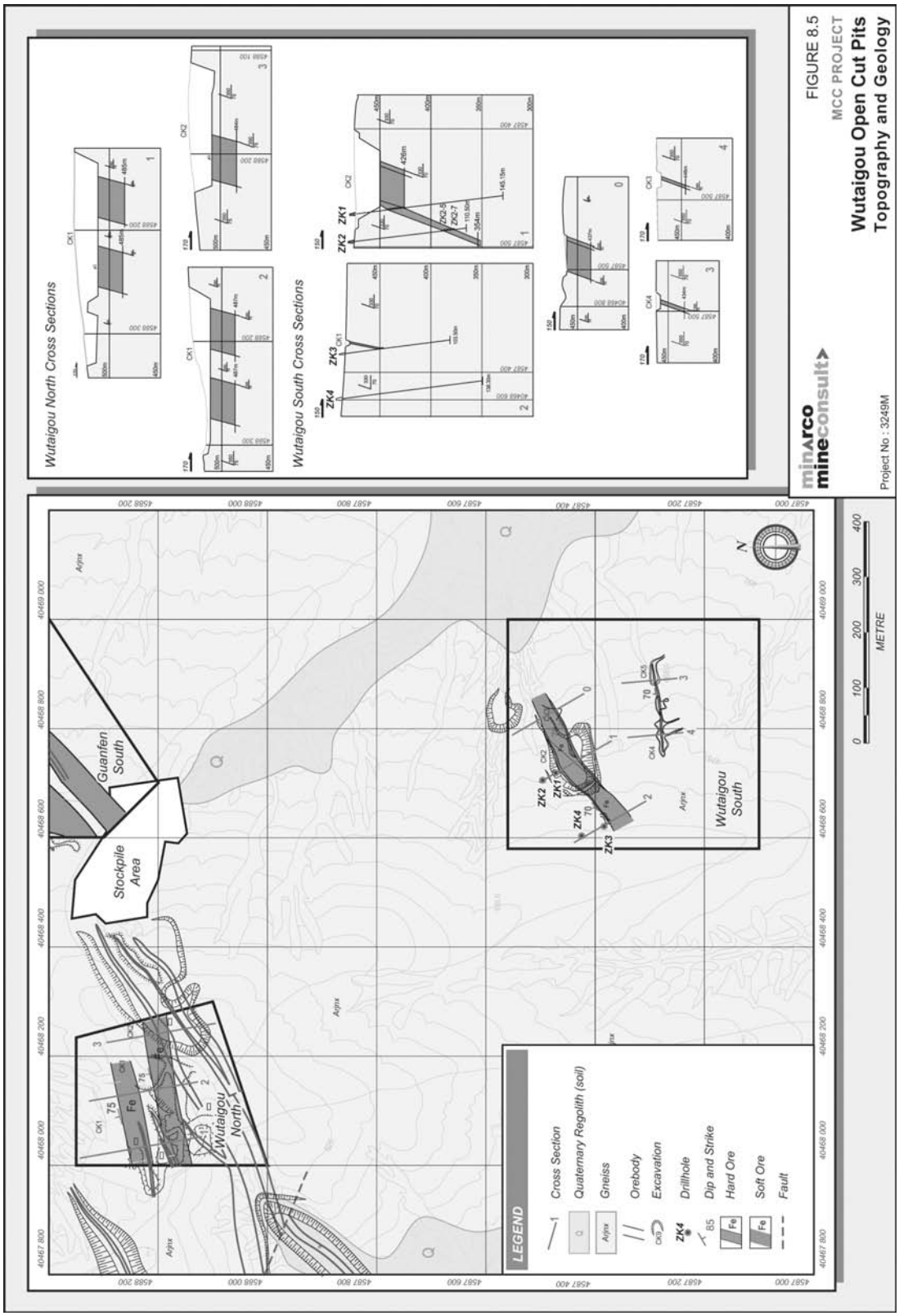
Geological risks include:

- Some faulting, and
- Lack of definition of extensions of ore both along strike and at depth (down dip).

Geological opportunities include:

- Additional open cut In Situ Quantities (low grade) may exist as extensions along strike ore zones outside mining areas,
- Thinner lodes may be recovered by opportunity if located near mining development, and
- Exploration may identify additional ore zones, thicker intersections and deeper ore.

Figure 8.5 — Wutaigou Iron Mine — Topography and Geology



8.6.3 Mining

The Wutaigou Mine comprises two small leases; the Southern and Northern Areas. Both these areas are currently dormant. The mining method used was a conventional open cut mining technique utilising 30t hydraulic backhoe excavators and 25t rear-dump trucks. The soft ore type is a free digging material and requires no blasting.

Wutaigou South Area-South Pit

The South Pit is a very small pit approximately 140m long by 60m wide with an ore zone width of approximately 8-15m. Current open cut development is at a depth of 32m with a crest at 476mRL and pit floor at 444mRL

M-MC did not observe any significant geotechnical or groundwater risks.

Wutaigou South Area- North Pit

Most of the soil and lateritic material that has previously been mined was being dry treated through a two stage belt magnetic separator to recover magnetic cobbles and fines within the weathered ore zones. The underlying weathered saprolitic bedrock, (gneiss and / or granite) comprises weathered magnetite-quartzite lodes plus minor narrow stringer lodes which could be recovered by selective mining.

The Main Pit was predominantly mining lower grade soft ore, however, during the March 2009 site visit all soft ore had been mined and only hard ore remained in the bottom of the pit.

Pit dimensions are approximately 300m by 200m with development to a depth of 35m.

M-MC did not observe any significant geotechnical or groundwater risks.

Historic production is given in ***Table 8.5***.

Table 8.5 — Wutaigou Iron Mine — Historic Production

Ore Production	Units	2007	2008
Opencut	kt Ore	186.35	29.254

There is no forecast production in the above table due to current commodity prices, however the maximum production for the Wutaigou Mine is 300ktpa based on site information.

Open cut reserves are currently depleted and long term production is dependent on the mineability of the harder ore and the metal price. Further exploration could increase the availability of soft ore sources, but at present this has not been completed.

Mining risks include:

- There are currently no mining risks given the lack of defined reserves and associated mine planning.

Mining opportunities include:

- Additional Mineable Quantities defined by further exploration (drilling) and economic mining methods, and
- Potential to continue mining higher grade "hard ore" from open cut development which could achieve a lower mining costs and higher recovery than underground mining.

8.7 SONGZHANGZI IRON ORE MINE

8.7.1 Background

The Songzhangzi Mine incorporates Mining Areas 1 to 3 based on numerous shallow open cut workings and narrow underground hard ore lodes.

Previous mining activity at the Songzhangzi Mine was initially by small open cut pits, however all open cut operations have now ceased. Mining activity is currently restricted to a single underground operation exploiting Orebody III-2 located within Mining Area 1. The underground mining method is short-hole shrinkage stoping. The vertical shaft located on the south western side of the orebody is currently being used for extraction of the ore, whilst a newly developed shaft has been constructed in the north east. This shaft was not being used at the time of the site visit, but it was indicated by site personnel that only the electrical wiring was required before operation could begin. There was evidence of historical underground workings, but no infrastructure was present on site.

The inclined drift located north east of Orebody III-2, which was previously the main route used for hoisting $3.2m^3$ skips to the surface has recently been decommissioned. All future production for this orebody will use a combination of the current active shaft (SJ1) and the newly constructed shaft (SJ2), see ***Figure 8.6***.

Local prospectors are still active in the area and recover small amounts (pickings) of hard ore which are "processed" with a hand held magnet. M-MC assume these "pickings" are onsold to the mine owners.

Figure 8.6 — Songzhangzi Iron Mine — Topography and Geology

8.7.2 Geology

Orebodies are represented by a few wide zones within gneiss foliations and are mostly thinner lode type. The general strike is E to NE and dip steeply south to SE. Ore bodies within Mining Areas reported at Songzhangzi are shown in ***Table 8.6***.

Table 8.6 — Songzhangzi Iron Mine — Orebody Descriptions

Mining Area	Orebody No.	Orebody Type	Length (m)	Real Thickness (m)	Dip Angle (°)	Average Grade TFe (%)	UG Status
	I	Lode	320	3.40-6.80	80	28.55	
	I-1	Lode	180	2.06-2.36	80	28.10	
	I-2	Lode	170	4.83-6.00	80	29.07	
1	III	Lode	230	4.33-10.44	80	30.00	2 shafts+drift
	IX	Lode	280	1.97-3.25	83	28.08	
	VIII	Lode	310	1.69-5.08	85	29.42	
	XI	Lode	136	1.29-1.44	83	Unknown	
2	IV	Lode	210	2.09-3.98	85	29.32	
	V	Lode	60	1.49	85	27.22	
	V-1	Lode	60	1.49-1.59	85	26.32	
3	X	Lode	290	1.88-3.75	81	27.43	

Source: Site information

Unlike the Guanfen and Wutaigou Mines to the west, the Songzhangzi Mines are situated on the flank of a relatively steep hill. There are five magnetite-quartzite lodes within the underground workings.

From observations, within the old open cut pits an oxidised high-grade lode (or lodes) with a disseminated halo up to 20m wide was extracted. The gneiss host rock is very friable and unstable walls have partially collapsed into the pit floor. During the site visit in February 2008, on a wall of the open cut near the new shaft / incline drift, a prospector was observed hand mining a near vertical, magnetite-quartzite lode approximately 40cm wide. This indicated that mineralisation may consist of several lodes concentrated within the foliations. There may be some mineralisation control along fault or fracture pathways.

Remnants of underground ore stockpiles near shafts consist of hard, fresh magnetite-quartzite and gneiss with occasional pieces of dolerite and granite.

Ground conditions for the underground operation are reasonable (site advice), however care is taken and the ground is supported by props as necessary. Maps indicate intrusive granodiorite within fault zones dislocating the lodes. M-MC observed many small faults and fractures dislocating lodes in the old pits. These geological risks are expected to continue at depth and may impact on underground operations. Faulting is recorded in an underground mining level plan which indicates more dislocation of lodes than reported.

From observations in the pits, M-MC confirmed that lodes dip at 74^{o} to 80^{o} the south and south-east. In M-MC's opinion, the steep dips are well suited for underground mining methods.

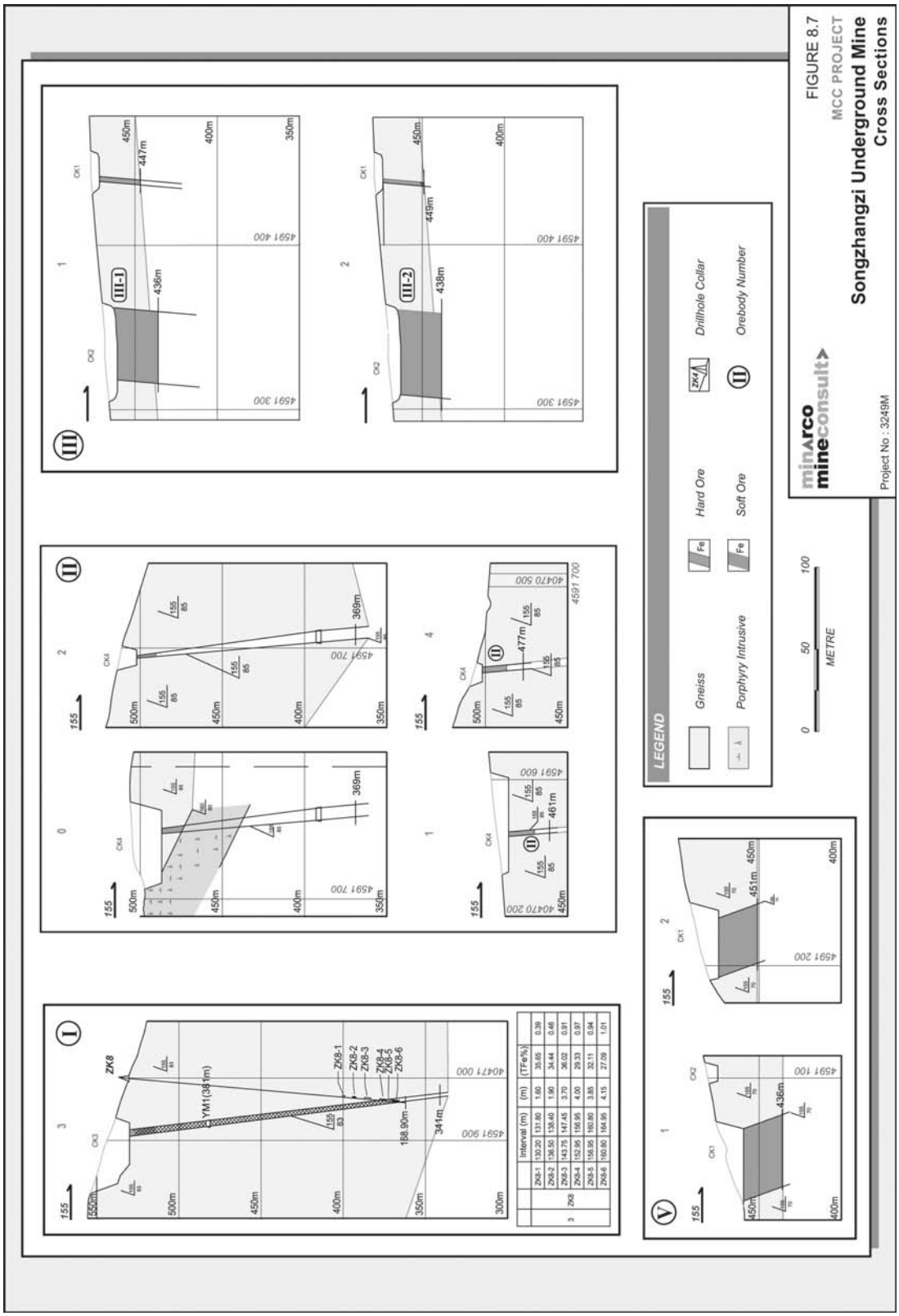
Geological risks include:

- Limited width ore bodies,
- Variable thickness and extent (strike and dip) of lode type ore,
- Thin lodes will impact on mining recovery and dilution, and
- Faulting and fractures will impact on continuity of mine development.

Geological opportunities include:

- Grade within lodes is relatively consistent,
- Additional open cut In Situ Quantities exist as extensions along strike of lodes and ore zones outside Mining Districts,
- Thinner lodes may be recovered by opportunity if located near mining development, and
- Exploration may identify additional lodes, thicker ore zones and deeper ore.

Figure 8.7 — Songzhangzi Iron Mine — Cross Sections



8.7.3 Mining

Iron ore in zones and lodes outcrop on relatively mountainous topography. Mining is located at elevations ranging from 550mRL to 460mRL.

Underground — Hard Ore Operations

Lodes are mined underground to a width of 4m (site advice). It is likely that narrower lodes have been extracted by opportunity.

The underground deposits use a short-hole shrinkage stoping mining method. This method utilises handheld drills and small scrapers. It requires the operator to develop horizontal drives along the strike of the orebody. Lifts are taken on top of each other and work is conducted on top of the broken ore produced from the lift below. This method continues for 50 vertical metres until the panel has been completed. Ore is then removed from the stope with the scrapers and transported to the surface. Small 5t capacity trucks are loaded directly from the shaft and haul the ore to the central processing plant for crushing and processing.

During the site visit to Jinchang in March 2009, it was observed that due to the metal price, the only operating mine was at orebody III-2, which is located in Mining Area 1. The mine was accessed via a vertical shaft located at the south western corner of the orebody and was the only means of ore extraction at the time of the visit. The inclined shaft, which was previously used, has been decommissioned and a new vertical shaft has been constructed 50m south of the inclined shaft. The new shaft head frame has been constructed to a high standard and the shaft measures 3.5m in diameter. The new shaft provides access to the 340mRL at the north eastern end of the orebody. The shaft was not being utilised at the time of the March 2009 site visit, but it was very close to being commissioned.

In M-MC's opinion, equipment currently available at the mine is sufficient to produce the targeted production level.

Major development levels are located at elevations 440mRL, 390mRL and 340mRL.

Historic and forecast production figures are given in ***Table 8.7***. Forecast production figures are totally dependent on the current metal price, although maximum capacity of the current operations is 100ktpa.

Table 8.7 — Songzhangzi Iron Mine — Historic and Forecast Production

Ore Production	Ore Type	Units	2007	2008	2009	2010	2011	2012
Opencut	Soft	kt Ore	20					
Underground	Hard	kt Ore	80	50.63	100	100	100	100
Total		**kt Ore**	**100.46**	**50.63**	**100**	**100**	**100**	**100**
OC Strip Ratio		Waste(t):Ore(t)	8.1:1					

Source: Client Information

Mining Risks include:

- Geological risks (faulting) impacting on underground mining development, lower ore recovery and higher dilution, and
- There is no consideration for pillars in the current underground design as a depth limit has not been defined. This factor may impact on ore recovery.

Mining Opportunities include:

- Additional Mineable Quantities defined by further exploration (drilling) and economic mining methods.

8.8 RESOURCES AND RESERVES

The total reported In Situ Quantities for Jinchang are 669,000t at 31.69% TFe. M-MC have not validated these estimates. However in M-MC's opinion, based on the site visit and a review of the Liaoning Institute's estimation methods, the order of magnitude of both tonnes and grades are reasonable.

Whilst the Chinese Code estimates appear reasonable, M-MC has referred to the resources and reserves for Jinchang as In Situ Quantities accordingly, and compared them against JORC equivalent terms. These resources are not reported in compliance with the JORC Code due to the lack of Quality Control and Quality Assurance (QAQC) information and drilling data.

8.8.1 Mineral Resources — In Situ Quantities

Historical resource estimates for the Guanfen and Songzhangzi projects were reported by the Liaoning Institute in October 2007. An historical estimate for Wutaigou was provided by MCC in the 2005 Resource Review report. A summary of the historical estimates are shown in ***Table 8.8.*** The low average grade <10%mFe indicates a soft ore type, whilst the hard ore type generally contains average grades greater than 25%TFe.

Table 8.8 — Jinchang Mining Assets — Summary of Historical In Situ Quantities

Mine	Ore Type	Chinese Code	In situ Quantities (kt)	Average Grade
Guanfen[#1]	Soft	333	3,167.8	8.76% - mFe
	Hard	333	136.4	29.51% - TFe
Wutaigou[#2]	Soft	333	1,458.5	10.03% - mFe
	Hard	332	391.1	32.4% - TFe
Songzhangzi[#1]	Hard	333	242.8	32.4% - TFe
	Soft	333	794.7	9.90% - mFe

Source: #1 Estimated and reported by the Liaoning Institute in October 2007 using the Chinese Code.
#2 Sourced from Resource Review Report 2005, confirmed by Client email
Notes: Estimates are not reported in accordance with the JORC Code.

Current resource estimates are based on an updated report in July 2008 by the Liaoning Non-Ferrous Geological Exploration Institute personnel, assisted by mine engineering personnel (2008 Resource Reserve Report).

The latest resources were calculated according to the Chinese Code and were reported using a cut-off grade of 20%TFe. All 'soft' ore was excluded from the reported In Situ Quantities due to the low Fe grades. Resources were based on limited diamond core drilling and current pit and underground excavations. A detailed tabulation is shown in ***Table 8.9.***

Table 8.9 — Jinchang Mining Assets — In Situ Quantities

			In Situ Quantities (kt)				
Mine	**Area**	**Orebody**	**Chinese Code JORC Equivalent**	**122b Measured**	**332 Indicated**	**333 Inferred**	**Average Grade (% TFe)**
Songzhangzi	1	I	I	8.3	40.0	103.6	29.15
		II	II	31.4	236.5	29.4	34.52
Songzhangzi	2	III-2	III-2			26.5	28.88
Sub Total				**39.7**	**276.5**	**159.5**	**32.49**
Wutaigou	1	I	I	23.9	22.3	20	29.07
		II	II	24.3		59.7	31.7
		III	III	7.7		35.4	26.78
Sub Total				**55.9**	**22.3**	**115.1**	**29.70**
Total				**95.6**	**298.8**	**274.6**	**31.69**

Source: 2008 Resource Reserve Report

Notes: Figures shown excluding resources outside the Mining License as reported by the Institute Estimates are not reported in accordance with the JORC Code.

8.8.2 Reserves — Mineable Quantities

Due to the current commodity price for iron ore and the costs associated with production of iron concentrate at the Jinchang Mining Assets, there are currently no mining reserves as defined by either Chinese or International Mining Codes.

Mining is however ongoing at Songzhangzi, although at reduced capacity targeting the underground Hard Ore resources. Mineable Quantities are reported in the "Feasibility Study on Renovation and Extension Projects for Ore Mining and Separating of JianPing Northern Mining Industry Co". This study using standard Chinese recovery calculations estimated Mineable Quantities in the order of 300-350kt at 28.2%TFe.

M-MC has reviewed these estimates and considers them reasonable. However due to the high mining cost and low iron ore concentrate price these estimates in March 2009 are considered sub economic and cannot be reported as either reserves or Mineable Quantities.

8.9 MINERAL PROCESSING

The Jinchang operation has four processing plants (Concentrator No's. 1 and 2 and Plant No's.1 and.2) of which only one was in operation during the recent visit to the site by M-MC. The mineral processing consists of two stages: a dry pre-concentration stage located at the mine-site and a wet processing stage. The dry processing stage uses two stages of dry magnetic separation to upgrade the iron content of the ROM ore from 8% to approximately 15%mFe. This product is magnetic iron, primarily magnetite with some minor paramagnetic material.

ROM feed from adjacent pits are fed to a scalping screen with 150 mm aperatures. The oversize material is hard ore with higher iron grades and is stockpiled for transport to the Stage 2 wet processing operation. Reported yields are 36% (Stage 1 product t /ROM t). In M-MC's opinion, the reported yields are reasonable based on visual estimates of approximately 30%.

- Stage 1 dry processing for pre-concentration — upgrade to approximately 15% to 16.8%TFe
- Stage 2 wet processing plant. — upgrade to approximately 65%TFe

Any ROM production from the Guanfen and Wutaigou Open Cut Mines was soft ore and was pre-concentrated to approximately 20%TFe. Remnant hard ore (higher grade) that was present in the soft ore reported as lump scalping screen oversize (+150mm) during pre-concentration in Stage 1 processing. This material was stockpiled and transported to the No. 2 processing plant.

ROM production from Songzhangzi is hard ore and is processed through the No. 2 wet processing plant.

Stage 2 — Wet Processing

The technology in use is conventional crushing and grinding followed by magnetic recovery through wet, high intensity magnetic separators in both primary and secondary (scavenging) duties.

There was no evidence of any liberation studies to determine the optimum grinding size for any process plant feed.

A summary of the Stage 2 wet processing plant facilities located in the central processing area is provided in ***Table 8.10.*** The No. 3 processing plant is located in a separate work area near the central processing area; however it is not included in the Relevant Assets.

Table 8.10 — Jinchang Mining Assets — Wet Processing Facilities

Plant Name	Units	Concentrator No. 1	Concentrator No. 2	No. 1 Plant	No. 2 Plant
Status		Not Operating	Not Operating	Not Operating	Operating
Capacity (Feed)	kt/year	70	396	240	400
Circuits / Stages	No.	4/10	4/10	4/10	4/10
ROM Grade	TFe%	14-17	14-17	20-46	15-20
Product Grade	TFe%	65.4	65.8	65	65
Tailings Grade	TFe%	3.8	3.8	4.5	3.5-4.0

Source: client, report & site advice

Some typical process grades and recoveries for soft and hard ores are presented in ***Table 8.11***. Recoveries at the Jinchang wet processing plants varies from 66-71% for soft ores to 80% for hard ores, depending upon the feed grade. In M-MC's opinion, it should be possible to improve magnetite recovery, which may require finer grinding to liberate more magnetite.

Table 8.11 — Jinchang Mining Assets — Stage Process Grades and Recoveries

Description	Units	Guanfen Soft Ore	Wutaigou Soft Ore	Songzhangzi Hard Ore
Grade in situ	%TFe	11.25	12	21
Grade Stage 1	%TFe	16.8	15	21
Grade Conc	%TFe	65	65	65
Recovery	%	66	71	80

Source: client, report & site advice

Reports state that ore is low in impurities such as phosphorous and sulphur, however this has not been confirmed by any data. While the deportment of these impurities is not clear, the operational staff stated that the final iron concentrate was very low in these materials and that they fell below the impurity limit (<0.03% P). In fact, neither the operation nor the customers bother to assay for these impurities.

The current designed production capacity is 200ktpa iron concentrate at a grade of 65%TFe. It was suggested that there were plans to increase concentrate production to 500ktpa, however no plans or details were sighted by M-MC to substantiate this. Currently, the No. 2 Processing plant has stockpiled 7,000t of concentrates.

8.9.1 Processing Circuits

The flowsheet for the No. 1 and No. 2 wet processing plants, which process hard ores, is given in ***Figure 8.8***. The Concentrator No. 1 and No. 2 processing plants, which processed soft ores, have similar milling and magnetic separation flowsheets, however without the crushing, screening and dry magnetic separation sections. In the case of the No. 1 and No. 2 plants, there is a standby crusher.

The No. 1 and No. 2 processing plant flowsheet consists of a jaw crusher followed by a cone crusher. The cone crusher product is then screened at 25mm and the undersized further upgraded by dry magnetic separation (approximately 15% rejection by mass). The upgraded material feeds a ball mill in closed circuit with a spiral classifier. The magnetite in the fine product stream (P_{50}=74 microns) from the spiral classifier is recovered by a wet magnetic separator. The non-magnetic material is discharged to final tailings while the magnetite rich stream undergoes further upgrading.

This consists of regrinding in a rod mill in closed circuit with a high frequency screen. A final grade concentrate is prepared from the screen underflow (P_{100}=74 microns) by two stages of wet magnetic separator and dewatered with a vacuum drum filter before being discharged onto the product stockpile. The non-magnetic material is discharged to final trailings.

Processing risks include:

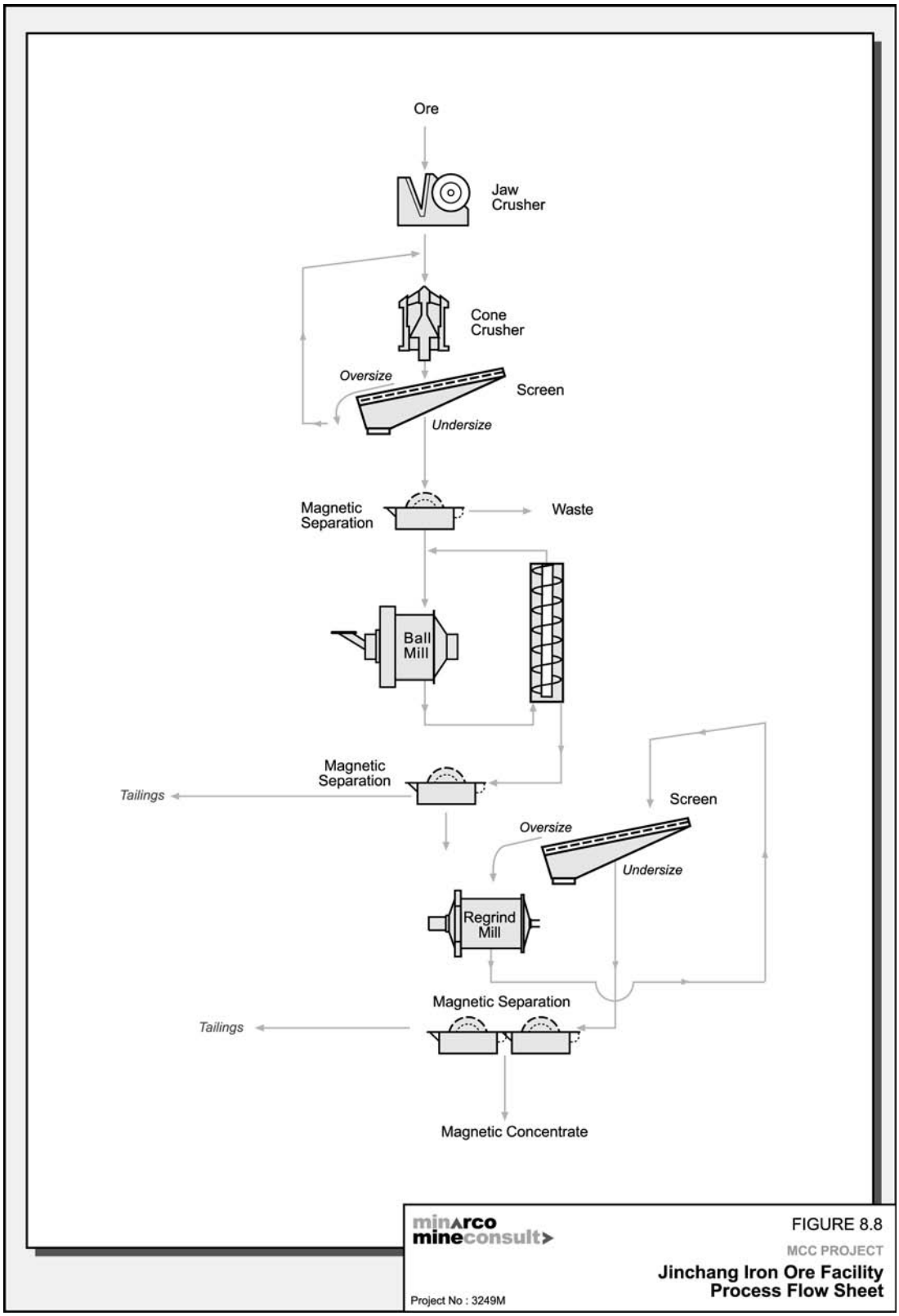
- Poor plant efficiency due to old technology (low intensity magnetic separators), and
- Poor process control evidenced by magnetic material reporting to tailings and other plant spills and rejects.

Processing opportunities include:

- Improved management of plant efficiency (metallurgical efficiency) by monitoring magnetite (mFe) vs total iron (TFe) as well as tailings grade,
- Improved process control including level control,
- Improved plant efficiency using high intensity magnetic separators.
- Improved magnetite recovery through finer grinding to liberate more magnetite

M-MC recommends improving magnetite recovery by using a multi-stage process which includes a high strength / high gradient scavenger.

Figure 8.8 — Jinchang Mining Assets — Nº 1 and 2 Processing Plant Flowsheet



8.10 INFRASTRUCUTRE AND SERVICES

The Jinchang operation is located in an active mining region with established infrastructure, including grid power, sufficient underground water resources and adequate roads.

Water is re-cycled from the concentrate and tailings dewatering operation for re-use in the process.

8.11 CAPITAL AND OPERATING COSTS

Based on the scale and type of mining, operational staff indicated that mining costs were in the range of 28-35RMB/ROM t for open cut and 52RMB/ROM t for underground mining. For some mining areas, the underground mining costs can be cheaper than the open cut mining costs. This is due to the cost of land acquisition, high open cut mining strip ratios and poor yields during pre-concentration. The cut-off price is around 500RMB/ concentrate tonne.

The forecast overall mining costs are presented in ***Table 8.12***. Going forward, it is hard to predict the actual mining costs since it will be dependent upon the iron ore prices. Higher iron ore prices mean that soft ores may be mined again, thereby potentially reducing mining costs. On the other hand, if the current low iron ores are maintained for some years, then the mining costs should be above 50RMB/ROM tonne.

Table 8.12 — Jinchang Mining Assets — Actual and Forecast Mining Costs

Mining Cost	Unit	2007	2008	2009	2010	2011	2012	2013	2014
Auxiliary Material	RMB/ROM t	2.42	2.81	1.85	1.85	1.85	1.85	1.85	1.85
Water & Power	RMB/ROM t	0.99	1.75	0.90	0.90	0.90	0.90	0.90	0.90
Labour	RMB/ROM t	18.23	23.04	18.5	18.5	18.5	18.5	18.5	18.5
Repair & Maintenance	RMB/ROM t	0.21	0.35	0.17	0.17	0.17	0.17	0.17	0.17
Depreciation	RMB/ROM t	—	9.06	9.00	9.00	9.00	9.00	9.00	9.00
Others	RMB/ROM t	26.76	28.47	9.58	9.58	9.58	9.58	9.58	9.58
Total	**RMB/ROM t**	**48.61**	**65.48**	**40.00**	**40.00**	**40.00**	**40.00**	**40.00**	**40.00**

Source: MCC provided Capex and Opex costs February 09

The Jinchang processing costs are around 20-25RMB/ROM t according to operational staff for all processing plants. Typical milling media consumption is 0.7kg/t while about 20kWh/t of power is consumed during processing. The historical and forecast processing cost breakdown is presented in ***Table 8.13***.

Table 8.13 — Jinchang Mining Assets — Actual and Forecast Processing Costs

Processing Cost	Unit	2007	2008	2009	2010	2011	2012	2013	2014
Auxiliary Material	RMB/Con t	59.93	54.22	25.00	25.00	25.00	25.00	25.00	25.00
Water & Power	RMB/Con t	64.53	62.65	60.00	60.00	60.00	60.00	60.00	60.00
Labour	RMB/Con t	20.68	13.19	13.00	13.00	13.00	13.00	13.00	13.00
Repair & Maintenance	RMB/Con t	2.07	2.31	2.50	2.50	2.50	2.50	2.50	2.50
Depreciation	RMB/Con t	54.69	32.57	24.00	24.00	24.00	24.00	24.00	24.00
Other	RMB/Con t	118.66	67.53	25.50	25.50	25.50	25.50	25.50	25.50
Total	**RMB/Con t**	**320.56**	**232.47**	**150.00**	**150.00**	**150.00**	**150.00**	**150.00**	**150.00**

Source: MCC provided Capex and Opex costs February 09

Using an upgrade ratio of 5t of ore per t concentrate (i.e. underground ore), the predicted operating costs appear reasonable based on current processing costs (20-25RMB/t). However, the actual cost is highly dependent upon the ratio of ore types to be treated i.e. soft to hard ores and the subsequent upgrade ratio, which is much greater for soft ores.

8.12 SAFETY AND ENVIRONMENT

An extensive set of safety documents were sighted, including the safety licences of the responsible Managers of Safety (two in the Mining Department and one in the Processing Department). Other safety documents included a list of the safety team members, safety qualifications for mining, development and construction as well as the storage of explosives and inspection standard for underground mining.

Personnel safety equipment was worn by operators in the processing plant and generally it appeared that a safety culture and program was being established at the Jinchang mine sites.

It is understood that an Environmental policy and subsequent monitoring program has been developed for Jinchang operations, however these aspects could not be fully confirmed on this visit. The tailings dam would appear to require more attention due to the proximity of stockpiled tailings to the river.

9 HONGDA IRON ORE MINE

M-MC made a site inspection of this property in February 2008 to review the resources, processing and mining. In March 2009 M-MC carried out a final site visit to review the resource base and geological controls on mineralisation, as well as update the current operational status. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "Wuguan Yinzi Iron Mining Design Report" by the Chengde Huatai Engineering Design Co., Ltd. March 2006.
- "Project of 20,000 tons/day Mining and Ore Dressing Feasibility Study" for Hongda Mining Industry Group Co., Ltd, Ningcheng County, Inner Mongolia Autonomous Region by Chengde Huatai Engineering Design Co., Ltd September, 2006.
- "Preliminary design of iron ore mining, Wuguangyingzi mine for Hongda Mining Ltd, by Chengde Huatai Engineering Design Co., Ltd. 2007 July
- MCC's effective equity stake in the Hongda Mine is 48.6% (90% of a subsidiary owning a 54% stake in the project).

9.1 BACKGROUND

The Hongda Iron Ore Mine is located 25km southwest of Chifeng City in Ningcheng County, Inner Mongolia Autonomous Region. The mine is owned and operated by Ningcheng Hongda Mining Co., Ltd, of which MCC Jingtang Construction Co., Ltd (MCC) holds 54% of shares while Chengde Iron & Steel Group Co., Ltd. holds 46% of company shares.

In 2004, a government team completed several surveys of the area including geological mapping at a scale of 1:5,000, ground magnetometer and IP surveys over the magnetite resource, prospecting trenches and 15 holes (1,477m) of drilling. An additional 5 holes have been drilled since 2004.

Tenure over the Hongda Mine area has been held since 2003. Mining commenced in 2005 with the establishment of a trial open cut and relatively small treatment plant. Following the successful mining trial and recovery of magnetite from the hard rock resource, a much larger plant was constructed between October 2006 and November 2007.

Open cut mining commenced January 2006, delivering ore to the plant with an installed capacity of 300ktpa of concentrate.

In 2007, a further expansion of the process plant was undertaken to increase the concentrate production to 600ktpa. ROM production was increased in September 2007 to meet the upgraded feed rate of the process plant.

The 2008 ROM ore production rate was 9.32Mt at a grade of 12.02%TFe and an open cut mining strip ratio of approximately 0.25 (t waste/ t ore). Concentrate production for 2008 was 410,048 tonnes at a grade of 60.74%TFe. In late 2008, the operation was put on a care and maintenance basis due to low commodity prices, with 3 months of stockpiled concentrate. MMC was notified by the Company that operations recommenced at the end of July 2009 after recovery at the Local Commodity Prices.

The Chinese Institutes report the term "ore" as economically extractable magnetite iron ore. The low ore grades are compensated by relatively simple mining methods and processing methods resulting in relatively low overall costs. Total overall costs of greater than 500RMB/t product for the hard ore type may be marginal or uneconomic.

9.2 ASSETS

The assets and status include;

- An open cut mining operation (care and maintenance)
- Tailings dam
- Two 3 stage crushing plants
- Two processing plants (12 Mtpa of capacity)
- Associated workshops, office and accommodation

9.3 LAND TENURE AND MINERAL RIGHTS

The Licence conditions are summarised in ***Table 9.1***.

Table 9.1 — Hongda Iron Mine — Mining License Details

Mine/Project	Hongda
Title	Mining License
No.	150000510461
Owner	Ningcheng County Hongda Mine Co,. Ltd
Mine/Project Name	Ningcheng Hongda mine Co,.Ltd Wuguanyingzi Iron Mine
Mine Method	Opencut
Permit Capacity	1,000kt/a
Permit Area	1.3101km2
Permit Depth	685-396mRL
Valid Date	June, 2005 — June, 2010
Issue Date	June, 2005
Issuer	Cifeng City Land and Resource Bureau

Source: Formal documentation

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

9.4 GEOLOGY

Magnetite mineralisation is hosted in an intrusive gabbro-pyroxenite which is medium to coarse grained. Geological age is late Archaean or early Proterozoic. The gabbro intrusive dimensions are oval shaped,

approximately 1,500m long north-south and approximately 800m wide, surrounded by gneissic and granitic rocks. The gabbro itself is intruded by minor felsic and mafic dykes.

A regolith of sandy soils covers the deposit to a maximum depth of 15m (generally 2-5m). Drilling indicates a weathered zone ranging from 10 to 20m depth.

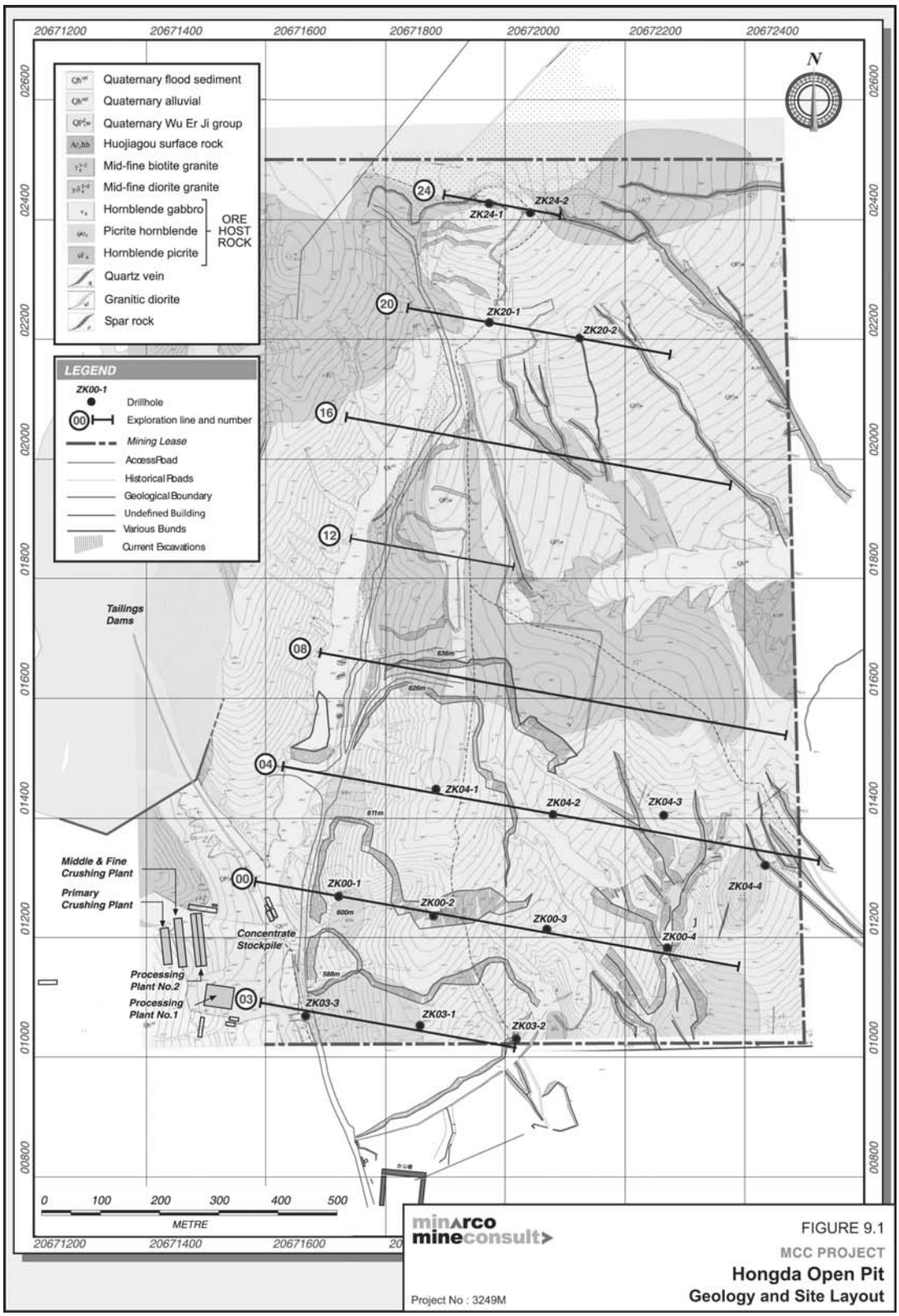
The geological map indicated that the gabbro-pyroxenite host body had granite mapped (surface mapping) in the centre of the mining area. This granite was interpreted (site geology) as flat-lying and approximately 20m thick. M-MC was able to verify the presence of a significant Quaternary alluvial palaeochannel in the area of the previously mapped granite (through mined exposures developed during 2008). The palaeochannel is at least 20m thick in the central portion of the southern mining area and trends in an approximate WNW-ESE direction. Sub-horizontal zones of calcrete are clearly visible and sharp contacts with the underlying gabbro-pyroxenite are present in some of the pit walls. However, there was an intrusive granitic body at the northern end of the mining area.

Magnetite occurs as discrete grains within the host rock. Mineral grain size or distribution is not reported. M-MC observed that grain size was approximately 2mm in size and appears to constitute about 45% of the rock mass based on theoretical plant recovery data. Total Fe content of approximately 12% TFe is reported. This includes the magnetic Fe (magnetite) plus additional Fe contained in ferro-magnesian minerals which comprise the majority of the host rock.

The ore naturally is vanadium-magnetite born in hornblende-pyroxene. Total Fe grade (TFe) is low and the mFe/TFe ratio is less than 85%. The ore is classified as extremely-low-grade, weak-magnetic iron ore.

Reports state that drilling indicates slightly increasing grades with depth. This is not supported by data as the drilling indicates consistent grades with depth consistent with a large low grade disseminated orebody.

Figure 9.1 — Hongda Iron Mine — Geology and Site Layout



9.5 RESOURCES AND RESERVES

9.5.1 Mineral Resources — In Situ Quantities

Mineral Resources were last estimated and reported by Chengde Huatai Engineering Design Co., Ltd in September 2006 (2006 Feasibility Study) as given in ***Table 9.2.*** A prior estimate carried out in March 2006 and quoted in the "Wuguan Yinzi Iron Mining Design Report" by the Huatai Engineering Design Co., Ltd reported a total In Situ Quantities of 175,000kt. This number was later reduced to 87,066kt in September 2006 report to full fill the local licence requirements.

Table 9.2 — Hongda Iron Mine — In Situ Quantities

Area	Chinese Codes				Average Grade		Ratio
	333	2M22	122b	Total	%TFe	%mFe	mFe/TFe
	(kt)	(kt)	(kt)	(kt)			
North	2,615	2,177	7,194	11,986	12.20	5.77	47%
South	8,297	36,631	30,152	75,080	12.71	5.01	39%
Total	**10,911**	**38,808**	**37,347**	**87,066**	**12.64**	**5.11**	**40%**

Source: Design Reserve Statement September 2006

Note: 2006 estimate is similar to the 2004 exploration report with 80% factor applied to the 333 resources.
>8% TFe cut off grade
4m minimum mining height

M-MC has calculated an estimate of the depleted In Situ Quantities based on the 2006 Reserve Statement (***Table 9.2***) and the production figures for 2007 and 2008 as provided by site staff (***Table 9.4***). The M-MC estimate gives 73,455kt at 5.11%mFe. This is shown in ***Table 9.3***.

Table 9.3 — Hongda Iron Mine — M-MC Estimated Depleted Resource

Area	Chinese Codes				Average Grade		Ratio
	333	2M22	122b	Total	%TFe	%mFe	mFe/TFe
	(kt)	(kt)	(kt)	(kt)			
2006 Total	10,911	38,808	37,347	87,066	12.64	5.11	40%
M-MC Total	**10,911**	**38,808**	**23,736**	**73,455**	**12.64**	**5.11**	**40%**

Source: M-MC estimate based on 13,611kt of ore mined in 2007 & 2008

Geological risks include:

- Lack of drilling results on Sections 8, 12 and 16 in the centre of the deposit (and mining area), and
- Lower ore grades indicated in the base of the pit may limit the depth of economic ore.

Geological opportunities include:

- Exploration drilling may identify higher grade zones within the host rock, and
- Exploration drilling may identify replacement reserves outside the Mining Lease.

9.5.2 Reserves — Mineable Quantities

Due to the current commodity prices and the costs associated with production of iron concentrate at the Hongda operation, there are currently no defined Ore Reserves or Mineable Quantities.

The life of mine (LOM) plan is based on a final pit with dimensions of approximately 1.4km by 700m and an average depth of 70m. The maximum high-wall height is 140m in the north. The pit shell indicates that the southern

and northern pits will develop and converge. Estimated quantities within this pit shell are approximately 60Mt (site advice).

There is no geotechnical report, however in M-MC's opinion there are no significant geotechnical risks and that the designed pit batter of 45^{o} is reasonable.

Mine planning is prepared on site using manual methods with assistance provided by the Chinese Mining Institute using CAD software.

Estimation parameters:

Recovery . . . . . +95%
Dilution 2%

9.6 MINING

9.6.1 General Description

The Hongda Iron Ore Mine was based on a high production, bulk mining (quarrying) operation to achieve economy of scale and low ROM ore costs.

The mine was a conventional open cut mining operation. There were two separate operating pits at the southern and northern end of the deposit. Estimated ore losses are negligible and dilution is 2% (site advice) which is reasonable given the disseminated nature of the mineralisation and the low strip ratio. At the cessation of mining in November 2008, the Southern Pit adjacent to the process plant was developed with 5 active benches of 12m height. The northern area was still at a relatively early stage of development with most of the waste used to construct the tailings dam.

The 2008 ROM production rate was 9,316kt at 12.02%TFe grade and a strip ratio of approximately 0.25 (t waste/t ore). The minimum ore grade was 6%TFe with maximum grades up to 30%TFe.

Concentrate product for 2008 was 410kt at a grade of 60.76%TFe.

The mine was operated on a 3 x 8 hour shift roster and worked approximately 300 days per year.

Conventional mining methods were employed using 35t excavators and 40t trucks. Drill and blast (D&B) was required due to the hard material characteristics of ore and waste. The drill pattern for ore and waste was 7m $\times$ 5m and blasted using ANFO explosives. Previously, M-MC observed reasonable primary fragmentation with some occasional secondary blasting required.

Pit grade control was primarily managed by visual determination with some planning from geological maps. Based on the first visit, M-MC felt that grade control management was poor and may have resulted in the excavation of excessive waste in the northern pit resulting in a slightly higher strip ratio in this area.

9.6.2 Historic and Forecast Production

Historic production is shown in ***Table 9.4***. Since the mine has been placed on care and maintenance, the nature of any future production is unclear. However, it should be noted that the mine is capable of producing 12Mtpa and when iron ore prices exceed 500RMB/t, it would be expected that the mine could operate at this rate.

Table 9.4 — Hongda Iron Mine — Historic Production

Ore Production	Units	2,006	2,007	2,008
Open cut	kt Ore	1,370	4,295	9,316
Strip Ratio (Open cut Only)	Waste(t):Ore(t)		0.25:1	~0.25:1

Source: Site Advice

Mining risks include:

- Poor geological and grade control management impacting on higher strip ratio, lower ore recovery and higher dilution,
- Lack of site based planning could lead to production and development issues, and
- Lower grades (high upgrade ratios) indicated in the South Pit suggest economic limits at current depth.

Mining opportunities include:

- Exploration drilling may identify higher grade zones for selective mining,
- Improved geological and grade control management to improve strip ratios, ore recovery and dilution, and
- Improved efficiencies or additional equipment to increase mine production.

9.7 MINERAL PROCESSING

There are two processing facilities, namely the No. 1 and the recently constructed No. 2 processing plants, with each facility having four parallel lines. The equipment sizing in the older No. 1 plant is smaller than that in the No. 2 plant, however the flow sheet is the same and is similar to that shown in ***Figure 8.8*** for the Jinchang Assets. The major differences lie in the use of an extra stage of crushing as well as an extra stage of milling and magnetic separation to produce a final magnetite concentrate.

At full processing capacity rate of 12Mtpa the combined plant output should be in the order of 672kt of magnetite powder concentrate.

The crushing circuit consists of a primary jaw crusher followed by a secondary cone crusher. The cone crusher product is fed to a screen in closed circuit with a tertiary cone crusher. The screen undersize (-20mm) is upgraded by dry magnetic separator and 15% of the material is rejected as non-magnetic waste. The crushed ore is stored in concrete fine ore storage bins before being withdrawn to feed one of four primary ball mills (1.425MW motor) in closed circuit with a spiral separator. The spiral separator undersize feeds a wet magnetic separator to produce a magnetite concentrate, which is further upgraded. This upgrading consists of two further stages of milling, classification and magnetic separation to produce the final concentrate, which is then dewatered by vacuum disc filters (No. 2 plant) and vacuum drum filters (No. 1 plant), before being discharged onto the product stockpile. There is about 3 months of magnetite production stockpiled.

In the earlier visit, M-MC observed that magnetic separators were operating without level control, with some machines operating at too low a level and others overflowing. This would lead to losses both in the overflowing streams and in the failure to capture the magnetite.

The gabbro-pyroxenite iron mineralisation includes magnetite with minor proportions of pyrrhotite, pyrite and platinum group minerals. Site advice was that "impurities", such as sulphur and phosphorous, all report to

tailings. This was not supported by any reports. No product analysis showing phosphorus and sulphur levels were available to confirm final product impurity levels. The magnetite also contains vanadium and titanium.

M-MC's brief examination of tailings and testing with a hand magnet indicated that a proportion of the contained magnetite is being lost. In M-MC's opinion, this indicates that processing efficiencies could be improved.

Processing risks include:

- Poor process control evidenced by magnetic material reporting to tailings and other plant spills and reject, and
- A proportion of the contained magnetite appears to be lost to tailings.

Processing opportunities include:

- Improved management of plant efficiency (metallurgical efficiency) by monitoring magnetite (mFe) vs total iron (TFe),
- Improved management of magnetic separators to operating with level control to improve magnetite recovery, and
- Improved plant efficiency by monitoring tailing grade to assess potential loss of concentrate.

9.8 INFRASTRUCTURE AND SERVICES

The Hongda operation is located in an active mining district and is well serviced by infrastructure and other services. The mine is located 9km from the town of Daming, 24 km from the provincial seat of government in Tianyi as well as 25km from Chifeng, a major industrial city in the region. There are sealed roads and highways connecting these towns and cities as well as the operation.

The operation consumes 250kWh/t concentrate (11.00kWh/ROM t) and this is sourced locally from a nearby (10km) government owned power generating facility. The facility was constructed during 2008 and power costs are 0.52RMB/kWh.

The operation requires 3 tonne of water per ROM tonne of feed, mainly for the production of the magnetite concentrate. About eighty percent of the water is recycled from the tailings dam and the additional water is reliably sourced from a nearby river.

The tailings dam is located close to the plant and has a capacity of 26 million m^3. It only has 18 months of capacity remaining and it is planned to construct a second dam with a capacity of 25 million m^3 during 2009.

Accommodation is provided on-site for the staff.

Major overhauls and repairs are conducted through local suppliers and maintenance contractors in nearby Chifeng.

9.9 CAPITAL AND OPERATING COSTS

Table 9.5 summarises the capital expenditure undertaken at the Hongda operation. Most of the expenditure over the last two years has been applied to increasing the processing capacity to 12mtpa and the new No. 2 processing plant is the most obvious result of this investment. Some capital expenditure was required to ensure that the mining rate would match the new processing capacity. There are no plans to increase the processing plant capacity any further.

Table 9.5 — Hongda Iron Mine — Historic Capital Expenditure

Cost Centre	Unit	2007	2008
CAPEX for mining expansion	RMB	2,060,000	1,145,000
CAPEX for processing expansion	RMB	130,000,000	50,000,000

Source: MCC provided Capex and Opex figures February 09

The Hongda operation exhibits low mining costs and it may be expected that similar mining costs would be experienced in future high volume mining activities (refer to ***Table 9.6***). Processing costs are acceptable for a reasonably energy intensive process (USD3.32/ROM t) where a relatively large quantity of ore is required to produce one tonne of saleable concentrate (22.72 ROM t for each tonne of concentrate).

Table 9.6 — Hongda Iron Mine — Historic Operating Costs

Cost Centre	Unit	2006	2007	2008
Mining Cost				
Auxiliary Material	RMB/ROM t	2.07	2.38	2.11
Labour	RMB/ROM t	0.28	0.11	0.06
Repair & Maintenance	RMB/ROM t	1.35	1.16	0.22
Other	RMB/ROM t	4.92	9.31	10.01
Total Mining Cost	**RMB/ROM t**	**8.62**	**12.96**	**12.4**
Processing Cost	**RMB/Con t**	**282.81**	**455.83**	**515.92**
Concentrate Sales	**RMB (10k)**	**508.8**	**1,199.1**	**1,472.9**
Management Fees	**RMB (10k)**	**420.9**	**1,898.2**	**3,661.3**
Administration Cost	**RMB (10k)**	**421**	**1,892**	**3,661**
Other	**RMB (10k)**	**1,826**	**—**	**—**

Source: MCC provided Capex and Opex figures February 09

The concentrate is sold to the Chengde Steel Group, who own 46% of the operation. Apparently a premium of 10-20RMB/tonne of concentrate is paid for the vanadium content. ***Table 9.7*** summarises the recent concentrate production and the prices received for the concentrate product.

Table 9.7 — Hongda Iron Mine — Historic Concentrate Production and Prices Received

Details	Unit	2006	2007	2008
Magnetite Concentrate	tpa	15,199	217,369	410,048
Concentrate Grade	% Fe	59.34	59.56	60.74
Price	RMB/t	390.22	649.70	956.59

Source: MCC provided Capex and Opex figures February 09

9.10 SAFETY AND ENVIRONMENT

The Hongda operation has a safety policy that covers both construction and operational activities. The policy uses the best safety equipment and methodologies available and actively trains employees to work in a safe manner. Due to the current status of the operation, M-MC were unable to confirm the practical implementation of such policies. Nonetheless, the No. 2 plant was well designed and had clearly adopted many features that would encourage safe practices and minimise the potential for accidents to occur.

The operation also has an active environmental program, with a strong focus on dust, noise and water. Dust suppression is employed in the mine while dust capture is used during the dry processing stages of crushing and magnetic separation. Water quality is actively monitored based on Chinese Government standards, even though little water is released into the environment. Further attention may be required to minimise the dust losses associated with the strong winds blowing across the tailings dam.

Rehabilitation is undertaken through the planting of trees, particularly on the tailings dam.

10 XIANGXI CARBON SHALE VANADIUM PROJECT

M-MC made a site inspection of this property in February 2008 to review the resources, processing and mining options and the general site layout. In March 2009 M-MC carried out a final site visit to review the resources and geology, as well as update the current project status. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "The Geological Survey Report for Carbonaceous Shale (Stone Coal) of Xinglongchang Mine, Luxi County, Hunan Province" by No. 405 Team, Hunan Bureau of Exploration & Development of Geology & Mineral Resources in August, 2007 (2007 Geology Report).
- "Comprehensive Utilization & Survey of Carbonaceous Shale (Stone Coal) of Xinglongchang Mine, Luxi County, Hunan Province" (2007 Feasibility Report).

The project is currently awaiting final government approvals before proceeding to final plant and site design.

MCC's effective equity stake in the Xiangxi Project is 80%.

10.1 BACKGROUND

The Xiangxi Carbon Shale Project is located near Xinglongchang Township in Luxi County, Hunan Province (***Figure 10.1***). China Metallurgical Xiangxi Mining Co Ltd's (CMXM — MCC 80%) initial plan was to build a power plant capable of burning carbonaceous shale (stone coal) from the Xinglongchang Carbonaceous Shale deposit. The carbonaceous shale is a high ash, low energy fuel type.

The deposit also hosts a vanadium rich horizon in the lower section of the carbonaceous shale seam. This vanadium oxide mineralisation (V_2O_5) is being considered for separate extraction. Technical grade V_2O_5 is produced as a concentrate (black powder) used for the production of vanadium metal and ferrovanadium (strengthened steel). Vanadium is also used as a catalyst for producing sulphuric acid.

Extraction of the vanadium ore is now the primary focus for ongoing production studies and planning. Power station feed shale is not currently being considered.

Initial studies included a report "The Geological Survey Report for Carbonaceous Shale (Stone Coal) of Xinglongchang Mine, Luxi County, Hunan Province" (submitted by No. 405 Team, Hunan Bureau of Exploration & Development of Geology & Mineral Resources in August, 2007 (2007 Geology Report). A subsequent report "Comprehensive Utilization & Survey of Carbonaceous Shale (Stone Coal) of Xinglongchang Mine, Luxi County, Hunan Province" (2007 Feasibility Report) considered the mining of both the upper and lower mining horizons. The products would be carbonaceous shale for power generation and vanadium ore for production of a vanadium concentrate.

Initial mining studies considered open cut mining methods. The current mining schedule includes only vanadium ore quantities from the lower mining horizon. The co-product is waste heat from the Vanadium calcining process which may also be used for power generation. The mining schedule does not include any volumes of

carbonaceous shale from the upper mining section. Extraction of carbonaceous shale from the upper mining section for power station feed represents an additional opportunity for the Xiangxi Project.

The current mining schedules, combined with objectives of the 2007 Feasibility Report include:

- Principal extraction of vanadium oxide (V_2O_5) from stone coal (carbonaceous shale)
- Comprehensive utilisation of waste heat from carbonaceous shale as a co-product of vanadium ore processing
- Generating capacity of 173 million kwh and yearly power supply capacity 159 million kwh
- To produce 500ktpa glued stone cement from slag after V extraction.

Site advice indicated that options exist for the power plant location to be close to the mine site and the vanadium processing plant to be located in the SW corner of the lease.

The mine site lease area contains a water storage reservoir (Loutouchong) with a storage capacity of between 5M and 7.3M cubic metres. The dam overflow level is assumed to be the 324mRL contour.

10.2 ASSETS

- Comprehensive utilisation feasibility report compiled in 2007.
- MCC reported In Situ Quantities of 71.1Mt at 3,507J/g of carbonaceous shale an 17.147Mt at 0.79% V_2O_5 vanadium ore.

10.3 LAND TENURE AND MINERAL RIGHTS

The Xinglongchang Mining area is approximately 70km southwest of Luxi and 90km from Jishou via county roads and a national highway towards the western edge of Hunan Province. The mining rights belong to the China Metallurgical Xiangxi Mining Co Ltd (CMXM) valid until April 2014. Licence Details are shown in ***Table 10.1.***

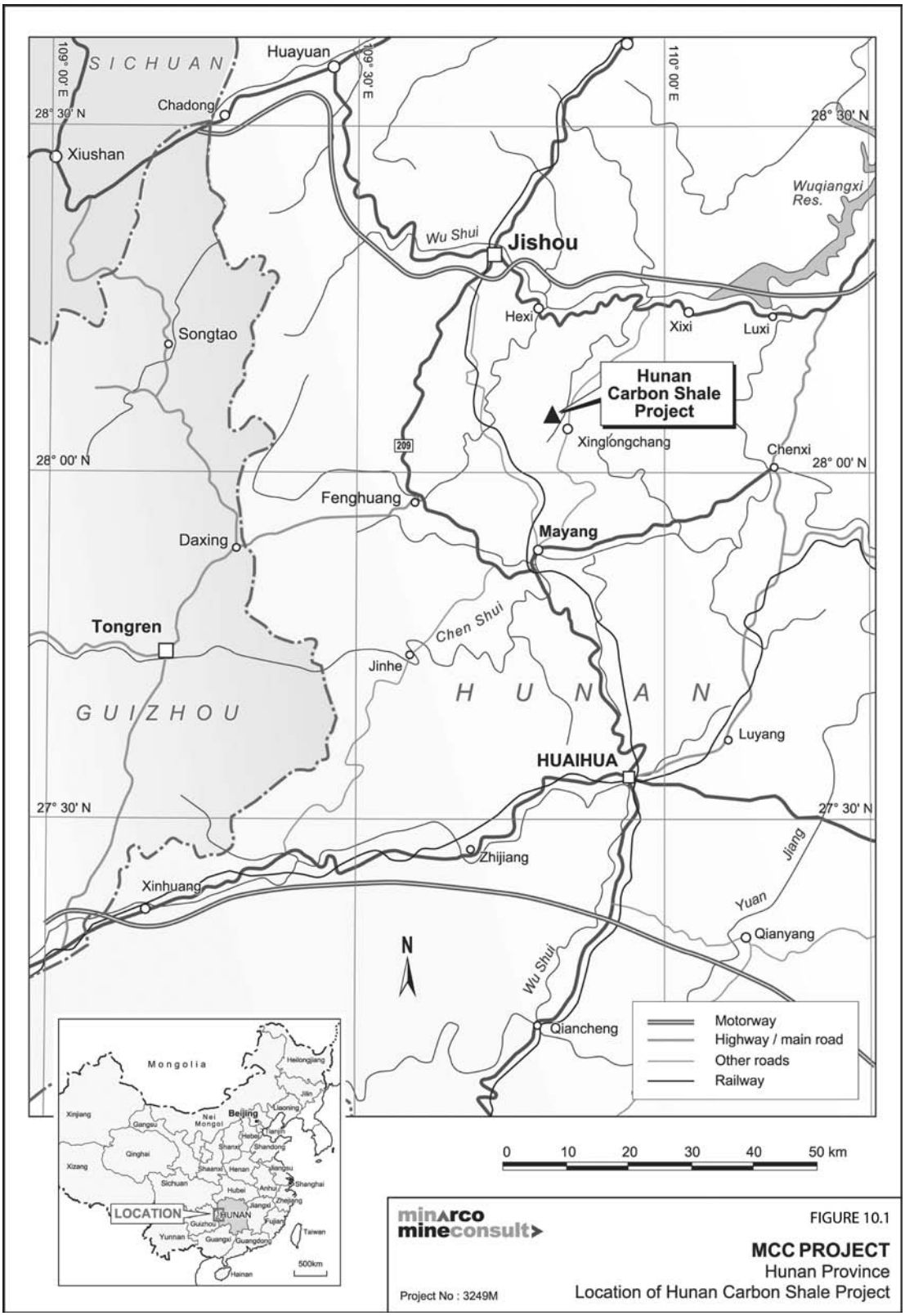
Table 10.1 — Xiangxi V Shale Project — Mining Licence Details

Mine/Project	Xiangxi Carbon Shale
Title	Mining Licence
No.	4331220510288
Owner	MCC Xiangxi Mine Co., Ltd
Mine/Project Name	Luxi County, Xinglongchang Carbon Shale Ore
Mine Method	Opencut
Permit Capacity	1,000ktpa
Permit Area	2.94km^2
Permit Depth	elevation 370mRL to 270mRL
Valid Date	April,2005 to April,2015
Issue Date	April,2005
Issuer	Luxi County Land and Resource Bureau

M-MC validated these coordinates of the Mining Lease area with lease plans used to report the carbonaceous shale and vanadium In Situ Quantities.

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Figure 10.1 — Xiangxi V Shale Project — Project Location



10.4 GEOLOGY

10.4.1 Background and Previous Work

Previous geological exploration comprised regional mapping targeting mineral deposits in the Cambrian strata. In the 1950's, the aeromagnetic team of the Ministry of Geology conducted 1:500,000 regional gravity and aeromagnetic surveys. Between 1969 to 1975, 405 Team of Hunan Provincial Geology and Mineral Resources Bureau in Jishou, Guzhang, Luxi and Yongshun area conducted geological mineral prospecting and exploration work for nickel (Ni), molybdenum (Mo), vanadium (V), multi-metal and phosphorus (P) minerals. Between 1987 and 1991, a regional stream sediment geochemical survey identified metal anomalies of Ni, Mo and V within Cambrian Age black shales.

Site advice reports no previous mining of carbonaceous shale in the area. However, there has been some mining activity in adjacent areas extracting approximately 100kt of zinc (Zn) ore.

In April to July 2006, the 405 Team of the Hunan Provincial Metallurgical and Geological Prospecting Bureau (405 Team) completed field mapping of the carbonaceous shale strata. The 405 Team completed detailed mapping at 1:10,000 over a 1 sq km area and included trench excavations and testing of 100 rock samples.

In January 2007, the 405 Team concentrated exploration work at 1:5,000 scale. Filed work included mapping of the carbonaceous shale, 25 diamond core drill holes totalling 2,321 metres (core viewed on site), 38 trenches and taking nearly 1,000 rock samples. The exploration was completed by May 2007.

10.4.2 Local Geology and Mineralisation

The carbonaceous strata are Lower Cambrian age, formed in an environment of shallow marine sediments which produced black shales in the Niutitang Formation. Quality characteristics are a very low energy and high ash, suitable as a product for a mine mouth power station.

The strata strikes north-south and the carbonaceous shale resource is separated into a northern block and southern block by the water storage reservoir. The geology of the deposit is reasonably simple, with a consistent dip to the east at approximately 10° to 20°. Drilling in the northern block indicates a fault that trends northeast-southwest, that has a displacement in the order of 20m downthrown to the west. Structure contour levels to the base of the carbonaceous shale indicate no significant structural features. The depth of weathering is approximately 10 to 20 metres.

The carbonaceous shale resource is overlain by shale and underlain by silty sandstone. The average thickness of the carbonaceous shale horizon is 15 to 40 metres thick. The carbonaceous shale has an upper carbonaceous section and a lower vanadium oxide (V_2O_5) rich section approximately 5 to 10m thick. A summary of the stratigraphy and mining section characteristics is shown in ***Table 10.2.***

Table 10.2 — Xiangxi V Shale Project — Stratigraphy and Mining Sections

Formation	Section	Lithology	Mining Section	Thickness (m)	CV (Joules/gm)	Vanadium (% V_2O_5)	Comments
Balang		Black Shale IB with siltstone					
Niutitang	Upper	Slate		60			
	Middle	Carb Shale	CS	15-40	3,350-4,000		Higher energy towards base
	Lower	Carb Shale	V4		3,350-3,800		Increasing IB siltstone towards base
		IB Carb Shale & Silt	V3	2-3		2.21%	
		IB Silt & Carb Shale	V2	2-3		0.30%	
Niutitang	Lower	Silt IB Carb Shale	V1		2,500-3,500		
Dengying		Siliceous Shale					

Notes: IB = Interbedded
Carb Shale = Carbonaceous Shale

The main mining section for carbonaceous shale is CS. The main mining sections for vanadium are V2 and V3. The V1 and V4 sections are secondary (lower grade) V sections. The 2007 Exploration Report states that energy value is lower (approximately 2,500 to 3,500J/g) in the lower V mining section.

The carbonaceous shale quality with regard to thermal coal is low quality with very high ash, high sulphur and very low energy contents. Quality of the carbonaceous shale section CS is shown in ***Table 10.3***. The reported units of energy are Joules per gram (J/g). The conversion to kcal/kg is 4.19. The highest energy content sampled is 4,449J/g. The average energy of 3,500J/g is equivalent to approximately 850kcal/kg. While this energy content is very low, it compares favourably with the adjacent 925 Power Plant in Yiyang City which utilises carbonaceous shale with a thermal value of 3,350 J/g.

Table 10.3 — Xiangxi V Shale Project — Carbonaceous Shale Quality

Sample No.	#1 Moisture % IM	Ash % Ash	Fixed Carbon % FC	Volatile Matter % VM	Energy Joule/g	Sulfur %S
ZK3-1	0.12	87.96	5.59	6.33	3403	3.18
ZK9-1	0.13	86.68	7.49	5.70	3567	2.97
Average	**0.13**	**87.32**	**6.54**	**6.02**	**3485**	**3.08**

Source: 2007 Feasibility Study and 2007 Exploration Report
Notes: #1 M-MC assume quality is reported on an, as dried basis (adb) indicated by low moisture values

The vanadium rich lower section has 4 units as shown in ***Table 10.2***. The lower mining section lithology is interbedded carbonaceous and siliceous shale. The average grade across the vanadium-rich section is 0.80% to 1.2% V_2O_5. However, the main host lithology for vanadium is the carbonaceous black shale with grades of 2.2% V_2O_5. The siliceous shale has much lower grades of 0.23% V_2O_5.

There is some evidence that the grade of vanadium increases in the oxidised (weathered) zone.

Figure 10.2 — Xiangxi V Shale Project — Geology Map

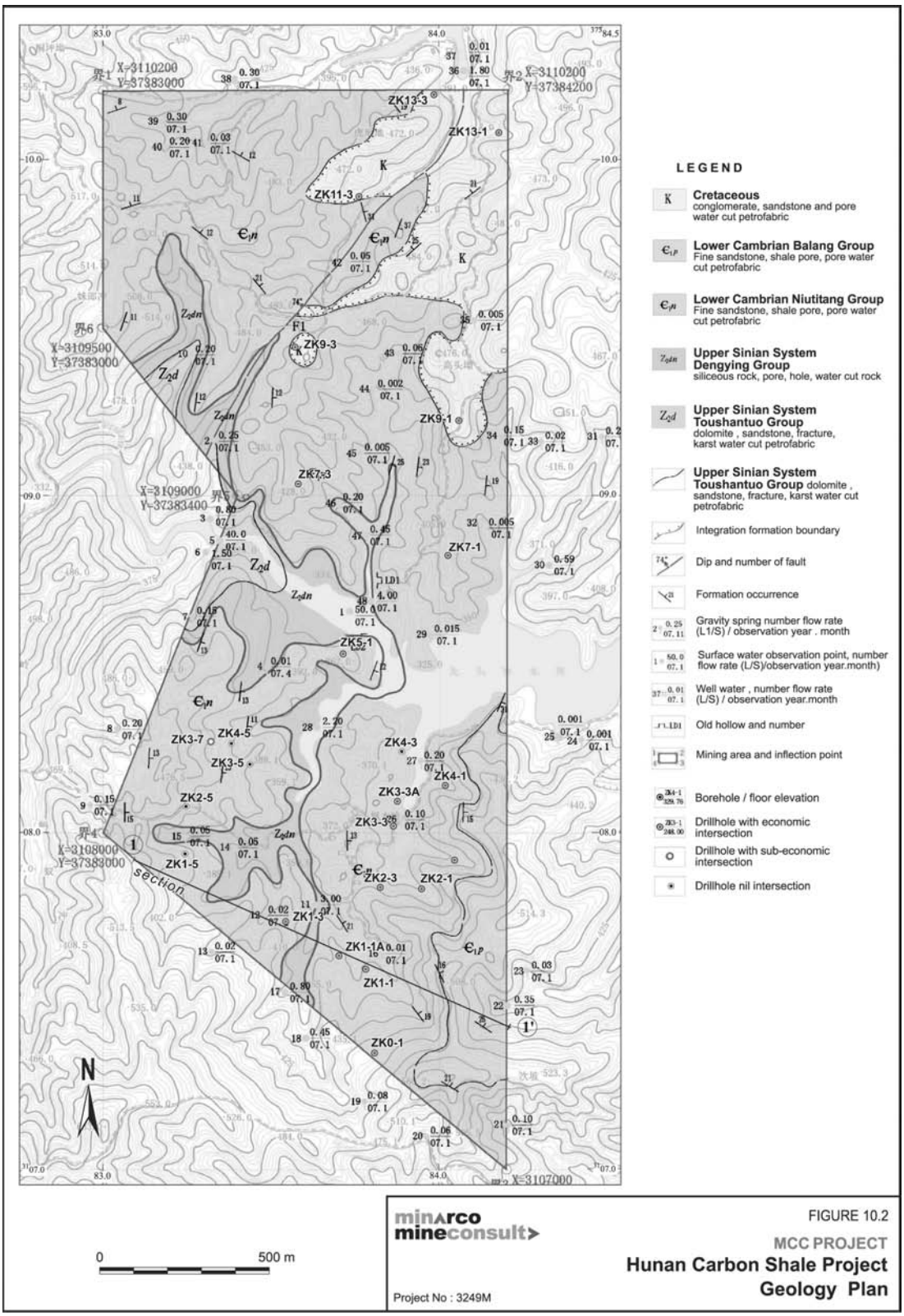
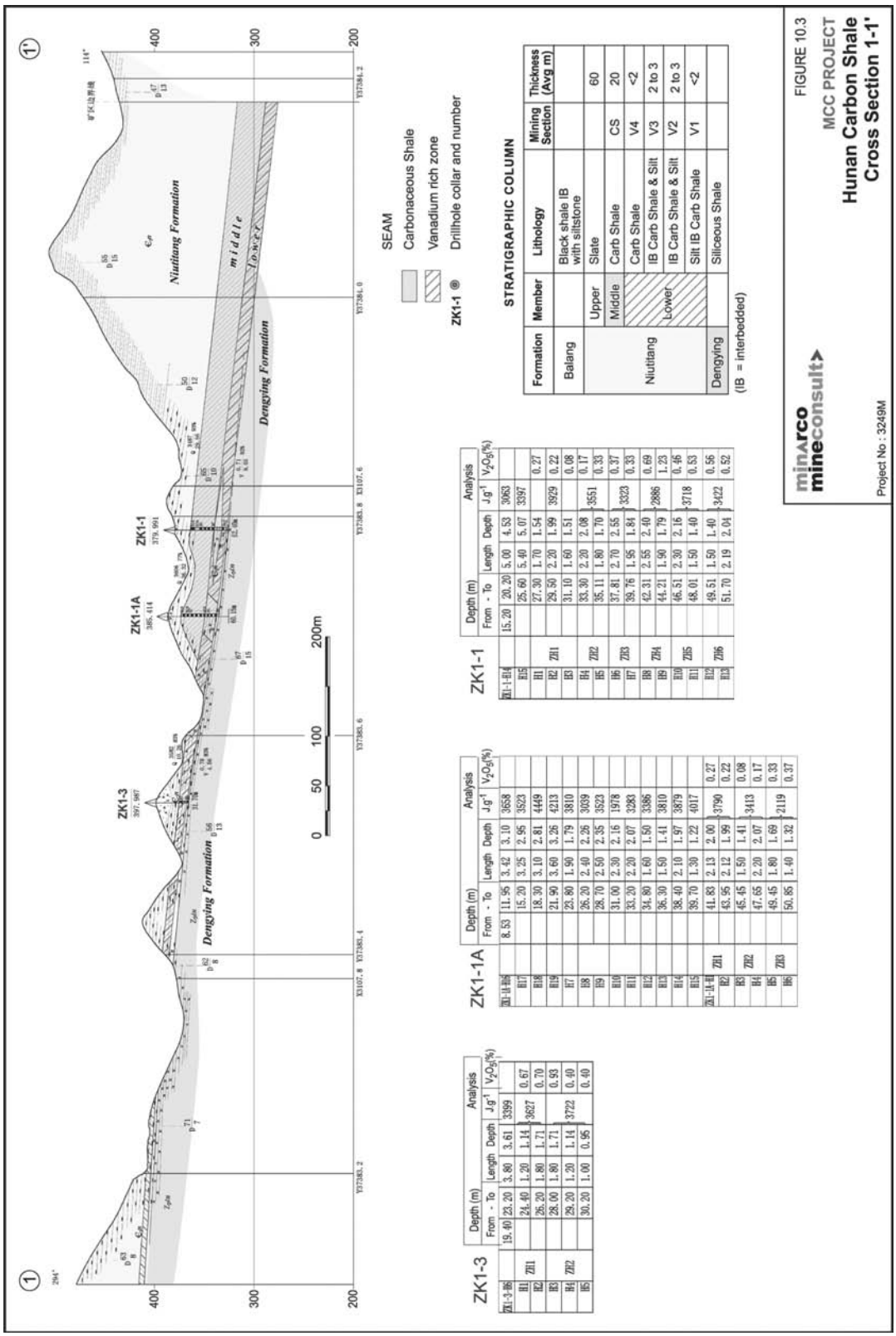


Figure 10.3 — Xiangxi V Shale Project — Geological Type Cross Section



10.5 RESOURCES AND RESERVES

10.5.1 Mineral Resources — In Situ Quantities

In Situ Quantities (Chinese Code) for both the carbonaceous shale and V_2O_5 deposits were estimated and reported by the 405 Team using manual polygonal methods. M-MC was provided with the original exploration report and subsequent "2007 Development and Utilisation Report". Only the "Exploration Report" contains a breakdown of the carbonaceous shale by blocks and Chinese Code. For this reason M-MC has included the data from the Exploration Report in it's resource table.

Estimates of the upper mining section, carbonaceous shale are shown in ***Table 10.4.***

Table 10.4 — Xiangxi V Shale Project — Carbonaceous Shale In Situ Quantities

Upper Mining Section — Carbonaceous Shale								
	Dimensions			Estimated	In Situ Quantities Chinese Codes			Quality Energy
Block	Thickness (Avg m)	Area (m^2)	Volume (m^3)	Density (t/bcm)	334 (Mt)	333 (Mt)	Total (Mt)	SE (J/g)
North				#1				
1	18	472,962	8,513,316	2.25		19.141		3,547
2	21	290,995	6,110,895	2.26	13.786			3,357
3	21.65	78,382	1,696,970	2.22	3.767			3,774
4	22.94	41,877	960,658	2.22	2.133			3,411
5	20.97	206,204	4,324,098	2.22	9.600			3,504
South								
1	25	30,624	765,600	2.24		1.718		3,465
2	20	315,003	6,300,060	2.23	14.070			3,490
3	15.5	199,877	3,098,094	2.23	6.900			3,393
Total	**20.67**				**50.256**	**20.859**	**71.114**	**3,507**

Source: Exploration Report 2007, Resource plans.

Notes: Density default 2.22 t/bcm.

#1 Density for blocks back-calculated by M-MC.

** Development and Utilisation Report In Situ Quantities did not provide a break down of the resource into separate blocks and therefore could not be reported by M-MC.*

M-MC notes that the estimates of In Situ Quantities do not include potential resources to the western side of the lease, up dip. This may be due to oxidation (weathering) of the relatively shallow carbonaceous shale in this area. These areas represent potential additional carbonaceous shale resources. The carbonaceous shale in the western area sub-crops around truncated topography. There is an opportunity for contour mining these shallow and potential open cut resources.

The area of the reservoir within the lease is approximately 0.25sq.km. The dam area has sterilised potential carbonaceous shale resources in the order of 10Mt.

Mineral Resource estimates of the lower mining section, V_2O_5 ore are shown in ***Table 10.5.*** This table from the "2007 Feasibility Report" shows a change in Chinese Code classification based on design work carried out by the Institute. M-MC considers the estimated amounts and grades reasonable.

Table 10.5 — Xiangxi V Shale Project — Vanadium In Situ Quantities

Lower Mining Section — Vanadium				In situ Quantities Chinese Code		Average Grade%	Contained Metal V_2O_5 Chinese Code	
Orebody No	Thickness (Avg. m)	Area sqm	Density t/bcm	334kt	333kt	V_2O_5	334kt	333kt
I-1	3.84	54,001	2.22		460.4	0.81		3.73
I-2	6.18	21,378	2.22		293.3	0.77		2.26
I-3	7.38	68,904	2.22		1,128.9	0.77		8.69
I-4	5.34	54,469	2.22	645.7		0.79	5.10	
I-5	2.13	103,451	2.22		489.2	0.82		4.01
I-6	4.68	55,207	2.22	573.6		0.82	4.70	
I-7	7.03	48,657	2.22	759.4		0.77	5.85	
I-8	6.79	138,686	2.22	2,090.5		0.78	16.31	
I-9	5.98	109,718	2.22	1,456.6		0.77	11.22	
Sutotal South				**7,897.6**		**0.78**	**43.17**	**18.69**
II-1*	4.67	47,881	2.22		513.9	0.73		3.75
II-2	3.67	48,665	2.22	396.5		0.8	1.60	
II-3	4.64	654,277	2.22	6,739.6		0.81	54.59	
II-4	2.86	139,828	2.22	887.8		0.77	6.84	
III	4.95	64,789	2.22	712.0		0.9	6.41	
Subtotal North				**9,249.8**		**0.81**	**69.43**	**3.75**
Total	**5.01**	**>0.7 cog**		**17,147.39**		**0.79**	**135.05**	

Source: 2007 Feasibility Report

Notes: cog; cut off grade

** Computation error should have 496.4kt of In Situ Quantities and not 513.9kt*

The same resource has been reported at a 0.9% V_2O_5 cut off grade yielding 4,244.99kt of In Situ Quantities at 0.98% V_2O_5.

Estimates of In Situ Quantities for V_2O_5 ore include the western area where carbonaceous shale was excluded from estimates of In Situ Quantities.

The area of the reservoir within the lease is approximately 0.25sq.km. The dam area has sterilised potential V_2O_5 ore resources in the order of 2.7 Mt

10.5.2 Reserves — Mineable Quantities

Mineable quantities have been estimated by MCC in previously reported open cut life of mine schedules, produced for the project. No details of the parameters used in these estimates are available and M-MC assumes these have been calculated using simple recovery factors. The reported recoverable Mineable Quantities are outlined in ***Table 10.6***.

Table 10.6 — Xiangxi V Shale Project — Vanadium Mineable Quantities

Tonnes (kt)	Grade (V_2O_5 %)	Vanadium Concentrate (kt)
13,000	0.79	104

Source: MCC 2008 — 12 year life of mine open cut plan

Note: Grade reported is undiluted

Due to the lack of supporting evidence such as mine plans and design as well as the uncertainty regarding the potential approval of an open cut mine in the area, the Mineable Quantities reported are considered by M-MC to be preliminary in nature. Significant amounts of work will be required to finalise the mine plans once approval is granted which could result in marked changes to the reported Mineable Quantities. M-MC also does not consider the use of Chinese Code 334 or 333 In Situ Quantities as reasonable for the estimation of Mineable Quantities when compared to JORC equivalent terms.

10.6 MINING

10.6.1 Mine Planning

The initial planning for the Xiangxi Project was an open cut mining method to include the carbonaceous shale and vanadium mining sections. The initial mining strategy was primarily for power station supply with co-processing of vanadium ore.

In M-MC's opinion, the relatively undisturbed stratiform geology, shallow dips with consistent thickness and grades provide an opportunity for large scale, high production mining. The geological conditions would provide only reasonable mining conditions for underground mining methods, since the friable nature of the dominant matrix material i.e. shale indicate that Room and Pillar mining techniques would be required.

Site discussions suggested that it is unlikely that open cut mining would be permitted in this water catchment area. An underground mining method sequence was described on site that included extraction of each mining section from separate underground entries. This mining strategy was not supported by detailed mine plans or a schedule that included Mineable Quantities of both the carbonaceous shale mining section and the vanadium mining section. However, the strategies presented appeared conceptually reasonable.

The current mining schedule (***Table 10.7)*** is conceptual and includes mining of both vanadium ore quantities from the lower mining horizon and carbonaceous shale from the upper mining horizon utilising an open cut approach. The co-product is a slag which site staff indicated could be sold for cement manufacturing.

Final details of mining production rates will only be determined once mining approvals have been granted by the government. This had yet to happen in March 2009 when M-MC carried out its latest site visit.

M-MC assume:

- The schedule as confirmed by MCC is for open cut mining of both the upper and lower mining sections.
- Site advice indicates schedule calculated using: In Situ Quantities recovery of 70%
  Processing recovery of 62%

Inconsistencies in the vanadium ore schedule include:

- ROM ore grade appears to be In Situ (i.e. no mining dilution applied)

Table 10.7 — Xiangxi V Shale Project — Mining Schedule

Description	Unit	2008	2009	2010	2011	2013	2014
ROM							
ROM Tonnes	kt	—	570	570	570	570	570
ROM V_2O_5 Grade	%	—	0.797	0.797	0.797	0.797	0.797
Carbon Shale	kt	—	43	43	43	43	43
Product							
V_2O_5	t	—	2,850	2,850	2,850	2,850	2,850
Power	M kWh	—	173	173	173	173	173
Recovery as V_2O_5 (V ore)	%	—	62.7	62.7	62.7	62.7	62.7

Source: MCC provided Capex and Opex figures February 09

Mining risks include:

- The proposed mining strategy both open cut and underground is not supported by detailed plans, consistent schedules or a subsidence study,
- Governmental approval for open cut may be hard to receive within the water catchment area
- Poor ground conditions linked to friable shales will require careful management in the underground,
- The underground barrier on the dam may not include an angle of draw,
- Lack of detailed mine planning and extraction methods for separate mining sections (carbonaceous shale and vanadium ore).

Mining opportunities include:

- Consistent orebody within regular stratiform horizons,
- Prepare separate mine plans and schedules for separate mining sections (carbonaceous shale and V).

Figure 10.4 — Xiangxi V Shale Project — Structure Floor Resource Estimates

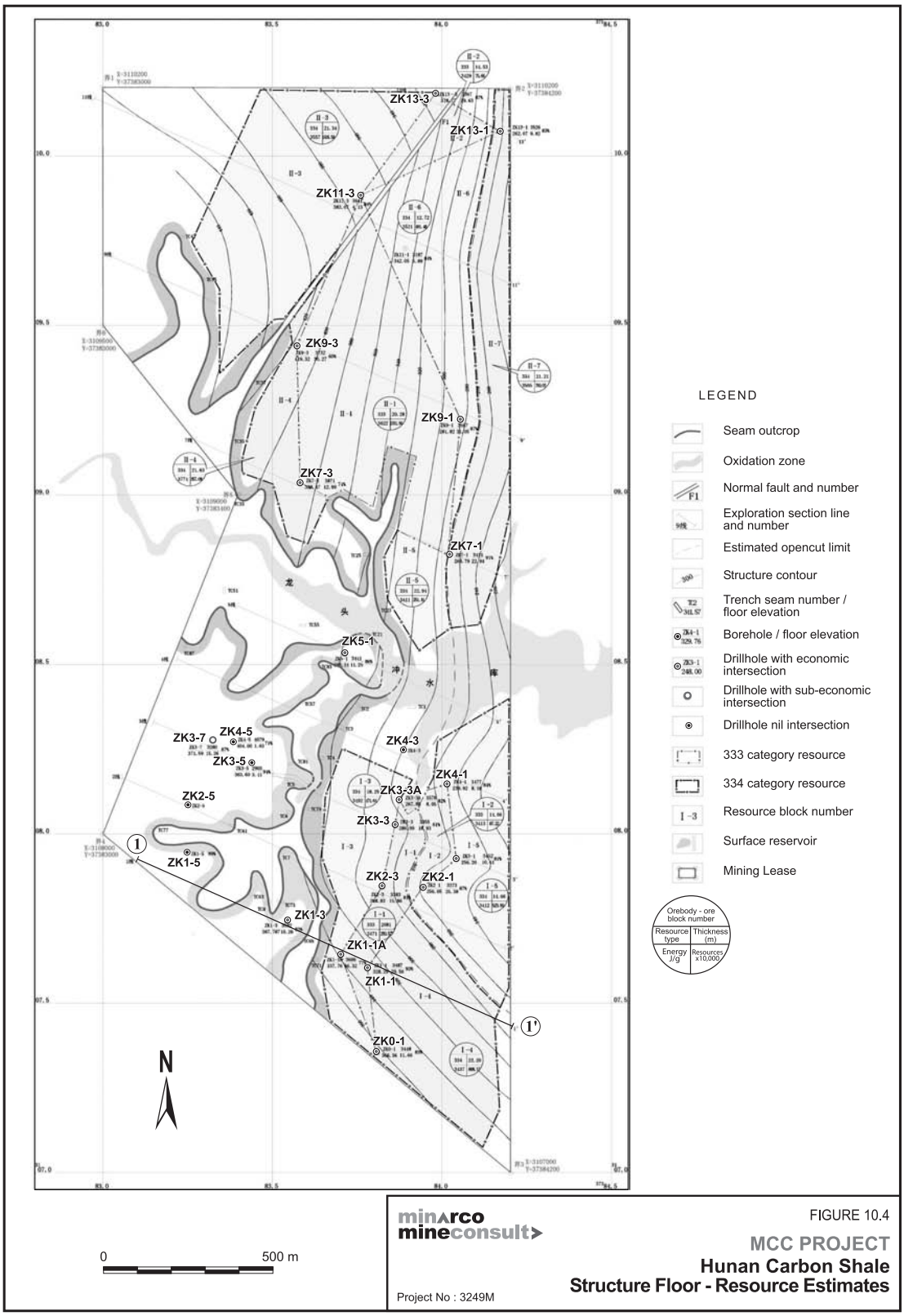
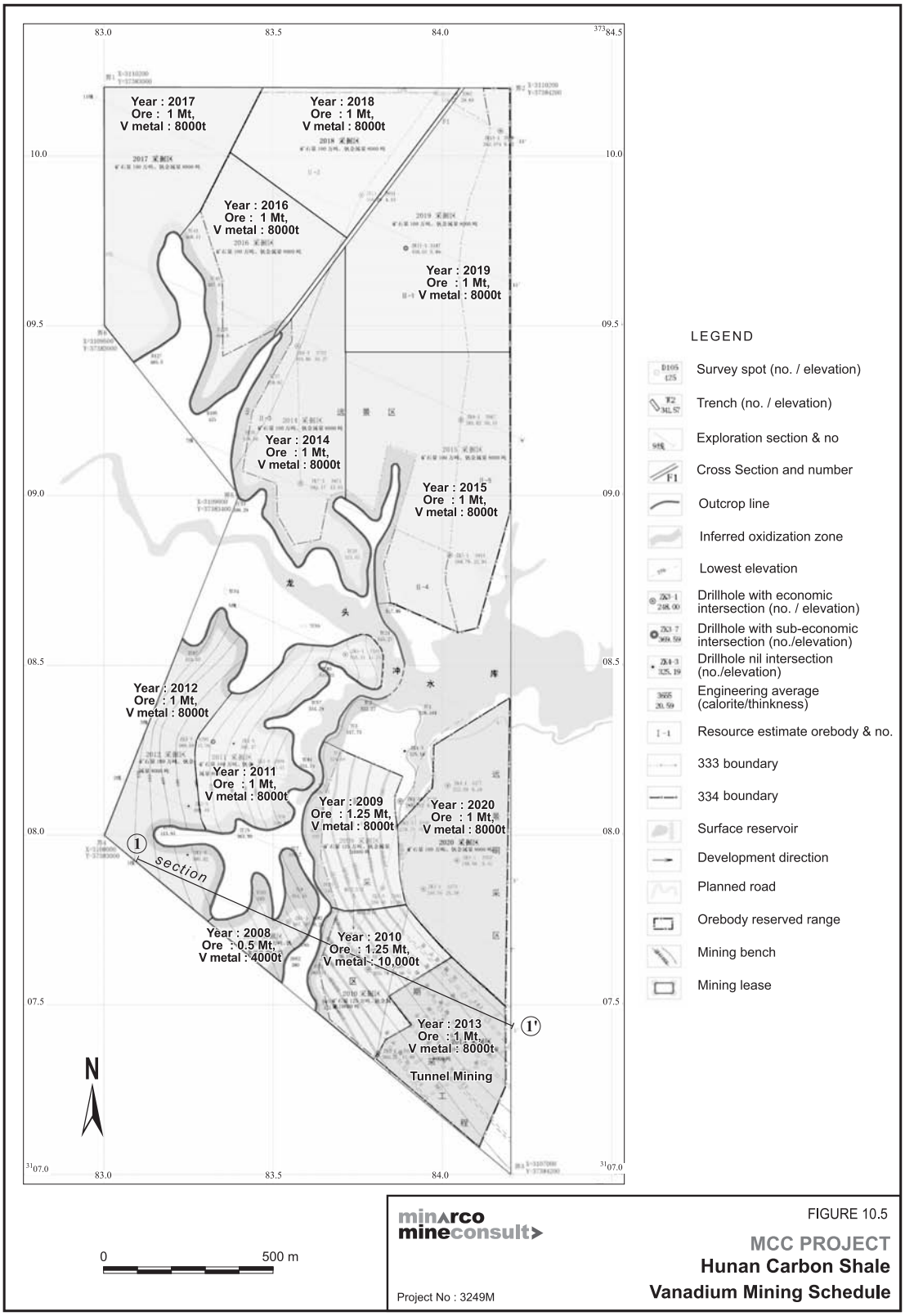


Figure 10.5 — Xiangxi V Shale Project — Mining Schedule



10.7 MINERAL PROCESSING

The objectives of the 2007 Feasibility Study include:

- Extraction of vanadium (V) from carbonaceous shale
- Comprehensive utilisation of waste heat from carbonaceous shale as a co-product of vanadium ore processing
- Power generating capacity of 173 million kWh and power supply capacity 159 million kWh per annum
- Production of a cement product at 500ktpa from slag after V extraction

A detailed study of the vanadium processing flowsheet as well as the power generation from waste heat was not available.

Vanadium Processing:

The conceptual flowsheet is based upon the extraction of vanadium by roasting with salt followed by leaching and ion exchange to produce a fused vanadium pentoxide (V2O5) product that would meet the national standard specification (GB32 83-1987).

Waste Heat Power Generation:

Proposed plans include the generation of power from waste heat during the extraction of vanadium from the carbonaceous shale using a steam turbine and a generator. Conceptual plans are to reticulate power to local areas and possibly into the provincial grid. Additional extraction of carbonaceous shale from the upper mining section provides an opportunity to increase power generation.

Tailings dam:

The mining and processing studies are not supported by details of a tailings dam. Site advice indicated that the dam may be located along southern boundary of the mining lease. Site advice indicated possible disposal of some tailings as underground fill. Since only a small part of the processing requires water, most of the waste products would be of a dry nature and probably involve simple dry placement techniques.

Co-Product Glued Stone Cement:

Glued stone product is part of an environmental and sustainable objective to fully utilise resources, co-products, waste heat and tailings. The conceptual plan is to fully utilize the slag after vanadium extraction to produce glued stone cement with annual production of 500kt/year.

Glued stone has the advantages of sand consolidation, soil-fixation, corrosion resistance, high strength, etc. The strength of the glued stone materials increases to some certain degree if glued stone is immersed in acid or alkali solutions. Glued stone has very good anti-freezing and thawing performance.

Processing risks include:

- Unconfirmed burn test of Xiangxi carbonaceous shale from vanadium mining section,
- Low energy of Xiangxi carbonaceous shale may require other fuel for ignition and sustainability of burning, and
- Lack of details of tailings disposal or tailing dam capacity.

Processing opportunities include:

- Additional and higher energy carbonaceous shale from upper mining section, and
- Additional feed (upper mining section) for potential expansion of power generation.

10.8 INFRASTRUCTURE AND SERVICES

The Xinglongchang Mining area is located in a rural area dominated by subsistence farming. The project is located approximately 70km southwest of Luxi and 90km from Jishou via sealed county roads and a national highway towards the western edge of Hunan Province. Site advice indicates that approximately 3km of roads are required to be constructed from the existing county road to the planned mine site.

Grid power lines transect the project area however additional power would be required either using waste heat from the vanadium production or possibly using hydro power (site advice).

The current mining study includes recycling of all site water with minimal need for additional water generation and presumably water would be sourced from the nearby lake to satisfy the initial processing requirements.

No detailed information regarding the tailings dam site or construction was made available to M-MC during the site visits.

10.9 CAPITAL AND OPERATING COSTS

There are no detailed reports of mining or processing costs. Indicative costs and project value were included in the 2007 Exploration Report and Feasibility Study for the previously planned open cut. These have subsequently been updated by MCC in February 2009 (***Table 10.8***).

The mining and processing costs supplied by MCC include CAPEX costs relating to repairs and maintenance but not construction. In M-MC's opinion the total operating costs appear reasonable when compared against other similar operations.

The 2009 Capex and Opex information provided by MCC included the following indicative estimates. Note that the operating costs are assigned to the vanadium-rich ore production rate (i.e. 570,000tpa) and not the total quantity of material mined:

Table 10.8 — Xiangxi V Shale Project — Indicative Capital and Operating Costs

Item	Units	2009	2010	2011	2012	2013	2014
Mining unit cost:	RMB/ ROM V ore t	–	35.9	36.3	37.0	37.5	38.0
Processing Cost	RMB/ ROM V ore t	–	260	263	267	271	275
Power generation cost	RMB/ ROM V ore t	–	63.7	64.6	65.6	66.7	67.7
Cement cost	RMB/ ROM V ore t	–	131.6	133.5	135.6	137.5	139.6
Administration fee	RMB/ ROM V ore t	–	12	43	43	43	43
Opex Total	RMB/ ROM V ore t	–	**503.2**	**540.4**	**548.2**	**555.7**	**563.3**
Capex Price	**'000 RMB**		**6,500**	**6,500**	**6,500**	**6,500**	**6,500**
V_2O_5	RMB/product t	–	120,000	120,000	120,000	120,000	120,000
Power	RMB/ KWh	–	0.49	0.49	0.49	0.49	0.49
Cement material (slag)	RMB/product t	–	90	90	90	90	90

Source: MCC provided Capex and Opex figures February 09

The mining rate provided by MCC in 2009 appears to reflect mining via open cut method only. The mining unit costs could increase significantly if underground mining was undertaken.

M-MC considers these cost estimates to be highly conceptual at this stage and they will be reviewed after government approvals for mining have been received and more detailed mine planning and feasibility assessment undertaken.

Prices used for V_2O_5 appear reasonable based on long term market averages. There is a market for the generated power in the region and the price of 0.49RMB/kWh is reasonable. With the amount of civil construction occurring in the region, the slag as cement would find a ready market and the adoption of 90RMB/t as the received value is also reasonable.

The construction capital expenditure requirements have been outlined during conversations with MCC staff in 2009 and are summarised in ***Table 10.9***. Based on similar plants in China, M-MC believes the construction costs appear reasonable.

Table 10.9 — Xiangxi V Shale Project — Construction Capital Expenditure Requirements

Item	Units	Value	Comments
Construction Period	years	1	
Mining	RMB	60	may be underestimated for UG
Vanadium processing plan	RMB	99M	
Power station	RMB	50M	
Cement factory	RMB	60M	
Capital Cost (Total)		269M	

Source: Client Information

10.10 SAFETY AND ENVIRONMENT

Although no safety plans or policies were sighted by M-MC, based on other Chinese MCC projects that M-MC has inspected, it is likely that this project would adopt acceptable safety policies and implement them during construction and operation.

The project is located in a relatively pristine part of China and the deposit extends under a major water catchment lake. It is expected that stringent environmental practices would be required in order to progress the development of the project. The only Environmental Plan that was sighted addressed issues such as storage of the waste rock from mining and minimising landslides. Any future environmental policies with regard to mining and the environment will be directed by government approvals and environmental design requirements.

11 NONGGESHAN LEAD ZINC PROJECT

M-MC was not able to visit this project site due to inclement weather and inaccessibility (snow). Also the lack of operational status (development stage) meant a site visit was not critical. The review progressed as a desktop study using data provided. Various reports were reviewed as technical background to this property, the most significant of which are as follows;

- "The Updated Utilisation and Development Scheme of Zn-Pb Mine at Nonggeshan", compiled by the Lanzhou Non-ferrous Metallurgy Design and Research Institute Company Ltd, June 2007. (2007 Feasibility Report)

Project construction is scheduled to re-commence in the summer of 2009.

MCC's equity stake in the Nonggeshan Project is 49.9% (97.83% of a subsidiary owning a 51% stake in the project).

11.1 BACKGROUND

The Nonggeshan Pb-Zn deposit was first discovered in 1958. Currently it is operated by the Sichuan Nonggeshan Multi-metal Mine Company Ltd, which is a joint venture between Yadide Mine Construction Company Ltd (Ganzi Prefecture, Sichuan Province) and Huaye Resource Development Company Ltd (a subsidiary of China Metallurgical Group Corporation).

The mine site is located in the village of Xiede in the Daofu County of the Sichuan Province, at an altitude of between 4,600m and 5,200m (***Figure 11.1***). The area is a high alpine terrain and has an average annual temperature of 14.2°C.

11.2 ASSETS

- In Situ Quantities of 20.4Mt at 1.18%Pb, 1.4% Zn and 16.6g/t Ag.
- Mineable Quantities of 5.7Mt at 2.5%Pb, 1.5% Zn, 17.4g/t Ag.
- "The Updated Utilisation and Development Scheme of Zn-Pb Mine at Nonggeshan", compiled by the Lanzhou Non-ferrous Metallurgy Design and Research Institute Company Ltd, June 2007. (2007 Feasibility Report)

11.3 LAND TENURE AND MINERAL RIGHTS

The 2.96Km^2 Exploration Licence incorporating the three orebodies one in the west ore zone (OB I) and the other two in the east ore zone (OB II and OB III) expired in September 2008. A Mining Lease was granted for orebody N^o I only by the Sichuan Province Land & Resources Bureau in March 2008.

The current mining Licence for orebody N^o I is shown in ***Table 11.1.***

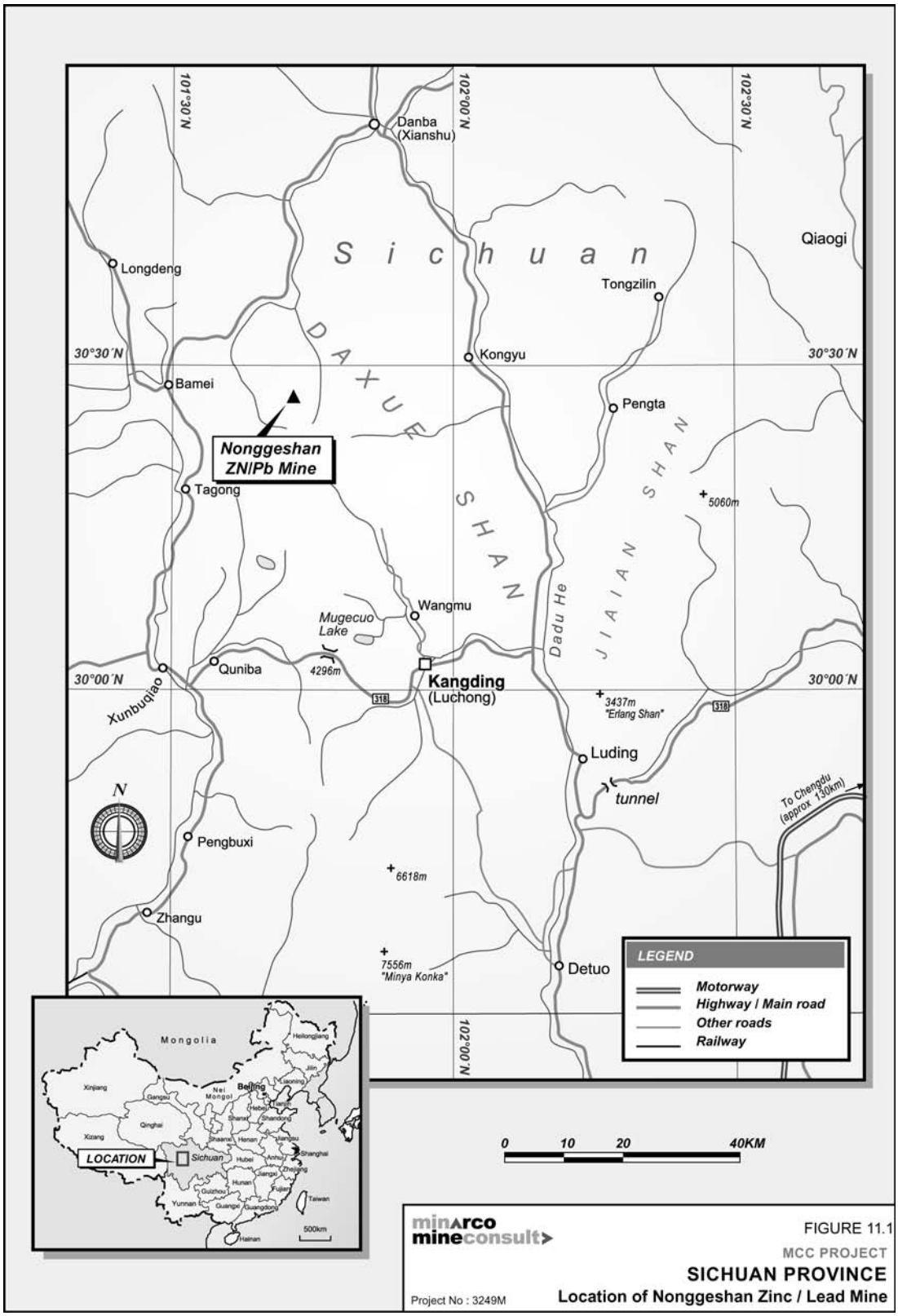
Table 11.1 — Nonggeshan Lead Zinc Project — Mining Licence Details

Mine/Project	Nonggeshan
Title	Mining License
No	5100000810159
Owner	Sichuan Nonggeshan Multi-Metal Mine Co., Ltd
Mine/Project Name	Daofu County Nonggeshan Lead-Zinc Mine, Nonggeshan multi-metal Mine Co., Ltd
Mine Method	UG
Permit Capacity	600ktpa
Permit Area	0.4213km^2
Permit Depth	4795mL - 4485mRL
Valid Date	Mar,2008- Mar 2028
Issue Date	Mar, 2008
Issuer	Sichuan Province Land and Resource Bureau

Note: MCC provided information

M-MC provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

Figure 11.1 — Nonggeshan Lead Zinc Project — Location Plan



11.4 GEOLOGY

The Nonggeshan Project area is located in the Sanjiang Ore-Forming Belt.

Pb-Zn mineralisation is associated with contact margins between the rock mass and wall rocks and crevices between Triassic strata. The Nonggeshan mineralisation type is a hydrothermal liquid-filled or veinlet impregnated Pb-Zn deposit.

The Nonggeshan deposit has two main ore horizons (East and South) and comprises three (3) orebodies with the following characteristics:

No. I Orebody:	- This is the main mineralised zone (Central and Western Belts), - The host is the Zheduoshan alkali granite body, and - Mineralisation is controlled by the cata-clastic granite structural belt
No. II and III Orebodies:	- Located in the external contact belt to east of Orebody I, - The host is the in Zagunao petrofacies (garnet marble and sericite quartz schist).

Orebody I is the largest within the exploration and mining licences. The hanging wall is granitic mylonite, the host is cataclastic granite or cataclastic breccia, and the footwall is cataclastic granite and gneissic, cataclastic granite. The wall rocks of Orebody I are bounded by fault zones.

The trend of thickness and grade is reducing at depth (down dip).

Ore minerals are mainly galenite (PbS), zinc blende or sphalerite (Zn,Fe,S) and lesser quantities of iron pyrite (FeS_2), chalcopyrite ($CuFeS_2$) and cerussite ($PbCO_3$), smithsonite ($ZnCO_2$), hemimorphite (oxidised sphalerite), magnetite (Fe_3O_4), argentite or native silver (Ag). Minerals in outcrop include secondary ferrite and minor malachite.

There are four types of ore structure:

Disseminated:	sparse impregnated
Massive:	dense impregnated
Vein:	dictyogenous (veiny)
Breccia:	dense block (breccia) form.

Orebody 1 is also defined by a small proportion of oxidised ore ($<$10% proportion).

Figure 11.2 — Nonggeshan Lead Zinc Project — Geology

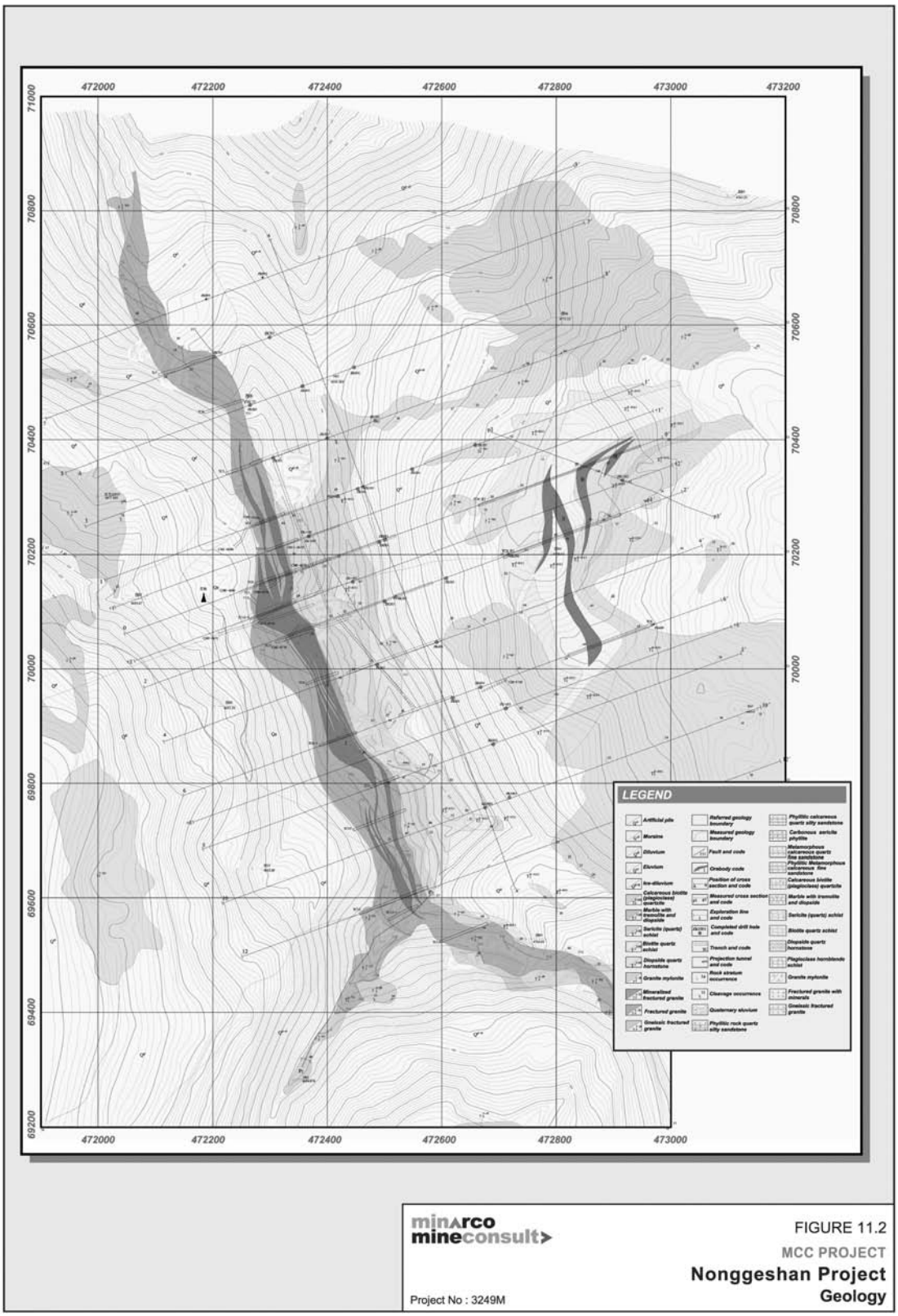
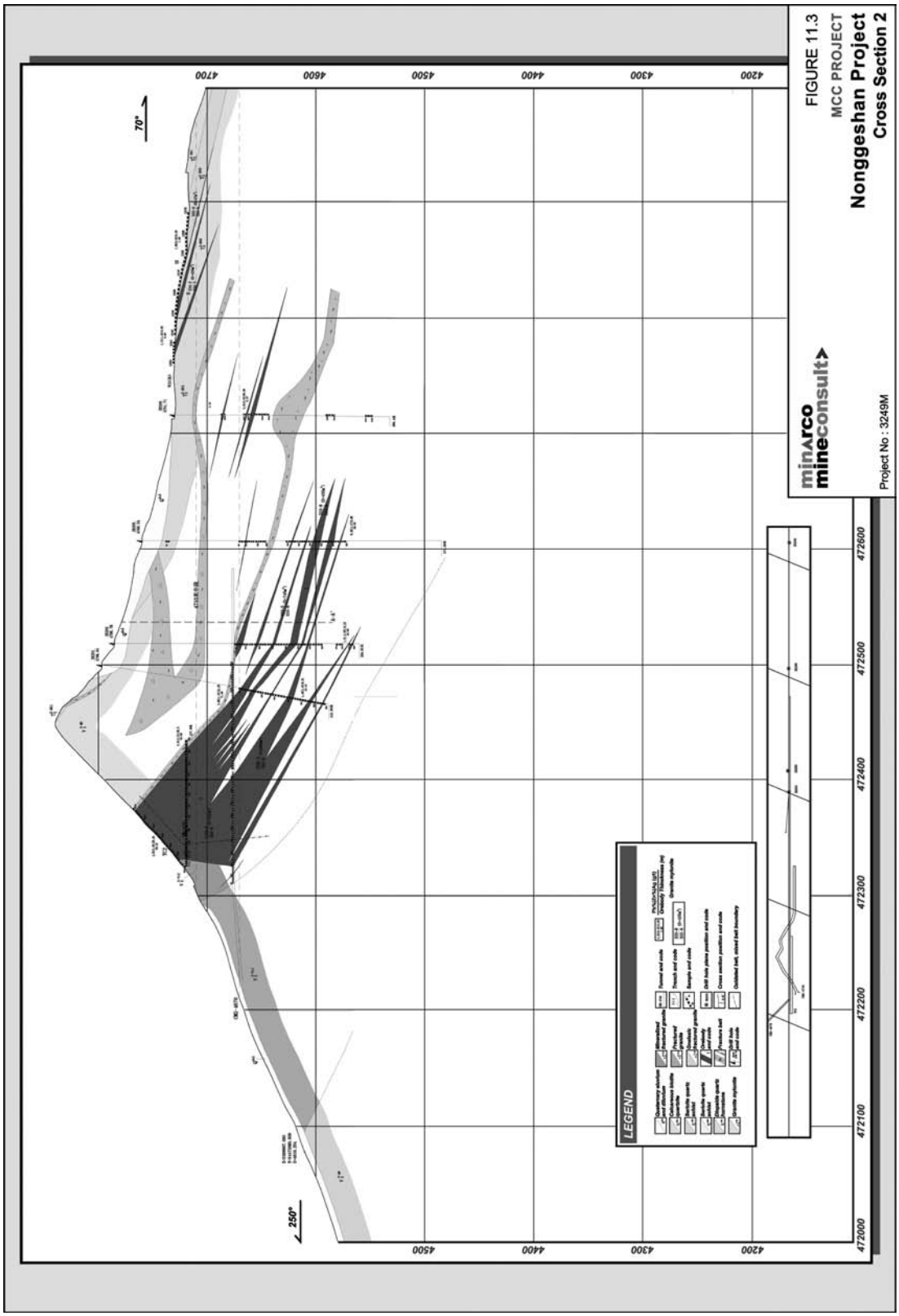


Figure 11.3 — Nonggeshan Lead Zinc Project — Cross Section



11.5 RESOURCES AND RESERVES

11.5.1 Mineral Resources — In Situ Quantities

In Situ Quantities of sulphide ore were estimated and reported by the Lanzhou Institute in 2007 ***(Table 11.2)*** for all 3 orebodies.

Table 11.2 — Nonggeshan Lead Zinc Project — In Situ Quantities — Orebody I, II and III Sulphide Ore

Ore Body	Chinese Code	Sulphide Ore (kt)	Average Grade			Contained Metal		
			Pb(%)	Zn(%)	Ag(g/t)	Pb (kt)	Zn (kt)	Ag (t)
I	111b	3,878	1.76	1.39	17.09	68	39	49.4
	122b	3,252	1.76	1.39	17.09	57	40	43.6
	333	12,454	1.76	1.39	17.09	219	193	241.6
	Sub Total	**19,584**	**1.8**	**1.4**	**17.1**	**345**	**273**	**335**
II	333	559	1.66	1.21	5.55	93	68	3.11
	Sub Total	**559**	**1.7**	**1.2**	**5.5**	**93**	**68**	**3.1**
III	333	272	1.56	2.42	2.42	3	4	0.7
	Sub Total	**272**	**1.6**	**2.4**	**2.4**	**3**	**4**	**0.3**
I+II+III	111b	3,878	1.76	1.39	17.09	68	39	49
	122b	3,252	1.76	1.39	17.09	57	40	43.6
	333	13,285	1.75	1.40	16.30	315	265	245.3
Total		**20,416**	**1.8**	**1.4**	**16.6**	**440**	**345**	**338**

Source: 2007 Feasibility Report

Notes:
Ore Density: 2.89 t/bcm
cog: >3% Pb + Zn

Additional Exploration Targets (334) inside the exploration area are reported by the Lanzhou Institute of approximately 0.68 Mt.

The licence status of orebody II and III cannot be confirmed and the In Situ Quantities shown in ***Table 11.2*** may be reduced by 831kt if the licence is not renewed.

11.5.2 Reserves — Mineable Quantities

Mineable Quantities have been estimated by the Lanzhou Institute in the 2007 Feasibility Report for orebody No I within the proposed mining area. Based on a total Mineable Quantities of 17.9Mt the Lanzhou Institute estimates a life of mine of 30 years based on a 600ktpa mining rate.

In M-MC's opinion the Mineable Quantities estimated are conceptual and not based on detailed mine designs. No dilution or mining recovery factors appear to have been applied to the underlying In Situ Quantities used to estimate the Mineable Quantities. M-MC considers that only 111b and 122b classified In Situ Quantities should be considered of high enough confidence to be considered as Mineable Quantity and has shown this break down in ***Table 10.3***. Review of the grade distribution of the Mineable Quantities shows that grade decreases with depth; this will have a negative impact on mining and processing costs.

Table 11.3 — Nonggeshan Lead Zinc Project — Mineable Quantities — Orebody Sulphide Ore

Ore Body	Chinese Code	Sulphide Ore (kt)	Average Grade Pb(%)	Zn(%)	Ag(g/t)	Contained Metal Pb (kt)	Zn (kt)	Ag (t)
No I	111b	2,878	2.8	1.51	19.29	80	44	55.5
4710 – 4550 Level or below	122b	2,831	2.14	1.44	15.48	61	41	43.8
Sub Total 111b + 122b		**5,709**	**2.47**	**1.48**	**17.4**	**141**	**84**	**99**
Potential Mineable Quantities	333	12,263	1.64	1.36	18.66	201	167	228.9

Source: 2007 Feasibility Report, Orebody I Mineable Quantities are within the recently granted Mining Licence.

Note: 333 Chinese Code resource are not considered of high enough confidence to include as Mineable Quantities.

11.6 MINING

11.6.1 Mine Planning

The civil construction project is currently on hold due winter. Construction is due to recommence in the summer of 2009. As at the time of writing, construction had yet to recommence.

Boundaries between ore, wall rocks and included waste do not have sharp boundaries. Orebody N^{o} I is planned to be extracted utilising a combination of both underground room and pillar stoping and sub-level open stoping.

From the varying widths of the orebody, it is assumed by M-MC that the wider areas or the orebody will be mined using the room and pillar method of mining and the narrow sections will be mined using the sublevel open stoping method of mining.

11.6.2 Forecast Production

The first 3 years forecast ROM ore production is shown in ***Table 11.4***. The target ROM ore production of 0.6Mt is reached in Year 2.

Table 11.4 — Nonggeshan Lead Zinc Project — ROM Ore Production Plan

UG Production	Units	2012	2013	2014
ROM ore	ktpa	450	600	600
Grade	Ag g/t	21.38	21.38	21.38
	Pb%	2.86	2.86	2.86
	Zn%	1.55	1.55	1.55
Contained Metal	Ag t	9.62	12.83	12.83
	Pb t	12,870	17,160	17,160
	Zn t	6,975	9,300	9,300

Source: MCC provided Capex and Opex figures February 09

M-MC considers this plan to be highly conceptual at this stage, and subject to more detailed mine planning assessment. Based on information provided in the 2007 Development report the current plan is to mine orebody N^{o} I. M-MC notes that the average In Situ grades for Pb, Ag and Zn for ore-body I when reported by elevation are not as high as those quoted in ***Table 11.4***. M-MC considers the grades shown as optimistic considering dilution has not been factored into the production plan.

11.7 MINERAL PROCESSING

In many of the Nonnggeshan lead-zinc ore types, the zinc containing mineral (sphalerite) coats the lead bearing mineral (galena) while in other ore types the two minerals are disseminated and closely associated, making it difficult to produce high grade concentrates at high recoveries. The ore also contains some copper as chalcopyrite which will be recovered to the final lead concentrate, which vary between 0.5-1.3% Cu. Arsenopyrite is also present in the ore and is some areas up to 0.2% As. It is presumed that blending of the high arsenic ores with lower grade arsenic ores (<0.3% As) will be practised in order to minimise the arsenic content of the final concentrates.

The forecast concentrate production is summarised in ***Table 11.5,*** which shows that the lead would be recovered to a concentrate grading 60% Pb with 76% lead recovery and 68% of the silver in the feed. Sixty-six percent of the zinc would be recovered to a concentrate assaying 45% zinc.

Table 11.5 — Nonggeshan Lead Zinc Project — Forecast Production Summary

Product	Unit	2012	2013	2014
ROM Feed	ktpa	450	600	600
Lead Grade	%	2.86	2.86	2.86
Zinc Grade	%	1.55	1.55	1.55
Silver Grade	g/t	21.38	21.38	21.38
Lead Concentrate	ktpa	16.3	21.7	21.7
Lead Grade	%	60	60	60
Lead Recovery	%	76	76	76
Silver Grade	g/t	400	400	400
Silver Recovery	%	67.8	67.8	67.8
Zinc Concentrate	ktpa	10.2	13.6	13.6
Zinc Grade	%	45	45	45
Zinc Recovery	%	66	66	66

Source: MCC provided Capex and Opex figures February 09

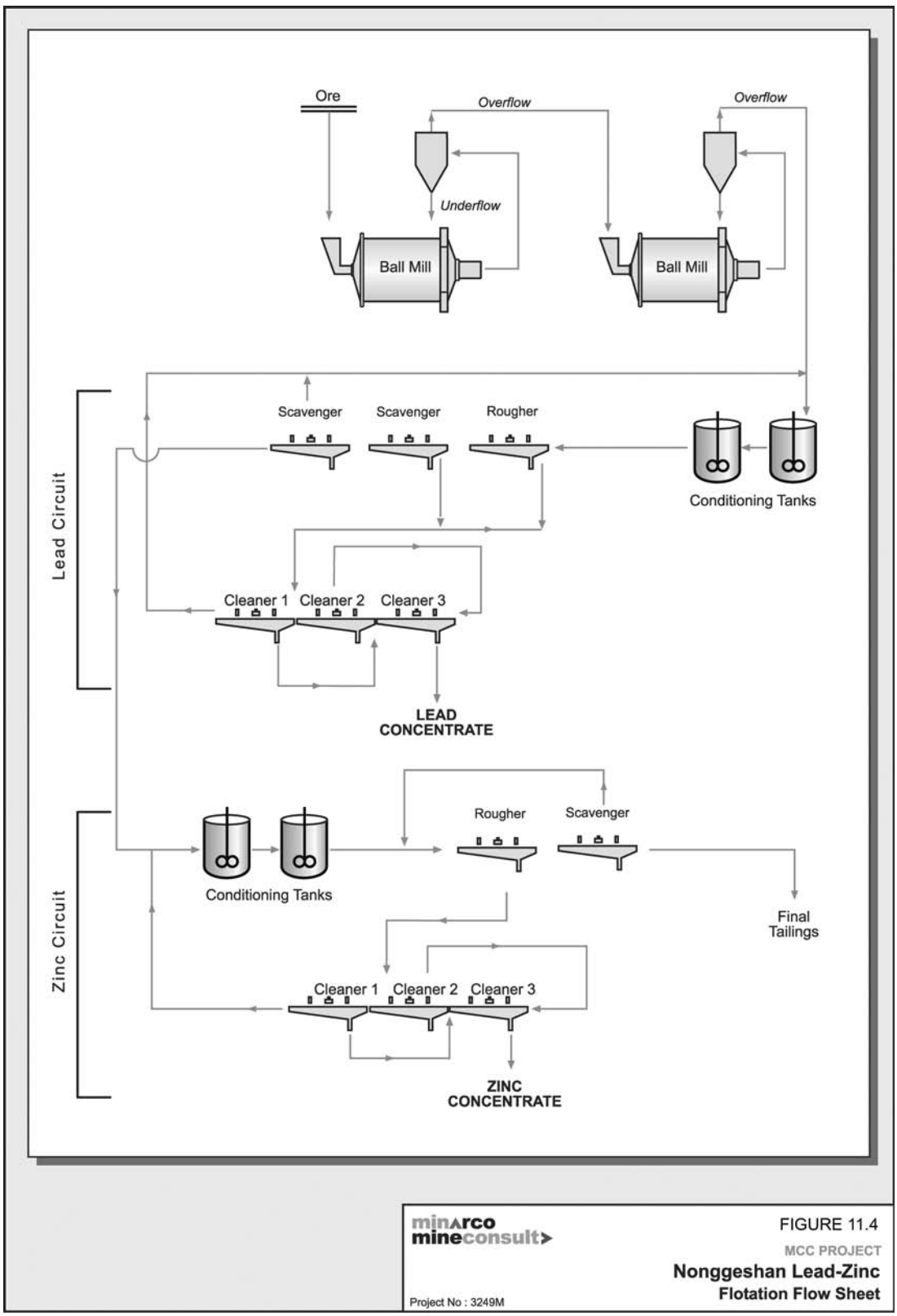
The Nonggeeshan processing flowsheet reflects a typical lead-zinc separation where lead is firstly recovered followed by the zinc. Ore from the mine will be crushed in a three stage crushing and screening circuit to reduce the ore to below 12mm and stored in fine ore storage bins. Ore would be withdrawn from the fine ore storage bins and fed to a two stage milling circuit where a ground slurry (P_{90} = 74 microns) will be produced for the flotation circuit. The flotation processing flowsheet is shown in ***Figure 11.4.***

The cyclone overflow from the milling circuit will be conditioned with reagents in two stages before flotation in the lead roughers followed by two stages of scavenger flotation. Both the rougher and the first stage scavenger concentrate would progress to a three stage cleaning circuit to produce the final lead concentrate. Both the first cleaner tailings and second scavenger concentrate will report back to the conditioning stage for re-treatment in the lead flotation circuit.

The zinc circuit flowsheet is very similar to that of the lead flowsheet. After two stages of conditioning, the tailings from the lead flotation circuit would be fed to the zinc rougher and scavenger flotation banks. The rougher concentrate will be upgraded to produce the final zinc concentrate in three stages of cleaning. The first cleaner tailings will be re-cycled to the conditioning stage while the scavenger concentrate would be re-cycled to the rougher feed. The tailings from the zinc rougher-scavenger flotation bank will be final tailings and would be pumped to the tailings dam.

Both concentrates will be dewatered to 8-10% and bagged for transport to the market.

Figure 11.4 — Nonggeshan Lead Zinc Project — Processing Flowsheet



11.8 INFRASTRUCTURE AND SERVICES

The Nonggeshan project is located in a remote, mountainous region at altitude (4,600m ASL). Moreover the region is prone to earthquakes and all facilities, including the tailings dam, are apparently designed to withstand earthquakes up to 8 on the Richter scale. Additionally, the mine site experiences very heavy snow falls (30m) which needs to be addressed in the plant design as well as operating procedures.

Access

The project is located near the convergence of two highways : Bamei Highway to the south and the Sichuan-Tibet Highway to the west. The major city in the region, Chengdu, can be reached by three highways; the shortest route is 377km by way of Danba, Xiaojin and Dujiangyan. A road to the mouth of Taizhangou valley appears to have been built.

Power

There will be 12.455MW of installed power on the Nonggeshan site of which 7.426MW will be in use. Overall, 40.516GWh of power will be consumed annually. Mining will consume 26.17kWh/t while Processing, including water supply and tailings, will require 35.13kWh/t. Power will be supplied from the grid by a 35kV overhead power line form the Bamei 110kV sub-station some 35km away. There is apparently sufficient power for all the projects' needs. This power line, including a 110kV/35kV transformer at Bamei sub-station, appears to have been constructed, possibly to the mouth of Taizhangou valley. On site, a 35kV/10kV transformer will transform the power for local transmission as well as for operating the milling circuit.

Communications

An optical fibre communications line has been laid to the mouth of Taizhangou valley, where the proposed processing site is to be located.

Water

Some 9,693m^3/d has been estimated as the water requirement for the project, consisting of 3,227m^3/d of raw water, 6,032m^3/d of recycled water from the tailings dam and 432m^3/d of water in re-circulation from dewatering of concentrates and tailings.

Water will be sourced from the nearby Jiemei Lake, some 3.6km away. The water is fairly hard (hardness of 30) with a pH of 7.2 and appears to be suitable for both processing and human consumption. All piping will be located beneath the perma-frost level ($>$2m), insulated and with heating as required.

Heating

Heating provided by two 2t coal boilers will be required in the working areas as well as in the accommodation facilities. Overall, 2,193kW of heating will be generated and reticulated as hot water (110^oC), with 1.872kW as heating and 321kW as ventilation.

Tailings Dam

A tailings dam will be located in the nearby Sangjidonggegou Valley, constructed from compacted rock filled wall, initially 32m high (and 4m wide) and with a full height of 82m. The volume of the dam is calculated at 7.5 million m^3. Two pumps will be installed to pump the recovered water, which will be around 76% of the water in the tailings.

Plant/Accommodation Location

A number of locations have been examined and the proposed site has been selected near the mine site (4,360mASL), identified as the Gounao Plant Location in the Sangjidonggegou Valley. Experiences in other countries where mining is conducted at altitudes above 4,000m (e.g. Chile), recommend that accommodation facilities are located at lower altitudes such as 3,000m for reasons of safety and productivity.

11.9 CAPITAL AND OPERATING COSTS

Forecast Mining Costs are shown in ***Table 11.6.*** The second year after production commences represents the first year at the full production rate of 600ktpa.

In M-MC's opinion the total operating costs appear reasonable when compared against other similar operations.

Table 11.6 — Nonggeshan Lead Zinc Project — Forecast Mining Costs

Description	Unit	2011	2012	2013	2014
ROM					
ROM Tonnes	ktpa	—	450	600	600
ROM Lead Grade	%	—	2.86	2.86	2.86
ROM Zinc Grade	%	—	1.55	1.55	1.55
ROM Silver Grade	g/t	—	21.38	21.38	21.38
Price (Exclude Tax)		—			
Lead Concentrate	RMB/t	—	10,500	10,500	10,500
Zinc Concentrate	RMB/t	—	15,000	15,000	15,099
Total Mining Cost	**RMB/ROM t**	—	**60.53**	**60.53**	**60.53**
Total Processing Cost	**RMB/ROM t**	—	**67.94**	**67.94**	**67.94**
Total Operating Cost (Mining, Operating & Other)	**RMB/ROM t**	—	**168.12**	**168.12**	**168.12**

Source: MCC provided Capex and Opex figures February 09

There was no detailed information regarding capital costs available for review, only a summary of the estimated costs as shown in ***Table 11.7***.

Table 11.7 — Nonggeshan Lead Zinc Project — Forecast Capital Costs

Description	Unit	2009	2010	2011	2012	2013	2014
CAPEX							
Mining Maintenance	10k RMB	—	—	—	548.10	730.80	730.80
Mining Expansion	10k RMB	9,282.67	9,282.67	14,282.67	171.90	229.20	229.20
Safety Production	10k RMB	—	—	—	360.01	480.02	480.02
Total	**10k RMB**	**9,282.67**	**9,282.67**	**14,282.67**	**1,080.01**	**1,440.02**	**1,440.02**

Source: MCC provided Capex and Opex figures February 09

M-MC considers these cost estimates to be highly conceptual at this stage and they will be reviewed at a later stage, following completion of a more detailed mine planning and Feasibility assessment.

11.10 SAFETY AND ENVIRONMENT

It would appear that an appropriate safety program will be adopted by the Nonggeshan Project, using proven procedures and reliable safety equipment. The proposed standards and methods appear to be similar to that required and found in Western operations.

The proposed environmental plan appears to be relatively comprehensive and addresses issues such noise, dust and waste gas pollution, water quality as well as soil conservation and land restoration.

Standard dust control methods are employed while the safety protocols and designs adopted for fire prevention and control are satisfactory. 2.5% of the total project capital expenditure (nearly 6 million RMB) will be spent on Safety and Industrial Sanitation.

In terms of prevention and control measures for soil conservation and land restoration:

- Grasses and trees to be planted to stabiles soil
- Engineering measures such as retaining walls to reduce water and soil losses
- Area for restoration is 24.3 Ha
- Water-soil conservation budget 3.3% (7.82 million RMB) of total project capital expenditure

Water treatment consists of sedimentation ponds for mine water and treatment plant for sanitary materials. Waste from the coal fired boilers and the accommodation facilities will be buried at a waste residue site.

12 ANNEXURE A — QUALIFICATIONS AND EXPERIENCE

Technical Experts Involved in Preparation of the ITRR

Andrew Ryan — Runge Asia Limited — General Manger North Asia — Bachelor of Engineering, Mining — University of New South Wales, Master of Applied Finance and Investment (Finsia) — Member of Australasian Institute of Mining and Metallurgy — Associate of Financial Services Institute of Australasia

Andrew has worked with M-MC over the past seven years and has been actively involved in all areas of mining consulting. Most recently, in 2009 has relocated to Hong Kong to establish Runge Asia Limited's new office. Prior to this Andrew was in Beijing as M-MC's Chinese Business Manager responsible for the establishment and growth of M-MC's China business. During this time Andrew was involved with and/or project managed numerous mining related assignments in North Asia. This work has included the project management of due diligence studies, valuation reports, opportunity assessments, conceptual development studies, and feasibility assessments for both domestic and international clients. The projects that these studies have focused on have covered a variety of minerals including coal, iron ore, copper, nickel, gold and molybdenum. Andrew has also had significant experience with due diligences for capital raisings and IPO related projects. Andrew has travelled to and worked on mining projects in Australia, China, Mongolia, Russia, the Ukraine, the Democratic Republic of the Congo, and Papua New Guinea.

Philippe Baudry — Geologist/Geostatistician, Bsc. Mineral Exploration and Mining Geology, Assoc Dip Geo science, Grad Cert Geostatistics, MAIG

Philippe is a geologist with over 10 years of experience. He has worked as a consultant geologist for over 4 years first with Resource Evaluations and subsequently with Runge after they acquired the ResEval group in 2008. During this time Philippe has worked extensively in Russia assisting with the development of 2 large scale copper porphyry projects from exploration to feasibility level, as well as carrying out due diligence studies on metalliferous projects throughout Russia. His work in Australia has included resource estimates for BHPB, St Barbara Mines and many other clients both in Australia and overseas on most styles of mineralisation and metals. Philippe furthered his modelling and geostatistic skills in 2008 by completing a Post Graduate Certificate in Geostatistics at Edith Cowan University.

Prior to working has a consultant Philippe spent 7 years working in the Western Australian Goldfields in various positions from mine geologist in a large scale open cut gold mine through to Senior Underground Geologist. Before this time Philippe worked as a contractor on early stage gold and metal exploration projects in central and northern Australia.

With relevant experience in a wide range of commodity and deposit types, Philippe meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Philippe is a member of the Australian Institute of Geoscientists (Membership N^{o} : 3721)

Andrew Newell — BE, MEngSc, University of Melbourne, PhD, University of Cape Town. Member of the SME, CIMM, AusIMM & IEA as well as a Chartered Professional Engineer, Australasia

Over 30 years of broad experience in the fields of minerals processing, hydrometallurgy, plant design, process engineering (including equipment selection and design) and metallurgical testwork. Andrew has worked on five iron ore projects, one involving flotation, and is knowledgeable about iron ore processing techniques such as magnetic separation. The experience includes operating and management experience in base-metal concentrators, precious metal leaching facilities as well as diamond processing and base-metal smelting in several countries,

including Chile, Peru, South Africa, USA and Australia. Responsible for the design of flotation equipment, concentrators and commissioning of flotation and precious metals leach plants. In addition, Andrew has had experience in process and process plant evaluations, due diligence audits, feasibility studies and metallurgical testwork and program development.

Aaron Green — Senior Consulting Geologist, Bsc. Geology (Hons), Grad Dip Applied Finance and Investment, MAIG.

Aaron is a geologist with over 15 years of experience in the mining industry. With a strong background in exploration and mine geology, he has been responsible for the planning, implementation and supervision of various drill programs, underground production duties, detailed structural and geological mapping and logging, geological modelling, and resource estimation. Aaron's wide range of experience with various mining operations in Australia and overseas gives him an excellent practical and theoretical basis for resource estimation of various metalliferous deposits.

In his recent consulting work, Aaron has run or been involved with resource estimation, geological modelling, due diligence investigations, studies ranging from scoping level to Bankable Feasibility, resource drill-out planning and management, and exploration programs.

Commodity experience includes gold, copper, nickel sulphide, fluorite, lead-zinc, iron and industrial minerals. Country experience includes Australia, Zambia, Malawi, Finland, Kazakhstan and China.

With relevant experience in a wide range of commodity and deposit types, Aaron meets the requirements for Qualified Person for 43-101 reporting, and Competent Person ("CP") for JORC reporting for most metalliferous Mineral Resources. Aaron is a member of the Australian Institute of Geoscientists.

Brendan Parker — Mining Engineer , B.E (Mining)

Brendan has over 5 years of experience working in the mining industry. During this time he has been responsible for the planning, design and day to day operation of several underground mines. Brendan's wide range of experience within various mining operations in Australia and Canada gives him an excellent practical basis for the design and planning of underground metalliferous mines.

Brendan has gained extensive experience in the planning and design of underground mines. This includes design and operating experience with with both narrow vein and bulk long-hole stoping methods, as well as flatback — cut and fill mining. His knowledge obtained as a ventilation officer, production engineer, planning engineer and his exposure to managerial roles have provided him with a sound understanding of all aspects of underground mining.

Brendan has also gained experience using software packages specific to underground mine design, production stope ring design and mine scheduling. These include Surpac, RingKing, Vulcan, Datamine and Ventsim.

Ron Siwinski — BSc. M-MC — Minarco -MineConsult Senior Mining Engineer, Engineering (Massachusetts), Water Resources (MIT)

After a 6 year career as a civil engineer, he worked as Senior Mining Engineer, Operations at Cliffs Robe River Iron Ore in Western Australia in the 1970's. From 1980 to 2000 he was Mining Engineer, Project Management Engineer and General Manager, Engineering for Southern Pacific Petroleum NL and was heavily involved in their Queensland shale oil projects. Ron has considerable experience in mine planning, feasibility studies, economic

analysis and mine development. His main area of expertise is project management. Ron has been a mining consultant since 2000.

Bill Knox — Minarco — MineConsult China Executive Consultant — Bachelor of Science Geology — Curtin University Western Australia, — Member of Australasian Institute of Mining and Metallurgy

Bill joined Minarco — MineConsult, now part of the Runge Group, in 1993 as an associate and is based in the Beijing Office. His experience includes:

- 10 years in Iron Ore operations
- 10 years in Coal operations and planning
- >10 years in Consulting, coal, metals and quarries.

Bill's areas of expertise include Mineral Resource and Ore Reserve assessment, geological modelling and mine design using Gemcom software, feasibility studies, operational management and grade/quality control. He has held site positions from Mine Geologist to Mine Superintendent and Head Office positions in business planning and development. Recent operations work has included alliance management and project management of two large opencut coal mines in NZ on behalf of Solid Energy and the mining contractor, which included developing a planning process and dispute resolution. Relevant technical experience in Coal projects has included Australia, New Zealand, Indonesia, Columbia, Bangladesh and Zimbabwe. Other work has concentrated on coal resource/reserve audits of procedures and reporting standards of major coal operations in Australia and Indonesia for presentations to corporate management and resource funding institutions. Metals experience has included 10 years in Iron Ore mining in the Pilbara, Western Australia and Mineral Resource modelling and reporting on poly-metallic and uranium projects in Australia and Mongolia. The range of commodities experience in operations and feasibilities studies includes iron ore, coal, poly-metallics, uranium, molybdenum, gold, oil shale, diamonds and quarries. Technical reviews include projects in China and Mongolia.

With reference to the Australasian Code for Reporting of Identified Mineral Resources and Reserves (JORC), he is considered a "Competent Person" to validate statements for Mineral Resources and Ore Reserves.

Peter Goodman — Process Engineer — Minarco — Mineconsult Associate — Bachelor of Applied Science — Graduate Diploma in Mineral Processing — Quarry Managers Certificate of Competency — Metallurgy Certificate — Member Australian Coal Preparation Society

Peter has managed, designed and constructed mineral processing plants in both Australia and South East Asia with over 30 years experience associated with the mining industry. During this period he has undertaken all levels of technical studies and audits of current and prospective operations in Queensland, NSW, China, New Zealand, India, South Africa and Indonesia. Peter has also been involved with numerous mineral processing plants that have been built or are currently under construction in China and elsewhere.

Rod Dale — Fellow of the Royal Melbourne Institute of Technology, 1960. Fellow of the Australasian Institute of Mining and Metallurgy

Experience includes exploration for iron ore, gold, base metals, uranium and industrial minerals in most states of Australia, in Indonesia, India, China, Brazil, Chile, Peru, Zimbabwe and Botswana. Rod has worked for several major and minor companies and has been an executive director of three ASX listed public companies. He has run his own "one man" geological consultancy since 1972 and has worked in and managed two small gold mines, both opencut and underground, as part owner. Rod has also reviewed numerous independent technical reviews of both Au projects operating Au mines in China.

Igor Bojanic BE (Mining, Hons), Minarco — MineConsult Senior Mining Engineer, M.Appl.Sc. (Env Mgmt), MAusIMM, CPMin, MMICA.

Igor is a mining engineer with extensive practical experience in all facets of opencut mining. His strengths lie in project mine planning and scheduling in opencut metalliferous, coal and quarries. Metalliferous projects undertaken include pit optimisations using both Whittle 4D and 4X, pit design, scheduling, equipment selection and mine costing. Igor has also worked on a number of quarry projects, developing quarry plans for both operations and to support environmental documents. He has obtained a Masters in Environmental Management and has a particular interest in incorporating environmental planning into the mine planning process and also has a very good working knowledge of Gemcom, MicroLynx, Datamine, Surpac and Whittle software. Recently Igor has had significant exposure to the development and running of detailed economic models as part of Due Diligence and Detailed Feasibility Studies.

Matthew Hoare — Minarco — MineConsult Mining Analyst, Bachelor of Information and Technology, MBA

Matthew's experience has mainly been in the form of opencut coal mines where he worked in a long term planning position at Kideco, a large Indonesian coal mine for over three years. He was also seconded to the Dawson Project in central Queensland where he assisted in short and medium term planning. Matthew has recently completed a Master of Business Administration majoring in finance. His undergraduate studies included Information Technology and Indonesian Language at the University of Southern Queensland. He is proficient in the use of Minescape.

Abani R Samal — Geologist/Geostatistician — Minarco — MineConsult — PhD in Environmental Resources and Policy (Focus: Energy and Mineral Resources), Certified Professional Geologist (CPG) — Registered Member Society of Mining, Metallurgy and Exploration, Member of the Australasian Institute of Mining and Metallurgy (AusIMM).

Abani has worked as a geologist and a consultant in India and USA. He has seven years of industrial experience and five years of research experience related to mineral exploration and mining industry. He has done technical studies: modelling, auditing various commodities (Au, Ag, Cu, Pb, Zn etc.) for projects in USA, Canada, South America and India.

Oscar Tesari — M.Sc., Economic Geology, University of British Columbia, Diploma in Geology, University of São Paulo.

Over 35 years experience in iron ore mines of the Minas Gerais State Iron Ore Quadrangle through the development of geological studies, drilling programs, sampling, databases, assay quality assurance and quality control, exploration property evaluations, research, design and management of exploration programs, geological modelling and resource estimation, in addition to mine designs and production planning. Through technical visits and development of geological works, he has become familiar with iron ore mines in Canada, Russia, Australia and South Africa, in addition to gold mines in Brazil and South Africa and silver-lead-zinc deposits in Canada.

Relevant iron ore Experience: Mineracoes Brasilerias Reunidas (MBR) — Manager of Development, Long Term Development Plan, Design and development of exploration programs covering the all of the iron ore mining claims of the company (Pico Complex, Vargem Grande Complex and Paraopeba Complex).

- Resource estimation.
- Orientation of technological studies aimed at finding the most suitable itabirite cut-off grade.
- Reserve estimation and mine sequencing.

Company's Relevant Experience

Minarco — MineConsult, part of the Runge Group, is a premier international consulting and engineering firm. We provide a full range of services from pure technical consulting through to strategic corporate advice. We undertake assignments on mining projects covering a range of commodities and countries, and we serve clients in most of the countries around the West Pacific Rim region.

Minarco — MineConsult maintains a full-time staff of qualified specialists in the fields of mining engineering, geology, process and metallurgical engineering, environmental and geotechnical engineering, and environmental economics.

Minarco — MineConsult typically completes over 200 assignments per year and has over 300 professionals (through Runge Group) available in disciplines including:

- Mining Engineering;
- Minerals Processing;
- Coal Handling and Preparation;
- Power Generation;
- Environmental Management;
- Geology;
- Contracts Management;
- Project Management;
- Finance;
- Commercial Negotiations.

The roots of Minarco — MineConsult were established in the Australian mining industry. Minarco — MineConsult is committed to compliance with the codes which regulate Australian corporations and consultants and has established an International business which has continued to give its clients and those that rely on its work the confidence that the relevant Australian codes invoke.

These codes include:

- The Australian Corporation Law;
- The Australian Institute of Company Directors Code of Conduct;
- The Securities Institute of Australia Code of Ethics;
- The Australasian Institute of Mining and Metallurgy Code of Ethics;
- The Australasian Code for Reporting of Exploration Results, Mined Resources and Ore Reserves (The JORC Code).

Minarco — MineConsult has conducted numerous mining technical due diligence programmes and reporting for IPO's and capital raisings over the past 6 years, with involvement in projects raising a total of over $US 10 billion of capital. This and other work is summarised in ***Table A1***.

Table A1 — Mining Related IPO and Capital Raising Due Diligence Experience

2008 China Blue Chemical Limited, Wangji and Dayukou Phosphate Mines: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of CPR for planned IPO on the HKSE.

2007 Ko Yo Ecological Agrotech (Group) Limited Sichuan Phosphate: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 Prosperity International Holdings Limited, Guilin Granite Project: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Primary Resources — Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by China Primary Resources.

2008 Kenfair International (Holdings) Limited, Shengping Coal Mine: Independent Technical Review for inclusion in a Stock Exchange Circular to support a mining asset purchase by a listed Hong Kong Company.

2007 China Railway Company Limited, African Copper/Cobalt Assets: Capital raising for mining assets on the Hong Kong Stock Exchange. Preparation of CPR for planned IPO on the HKSE.

2007 Gloucester Coal Limited — Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

2007 Confidential Hong Kong Private Equity Partners — Independent Technical Review to support private equity capital raising to purchase lead/zinc mining assets in Tibet.

2007 Confidential International Investor — Independent Technical Review to support private equity capital raising to purchase iron ore assets in Hubei. Preparation of ITR.

2007 Whitehaven Coal Limited — Independent Technical Review for Australian Stock Exchange IPO.

2007 Confidential Privately Owned Coke Producer — Capital raising for purchase of Coal Mines and downstream coal washing, coke production and chemical production facilities. Preparation of CPR for planned IPO on the HKSE.

2007 China Molybdenum Group — Capital raising for large scale Molybdenum mine on the Hong Kong Stock Exchange. Preparation of CPR for IPO on the HKSE.

2007 Confidential International Investor — Independent Technical Review to support purchase of Gold Mine In Hubei Province.

2006 Excel Mining — Independent Technical Review for Australian Stock Exchange Scheme of Arrangement.

2006 Celadon Mining Investment Group (UK) — Capital raising for coal mine purchase in China and planned subsequent listing on AIM

2005 Yanzhou Coal Mining Company Limited — Independent Technical Review of coal projects to satisfy ongoing listing requirements of the HKSE and NYSE following IPO.

2004 Excel Mining — Independent Technical Review for Australian Stock Exchange IPO (current market capitalisation over $US1billion)

2004 Excel Mining — Independent Market Review for Australian Stock Exchange IPO

2003 New Hope — Independent Market Review for Australian Stock Exchange IPO

2003 Confidential — Independent Market Review on 50 Mtpa operation in Kazakhstan for LSE listing (has not proceeded)

2003 Xstrata plc — Competent Person's Report for London Stock Exchange Chapter 19 Report for Acquisition of MIM Assets including mines, rail and port review ($US 2.5 billion)

2002 Xstrata plc — Competent Person's Report for London Stock Exchange IPO ($US2.3 billion)

2002 Kaltim Prima, Indonesia — Independent Technical Review for advising project financiers to acquisition ($US445 million)

2001 Enex Resources — Independent Technical Review for Australian Stock Exchange IPO

2001 Macarthur Coal Limited — Independent Technical Report and Market Review for Australian Stock Exchange IPO

13 ANNEXURE B — GLOSSARY OF TERMS

The key terms used in this report include:

- **assets** — means the Title to Mineral Resources and associated mining and processing plant and equipment.
- **AUD** — Australian dollar
- **Bt** — stands for billion tonnes
- **cog/cut off grade** — the lowest grade, or quality, of mineralised material that qualifies as economically mineable and available in a given deposit. May be defined on the basis of economic evaluation, or on physical or chemical attributes that define an acceptable product specification
- **Company** — means Metallurgical Corporation of China Ltd
- **concentrate** — a powdery product containing higher concentrations of minerals resulting from initial processing of mined ore to remove some waste materials; a concentrate is a semi-finished product, which would still be subject to further processing, such as smelting, to effect recovery of metal
- **contained metal** — refers to the amount of pure metal equivalent estimated to be contained in the material based on the metal grade of the material.
- **element** — Chemical symbols used in this report
  Au — Gold
  Ag — Silver
  C Fe — Iron grade of concentrate (based on Davis Tube Recovery (DTR) analysis)
  Cu — Copper
  Co — Cobalt
  Fe — Iron (TFe Total Iron, MFe magnetite Iron)Magnetic Iron)
  Fe++ — Iron (TFe which occurs as ferrous iron (FeO)
  Ni — Nickel
  P — Phosphorous
  Pb — Lead
  V_2O_5 — Vanadium Pentoxide
- **ENFI** — stands for China Central Engineering Institute for Non-ferrous Metallurgical Industries
- **exploration** — activity to identify the location, volume and quality of a mineral occurrence
- **Exploration Target/Results** — includes data and information generated by exploration programmes that may be of use to investors. The reporting of such information is common in the **early** stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral Resources or Ore Reserves.
- **exploration right** — the licensed right to identify the location, volume and quality of a mineral occurrence
- **flotation** — is a separation method for to the recovery of minerals using reagents to create a froth that collects target minerals
- **gangue** — is a mining term for waste rock
- **grade** — any physical or chemical measurement of the concentration of the material of interest in samples or product. The units of measurement should be stated when figures are reported
- **grind** — means to crush, pulverize, or reduce to powder by friction, especially by rubbing between two hard surfaces
- **HKEX** — stands for Hong Kong Stock Exchange
- **In situ** — means rock or mineralisation in place in the ground

• **In Situ Quantities**	Estimates of total in ground tonnes and grade which meet the requirements of the PRC Code or other international codes for reserves but do not meet either NI 43-101 or Joint Ore Reserves Committee's recommendations
• **Indicated Mineral Resource**	is that part of a JORC compliant Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **reasonable** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
• **Inferred Mineral Resource**	is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **low** level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.
• **ITR**	stands for Independent Technical Review
• **ITRR**	stands for Independent Technical Review Report
• **JORC**	stands for Joint Ore Reserves Committee
• **JORC Code**	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves published in 2004 by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the by the Australian Institute of Geoscientists and the Minerals Council of Australia. It set out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.
• **kcal**	stands for kilocalorie, or 1,000 calories
• **km**	stands for kilometer
• **kt**	stands for thousand tonnes
• **lb**	stands for pound, a unit of weight equal to 453.592 grams
• **m**	stands for metres
• **MCC**	refers to Metallurgical Corporation of China Ltd.
• **Measured Mineral Resource**	is that part of a JORC compliant Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **high** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
• **metallurgy**	Physical and/or chemical separation of constituents of interest from a larger mass of material. Methods employed to prepare a final marketable product from material as mined. Examples include screening, flotation, magnetic separation, leaching, washing, roasting etc.
• **mine production**	is the total raw production from any particular mine
• **Mineable Quantities**	Estimates of in ground tonnes and grades which are recoverable by mining
• **mineral right**	for purposes of this document, mineral right includes exploration right, mining right, and leasehold exploration or mining right
• **mineralisation**	any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition

• **mining rights**	means the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed
• **M-MC**	refers to Minarco-MineConsult
• **mRL**	means meters above sea level
• **Mt**	stands for million tonnes
• **Mtpa**	means million tonnes per annum
• **OC**	Means open cut mining which is mining from a pit open to surface and usually carried out by stripping of overburden materials
• **ore**	is the portion of a reserve from which a metal or valuable mineral can be extracted profitably under current or immediately foreseeable economic conditions
• **ore processing**	is the process through which physical or chemical properties, such as density, surface reactivity, magnetism and colour, are utilized to separate and capture the useful components of ore, which are then concentrated or purified by means of flotation, magnetic selection, electric selection, physical selection, chemical selection, reselection, and combined methods
• **ore selection**	the process used during mining to separate valuable ore from waste material or barren rock residue
• **ore t**	stands for ore tonne
• **ounce**	refers to troy ounce which is equal to 31.1034768 grams
• **primary mineral deposits**	are mineral deposits formed directly from magmas or hydrothermal processes
• **Probable Ore Reserve**	is the economically mineable part of a JORC compliant Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.
• **project**	means a deposit which is in the pre-operating phase of development and, subject to capital investment, feasibility investigations, statutory and management approvals and business considerations, may be commissioned as a mine
• **Proved Ore Reserve**	is the economically mineable part of a JORC compliant Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and high quality data to provide a high level of geological confidence.
• **raw ore**	is ore that has been mined and crushed in an in-pit crusher, but has not been processed further
• **recovery**	The percentage of material of initial interest that is extracted during mining and/or processing. A measure of mining or processing efficiency
• **regolith**	is a geological term for a cover of soil and rock fragments overlying bedrock
• **reserves**	the [economically] mineable part of a Measured and/or Indicated Mineral Resource, including diluting materials and allowances for losses which may occur when the material is mined

• **Reserves**	reserves which have been estimated in accordance with the recommendations of the JORC Code
• **resources**	a concentration or occurrence of a material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity such that there are reasonable prospects for eventual economic extraction
• **Resources**	Resources which have been estimated in accordance with the recommendations of the JORC Code
• **RL**	means Reduced Level, an elevation above sea level
• **RMB**	stands for Chinese Renminbi Currency Unit; 103 RMB means 1,000 RMB
• **RMB/t**	stands for Chinese Renminbi per material tonne
• **ROM**	stands for run-of-mine, being material as mined before beneficiation
• **saprolite**	is a geological term for weathered bedrock
• **secondary mineral deposits**	are mineral deposits formed or modified as a result of weathering or erosion of primary mineral deposits
• **shaft**	a vertical excavation from the surface to provide access to the underground mine workings
• **t**	stands for tonne
• **t/bcm**	stands for tonnes per bank cubic metre (i.e. tonnes in situ) a unit of density
• **tonnage**	An expression of the amount of material of interest irrespective of the units of measurement (which should be stated when figures are reported)
• **tonne**	refers to metric tonne
• **tpa**	stands for tonnes per annum
• **tpd**	stands for tonnes per day
• **UG**	means underground mining which is an opening in the earth accessed via shafts, declines or adits below the land surface to extract minerals
• **upgrade ratio**	is a processing factor meaning ROM Grade% / Product Grade %
• **USD**	stands for United States dollars
• **VALMIN Code**	refers to the code and guidelines for technical assessment and or valuation of mineral and petroleum assets and mineral and petroleum securities for independent expert reports
• **$**	refers to United States dollar currency Unit
• **AUD $**	refers to Australian dollar currency Unit
• **¥**	is the symbol for the Chinese Renminbi Currency Unit

Note: Where the terms Competent Person, Inferred Resources and Measured and Indicated Resources are used in this report, they have the same meaning as in the JORC Code.

ANNEXURE C — RESOURCE REPORTING STANDARDS

Chinese Resource Reporting Standards

In 1999, with a view to creating a standard that was comparable with international resource reporting standards, The Chinese National Land and Resource Department introduced its own national standard for the Classification of Resources/Reserves for Solid Fuels and Mineral Commodities (GB/T 17766-1999).

This code was to replace the previous code (China GB 13908-1992 — General rules for Geological Exploration of Solid Ore Resources) and was based upon the United Nations international code (UN Economic and Society Committee, UN document ENERGY/WP.1/R.70). Some elements of the American resource reporting standards were included and modifications made to suit Chinese conditions. All new resource estimates are reported under this new code and old estimates either re-estimated or converted to the new system.

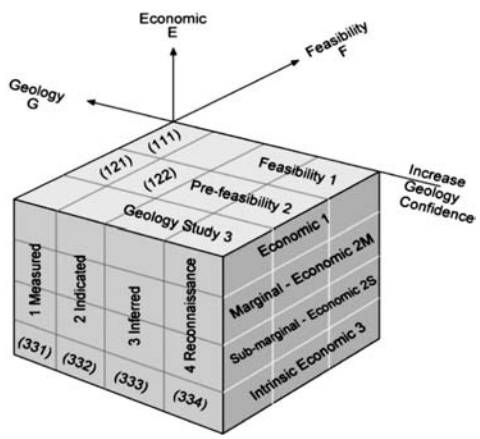
The previous Chinese standard (GB 13908-1992) divided resources into four categories (A, B, C and D) which were loosely comparable to the JORC — (December 2004) classifications of Measured Resource (A-B), Indicated Resource (B-C) and Inferred Resource (D). The old standard was more prescriptive than JORC in that it specified minimum borehole spacings (see ***Table C1***) for each category, along with implied levels of geological understanding.

Table C1 — Borehole Spacing Comparison (Chinese, UN and JORC Codes)

(Chinese Reserve Code)	Classification (Chinese Reserve Class)	UN Code	JORC(Dec 2004)	Minimum Borehole / Drill Line Spacing
A	111 - 121		Measured	<100 m
B	121 - 122	331	Measured	<=100 m x 100 m
C	122 - 2 m22	332	Indicated	<=200 m x 100 m
D	122	333	Inferred	>200 m

The old code was essentially a geological classification, taking little account of the deposits economics or the level of mining studies that had been carried out on it. The new code (see ***Figure C1***) attempts to address this by using a three component system (EFG) that considers the deposit economics (E), the level of mining feasibility studies that have been carried out (F) and the level of geological confidence (G) using a numerical ranking.

Figure C1 — New Chinese Resource/Reserve Classification Matrix (1999)



This system produces a three digit code for a deposit that reflects these three variables. For example a deposit classified as a 121 is economically viable (1), has had pre-feasibility studies carried out (2) and is well

understood geologically (1). Various suffixes are used to distinguish Basic Reserves — essentially JORC Resources — (121b) from Extractable Reserves (121) and to identify the assumed economic viability (S or M). Certain categories are not allowed, for example pre-feasibility or feasibility level studies cannot be conducted on Inferred Resources, and so 123 and 113 are invalid classifications. Also Extractable Reserves are not estimated for marginally economic (or lesser) deposits so the (b) suffix is considered redundant. The term Intrinsically Economic indicates that while the deposit may be economic, insufficient studies have been carried out to clearly determine its status.

A tabulation of this concept is shown in ***Table C2***.

Table C2 — New Chinese Resource/Reserve Categories (1999)

Economic Viability	Geological Confidence: Identified Mineral Resource — Measured (1)	Identified Mineral Resource — Indicated (2)	Identified Mineral Resource — Inferred (3)	Undiscovered Resource Reconnaissance (4)
Economic (1)	Basic Reserve *[Resource]* - 111b Proved Extractable Reserve - 111			
	Basic Reserve *[Resource]* 121b Probable Extractable Reserve - 121	Basic Reserve *[Resource]* - 122b Probable Extractable Reserve - 122		
Marginally Economic (2 m) . . .	Resource 2 m11			
	Resource 2 m21	Resource 2 m22		
Sub-marginally Economic (2S)	Resource 2S11			
	Resource 2S21	Resource 2S22		
Intrinsically Economic (3)	Resource 331	Resource 332	Resource 333	Resource 334

Note: First digit reflects Economic viability; 1= Economic; 2 m=Marginally Economic; 2S= Sub-marginally Economic; 3=Intrinsically Economic; 4=Economic interest undefined.
Second digit reflects Feasibility assessment stage, 1=Feasibility; 2=Pre-feasibility; 3=Geological study.
Third digit reflects Geological assurance, 1=Measured, 2=Indicated, 3=Inferred, 4=Reconnaissance.
b=Basic Reserve (prior to recovery factors, mining losses and dilution) — [JORC Resource].

Unlike the old code, the new code does not specify required borehole spacings for each category. In the case of copper Cobalt and Gold (and other metals), there is an accompanying Chinese Professional Standard (DZ/T 0214-2002) that lays out rules for determining the level of geological confidence.

Russian Resource Reserve Reporting Standard

The Russian reporting code evolved from the requirements of a centrally — planned economy with every stage of a mining project documented according to statutory regulations administered through a set of Federal Agencies. The State Commission on Reserve (GKZ) is the main Federal body in charge of approving mining projects of significant size or importance. The Territorial Commission on Reserves (TKZ) are regionally based and deal with smaller mining projects.

Resources are Classified according to two controlling variable:

- Deposit Complexity on a scale of 1-4 with 1 being the simplest most continuous deposits (coal and laterite) and 4 being the most complex (hydrothermal gold, diamond)
- Level of knowledge on 7 levels:

•	P3	regional reconnaissance	resources
•	P2	target identification	
•	P1	initial trenching and drilling	
•	C2	scoping / pre-feasibility	reserves
•	C1	feasibility study	
•	B	blocking out ore panels	
•	A	production	

Standards have been created by the GKZ stipulating all requirements to achieve the level of knowledge based on the specific deposit complexity. These standards outline approved exploration methods, drill spacing, sampling and assaying methodology, quality control checks as well as mining study requirements to achieve a specific level of knowledge. A basic level of mining economic analysis has to be carried out in order to report resources with a C2 classification. C1 category material is often called reserve as by this stage a reasonable level of economic analysis has been undertaken and the confidence in the estimate has increased. Some level of reserve categories under the Russian Code cannot be achieved if the complexity of the deposit is deemed too high. These can however be reported with a high classification under the recommendation of the JORC Code as long as appropriate studies have been undertaken (See table C3).

Mining companies can evaluate resources up to C2 category as part of their exploration activities without submission to the GKZ. From C1 category onwards the company must submit its feasibility studies to the GKZ for audit and approval. Once approved the reserves are placed "On the Balance" or "Out of Balance" based on a chosen cut off grade. This cut off grade is not always based on commercial cut off's, but is often a compromise between the company and the GKZ. Out of Balance reserves attract a much lower tax rate than On Balance reserves.

Table C3 outlines an approximate conversion guideline of the Russian Code to the JORC Code based on the controlling variables discussed above.

Table C3 — Russian Code to JORC Code conversion Guidelines

		Russian Resource/Reserve Code Categories						
		A	**B**	**C1**	**C2**	**P1**	**P2**	**P3**
	I	Measured (Proven)	Measured (Proven)	Indicated (Probable)	Inferred			
Deposit	II		Measured (Proven)	Indicated (Probable)	Inferred	Exploration		
Complexity	III			Indicated (Probable)	Inferred	results unless drilling		
	IV				Inferred	is undertaken		

Note: greyed out areas indicate reserve categories which due to the deposit complexity cannot be reached under the Russian Code. These under JORC may still be reported as either resources or reserves base on the level of study.

International Standards and the JORC Code for Resources

Two main styles of resource reporting codes exist internationally. These are the American style (USA and much of South America) and the JORC style (Australia, South Africa, Canada, and UK). This is further complicated by the listing and reporting requirements of different stock exchanges. It is generally true that a resource estimation that complies with the JORC code (or one of its sister codes) will meet the standards of most international investors.

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

The USGC 1976 Reporting Code as specifically quoted in this report for the Sierra Grande mine, uses reporting classification terminology which is in line with those outlined for the JORC code below. As reference a comparison of the JORC code and USGS 1976 code for reporting resources and reserves is shown in Table C4 and C5.

Table C4 USGS 1976 Resource Classification Scheme (Bulletin 1450 A) to JORC conversion guideline

USGS Identified resources		JORC
Demonstrated	Measured	Measured
	Indicated	Indicated
Inferred		Inferred (if supported by sampling or geological continuity

Table C5 USGS 1976 Reserve Classification Scheme (Bulletin 1450 A) to JORC conversion guideline

	USGS			JORC		
	Identified resources					
	Measured	Indicated	Inferred	Measured	Indicated	Inferred
Economic	reserves		inferred reserves	Proven	Probable	Not classified
Marginally Economic	marginal reserves		inferred marginal reserves	Reserves	Reserves	as reserves
Sub Economic	demonstrated sub economic resources		inferred sub economic resources	Not classified as reserves or resources		

The new Chinese code is a blend of the old Chinese Code and the codes in current use today, including JORC and the current United Nations (UN) standard, with some additional local components added.

JORC is a non-prescriptive code, in that it does not lay out specific limits for resource classification in terms of such things as borehole spacing. Instead it emphasises the principles of transparency, materiality and the role of the Competent Person. Whilst some guidelines do exist (e.g. the Australian Guidelines for the Estimation of Coal Resources and Reserves) they are not mandatory and classification is left in the hands of the Competent Person. When combined with its Professional Standards (which are effectively mandatory), the Chinese code is much more prescriptive but does not include the role of the Competent Person.

An examination of the details of the Chinese code suggests that in terms of broad categorisation, the levels of geological confidence ascribed to Measured and Indicated resources are quite similar in both the codes. The ranges of borehole spacings, thickness cut-offs and quality limitations that are enforced by the Chinese system would generally result in the same resource classification under the JORC Code.

The JORC Code uses the following definitions for Mineral Resources and Ore Reserves:

Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **high** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **reasonable** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

APPENDIX V: INDEPENDENT TECHNICAL REVIEW REPORT ("ITRR")

Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **low** level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Exploration Target/Results includes data and information generated by exploration programmes that may be of use to investors. The reporting of such information is common in the **early** stages of exploration and is usually based on limited surface chip sampling, geochemical and geophysical surveys. Discussion of target size and type must be expressed so that it cannot be misrepresented as an estimate of Mineral Resources or Ore Reserves.

A **'Proved Ore Reserve'** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified

A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and quality data "points of observation" to provide high geological confidence.

A **'Probable Ore Reserve'** is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.

TAXATION OF THE COMPANY BY THE PRC

Income Tax

From January 1, 1994, income tax payable by PRC domestic enterprises, including state-owned enterprises and share system enterprises, is governed by the PRC Enterprise Income Tax Provisional Regulations (the "EIT Regulations") which took effect from 1 January 1994, and which provide for an income tax rate of 33% unless a lower rate is provided by law, administrative regulations or State Council regulations. The Company is generally subject to tax at a rate of 33% pursuant to the EIT Regulations.

On 16 March 2007, the 10th National People's Congress adopted the resolution to revise the EIT Regulations. The New Enterprise Income Tax was come into effect on 1 January 2008, according to which the enterprise income tax rate in the PRC will be reduced from 33% to 25% and is in line with the rate applicable to foreign investment enterprises and foreign enterprises. At the same time, the Income Tax Law of the PRC Concerning Foreign Investment Enterprises and Foreign Enterprises and the EIT Regulations have ceased to be effective.

Sino-foreign joint ventures will be entitled to certain tax benefits during a term of transition under the relevant laws and regulations in the PRC.

Value-added Tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (《中華人民共和國增值税暫行條例》) effective from January 1, 1994 which was amended in November 2008 and their implementing rules, the sale of products within the PRC, the importation of products and the provision of processing and/or repair services within the PRC by the Company are subject to value-added tax ("VAT"). VAT payable is calculated as "output VAT" minus "input VAT". Input VAT payable by the Company on purchases is recoverable out of the output VAT collected from its customers, and any excess of output VAT over input VAT paid is payable to the tax authority. The rate of VAT is 17%, or, in certain limited circumstances, 13%, depending on the product type.

Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax (《中華人民共和國營業税暫行條例》) effective from January 1, 1994 which was amended in November 2008 and the relevant implementing rules, a business tax is imposed on enterprises which provide taxable services, transfer intangible property or sell real estate in the PRC. The business tax is levied at a rate from 3% to 20% on the provision of taxable services, transfer of intangible property or sale of real estate in the PRC.

FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by the SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and

supply of, foreign currencies and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center first had to obtain the approval of the SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People's Bank of China Concerning Further Reform of the Foreign Currency Control System (《中國人民銀行關於進一步改革外匯管理體制的公告》) (the "Notice"), effective from January 1, 1994. The Notice announces the abolition of the system of foreign exchange quotas, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "Provisional Regulations"). The Provisional Regulations set out detailed provisions regulating the sale and purchase of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 29, 1996, the State Council promulgated new Regulation of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Regulations") which was effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the approval from the SAFE while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 1, 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which took effect on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC also published the Announcement on the Implementation of Foreign Exchange Settlement and Sale at Banks by Foreign-invested Enterprises (《關於對外資企業實施銀行結匯與售匯的通知》) (the "Announcement").

The Announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange along with specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, the PBOC and the SAFE promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (《關於停辦外匯調劑業務的通知》) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprise shall come under the banking system for the settlement and sale of foreign exchange.

Since January 1, 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a managed floating exchange rate system, which is determined by demand and supply. The PBOC sets and publishes daily the Renminbi-U.S. dollar base exchange rate. This exchange rate is determined with reference to the transaction price for Renminbi-U.S. dollar in the inter-bank foreign exchange market on the previous day. The PBOC will also, with reference to exchange rates in the international foreign exchange market, announce the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

On July 21, 2005, the PBOC announced that from the same date, the PRC would implement a managed floating exchange rate system based on market supply and demand and with reference to a basket of currencies. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar only. The PBOC would announce the closing price of a foreign currency such as the U.S. dollar against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day. This closing price will be used as the middle price for quoting the Renminbi exchange rate on the following working day.

Since January 4, 2006, the PBOC improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, the PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi was transformed to a mechanism under which the PBOC authorized the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 am on each business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in the PRC must sell their foreign exchange recurrent income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by the Company from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited in foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the State Administration of Foreign Exchange, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof of transactions. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like the Company), may on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from the SAFE and the relevant branch must be sought.

We prepare our consolidated financial statements in Renminbi.

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or security, requires the approval of the SAFE and other relevant authorities.

APPENDIX VII: SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix VI — Taxation and Foreign Exchange" of this document. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between PRC and Hong Kong company law.

PRC JUDICIAL SYSTEM

Under the PRC Constitutional Law (《中華人民共和國憲法》) and the Law of Organization of the People's Courts (《中華人民共和國人民法院組織法》), the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organized into civil, criminal, and administrative divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a "second instance as final" appellate system. A party may appeal against a judgment or order of the people's court of first instance to the people's court at the next higher level. Second judgments or orders given at the same level and at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment or order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment or order which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), which was adopted on April 9, 1991 and was amended on October 28, 2007, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two year. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

On December 29, 1993, the Standing Committee of the Eighth NPC adopted the Company Law which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004 and the third time on October 27, 2005. The newly amended Company Law of the PRC (《中華人民共和國公司法》) (hereinafter referred to as "the Company Law") has been promulgated and became effective from January 1, 2006.

On July 4, 1994, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to as "the Special Regulations") were passed at the Twenty-Second Standing Committee Meeting of the State Council, and they were promulgated and implemented on August 4, 1994. The Special Regulations are formulated according to the provisions of Sections 85 and 155 of the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (hereinafter referred to as "the Mandatory Provisions") were issued jointly by the Securities Commission of the State Council and the State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in "Appendix VIII — Summary of Articles of Association"). References to a "company" are to a joint stock limited company established under the Company Law with overseas listed foreign invested shares.

Copies of the Chinese text of the Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in "Appendix X — Documents Delivered to the Registrar of Companies and Available for Inspection" to this document.

General

A "joint stock limited company" (hereinafter referred to as "company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

A company must conduct its business in accordance with law and professional ethics.

A company can invest in other enterprises without restriction on the accumulated investment amounts. However, unless otherwise required by laws, a company cannot be the contributor who has the obligations associated with the debt of the invested enterprise.

Incorporation

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must have residence in the PRC. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC government can be restructured in accordance with the relevant regulation to become joint stock limited companies which may issue shares to overseas investors. These companies if incorporated by promotion, may have fewer than 5 promoters and can issue new shares once incorporated.

Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by public subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company, and the remaining shares can be offered to the public or specific persons.

The Company Law has provided that the registered capital of a joint stock limited company is a minimum of RMB5 million. For companies incorporated by way of promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the relevant administration bureau for industry and commerce; for companies established by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administration bureau for industry and commerce.

Pursuant to the Securities Law, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange must not be less than RMB30 million.

The promoters shall convene an inaugural meeting within thirty (30) days after the issued shares have been fully paid up, and shall give notice to all subscribers or make an public announcement of the date of the inaugural meeting fifteen (15) days before the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within thirty (30) days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the approval for registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoters shall individually and collectively be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Share Capital

The promoters of a company can make capital contributions in cash, or in kind, or intellectual property rights or land use rights that can be valued in currency and transferable according to law based on their appraised

value provided that the amount of capital contribution in cash by all shareholders must not be less than 30% of a company's registered capital.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company may not be transferred within one (1) year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares may not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by each of them in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within thirty (30) days before the date of a shareholders' meeting or within five (5) days before the record date set for the purpose of distribution of dividends.

Increase In Capital

Under the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the relevant state bureau for the administration for industry and commerce and issue a public notice accordingly.

Reduction of Share Capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing its capital by canceling its shares or merging with another company holding its shares;

(ii) granting shares as a reward to the staff of the company; or

(iii) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

The shares of the company to be repurchased by itself as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any funds for such purpose shall be paid out of after-tax profits of the company, and the shares so purchased shall be transferred to the company's staff within a year.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

A shareholder may transfer his/her shares on the stock exchange established in accordance with laws or by other means as stipulated by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by applicable laws and regulations.

Shares held by a promoter of a company may not be transferred within one (1) year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares may not be transferred within one year from the date of listing of its shares on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the Company held by each of them within one year after the listing date.

There is no restriction under the Company Law as to the percentage shareholding of a single shareholder in a company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder.

Under the Company Law, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if a resolution adopted by a shareholders' general meeting or the board of directors violates any law or administrative regulations or infringes the lawful rights and interests of shareholders, to institute an action in the People's Court demanding that the illegal infringing action be stopped;

(v) to receive dividends in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or remove the directors and supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee or the supervisors;

(v) to consider and approve the company's proposed annual financial budget and final accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

Shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two (2) months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital;

(iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iv) when deemed necessary by the board of directors;

(v) when the supervisory committee proposes convening it; or

(vi) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors.

Notice of the meeting shall be given to all shareholders twenty (20) days before the meeting under the Company Law and forty-five (45) days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance twenty (20) days prior to the meeting. Under the Special Regulations, at an annual general meeting of a company, shareholders holding 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be considered at that meeting, which if within the powers of a shareholders' general meeting, are required to be added to the agenda of that meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting must be adopted by more than half of the votes cast by shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which must be adopted by shareholders with two-thirds or more of the voting rights held by shareholders present (including those represented by proxies) at the meeting.

Shareholders may commission a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets out the scope of exercising the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received twenty (20) days before the proposed date, or if that 50% level is not achieved, the company shall within five (5) days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter.

Directors

A company shall have a board of directors, which shall consist of five (5) to nineteen (19) members and there can be staff representatives of the Company. Under the Company Law, each term of office of a director shall not exceed three (3) years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten (10) days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division or dissolution of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; or

(v) persons who have a relatively large amount of debt due and outstanding.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in our Articles of Association, a summary of which is set out in "Appendix VIII — Summary of Articles of Association").

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager.

The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into our Articles of Association, a summary of which is set out in "Appendix VIII — Summary of Articles of Association") contain further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected.

The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Managers and Senior Officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial controller and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management of a company includes the financial controller, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in our Articles of Association, a summary of which is set out in "Appendix VIII — Summary of Articles of Association".

Duties of Directors, Supervisors, Managers and Senior Officers

A director, supervisor, manager and other senior officer of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. A director, supervisor, manager and other senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company save as permitted by the relevant laws and regulations or by the shareholders.

A director, supervisor, manager and other senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least twenty (20) days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve fund (except where the fund has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve fund from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to a discretionary common reserve fund.

When the company's statutory surplus reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocations are set aside for the statutory surplus reserve fund.

After the company has made good its losses and make allocations to its statutory surplus reserve fund the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the par value of the shares currently held by the shareholders provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital on the company.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The PRC Company law provide that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve funds have been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the companies registration authority must also be changed.

Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within fifteen (15) days after the occurence of the cause of dissolution so as to carry out a liquidation. Members of the liquidation committee shall be composed of the directors or any other people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten (10) days after its establishment, and issue a public notice in the newspapers within sixty (60) days. A creditor shall lodge his claim with the liquidation committee within thirty (30) days after receiving notification, or within forty-five (45) days of the public notice if he did not receive any notification the liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of the company;

(iv) to pay any tax overdue;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the companies registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The new Securities Law has been amended as follows:

The trading of shares of a company on a stock exchange may be suspended if so decided by the Securities Exchange under one of the following circumstances:

(i) the registered capital or shareholding distribution no longer comply with the necessary requirements for a listed company;

(ii) the company failed to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;

(iii) the company has committed a major breach of the law;

(iv) the company has incurred losses for three (3) consecutive years; or

(v) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (i) above, or the company has refused to rectify the situation in the case described in (ii) above, or the company fails to become profitable in the next subsequent year in the case described in (iv) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of our Shares and disclosure of information by us. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the Sate Council dissolved the Securities Committee and assigned its function to the CSRC. The CSRC is responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law of the PRC (《中華人民共和國證券法》) took effect on July 1, 1999 and was revised for the first time on August 28, 2004 and the second time on October 27, 2005. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC.

Article 239 of the Securities Law provides that specific measures in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》)(the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in our Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of our Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of our Shares and us; holders of our Shares and our Directors, Supervisors, manager or other senior officers; or holders of our Shares and holders of Domestic Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under our Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall comply with the arbitration. Disputes in respect of the definition of shareholders and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its Rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded

to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認和執行外國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

FOREIGN EXCHANGE CONTROL

The foreign exchange control system is regulated by three sets of provisions. On December 28, 1993, the PBOC, with the authorization of the State Council, issued the Notice to Further Reform of the Foreign Exchange Control System, which became effective on January 1, 1994. Other main regulations and implementation measures include the PRC Foreign Exchange Control Regulations (《中華人民共和國外匯管理條例》) which was promulgated by the state counsel on January 29, 1996 and became effective on April 1, 1996 and amended on January 14, 1997 and August 7, 2008, and the Regulation on the Foreign Exchange Settlement, Sale and Payments, which were promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996 and which contain detailed provisions regulating the settlement, sale and payment of foreign exchange by domestic enterprises, individuals, economic organizations and social organizations in the PRC.

The PBOC publishes, on each business day, the Renminbi exchange rate against other major foreign currencies. Such rate is set by reference to the previous days' trading price of Renminbi/ major foreign currencies on the inter-bank foreign exchange market. The foreign exchange income under the current items may be reserved or sold to financial institutions operating the foreign exchange sale or settlement business. Before reserving the foreign exchange income under the capital items or selling it to any financial institution operating the foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authority shall be obtained, unless it is otherwise provided by the state.

At present, the PRC government is relaxing its control over foreign exchange. Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents.

In addition, where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Despite the relaxation of foreign exchange control over current account transactions, the approval or filing of the State Administration of Foreign Exchange is still required before an enterprise may receive a foreign currency loan, provide a foreign exchange guarantee, make an investment outside the PRC or enter into any other capital account transaction that involves the purchase of foreign exchange.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Measures on Management of Overseas Investment (《境外投資管理辦法》), promulgated by the MOFCOM on March 16, 2009 and effective on May 1, 2009, the approval from the MOFCOM is required for central-level enterprises to make overseas investment as prescribed. In case any matter in the original application changes after an overseas investment application is approved, the enterprise shall apply to the MOFCOM to obtain further approval.

According to the Foreign Exchange Control Regulations for Overseas Investments (《境外投資外匯管理辦法》), which was formulated by the SAFE and approved by the State Council, upon obtaining approval from the MOFCOM to establish enterprises overseas, the PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Verification and Approval of Overseas Investment Projects Tentative Administrative (《境外投資項目核准暫行管理辦法》), promulgated by the NDRC, the direct and indirect overseas investment projects in mineral resources development or involving the use of a large amount of foreign exchange would require the verification and approval by the NDRC or the State Council. If there is any change with respect to the investor or equity holding of a project that has been verified and approved, an application for amendment shall be made to the NDRC. Enterprises administered by the central government shall have discretionary power with respect to certain overseas investment projects which investment amount does not exceed a specified level, and the enterprises shall only be required to making filings to the NDRC.

HONG KONG LAWS AND REGULATIONS

(a) Company Law

The Hong Kong law applicable to a company having share capital incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law. The Company, which is a joint stock limited company established in the PRC seeking a Listing is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law applicable to a joint stock limited company established in the PRC issuing overseas listed foreign shares to be listed on the Hong Kong Stock Exchange.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison:

(i) Corporate existence

Under Hong Kong company law, a company having share capital is incorporated by the Registrar of Companies in Hong Kong issuing a certificate of incorporation and upon its incorporation, a company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. The articles of association of a private company incorporated in Hong Kong are required by the

Companies Ordinance to contain certain pre-emptive provisions. A public company does not contain such pre-emptive provisions in its articles of association.

Under the PRC Company Law, a joint stock limited company may be incorporated by either the promotion method or the subscription method. A joint stock limited company must have a minimum registered capital of RMB5 million, or higher as may otherwise be required by the laws and regulations. Hong Kong law does not prescribe any minimum capital requirements for a Hong Kong company. Under the PRC Company Law, the monetary contributions by all the shareholders must not be less than 30% of the registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(ii) Share capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. For a Hong Kong company, the authorized share capital may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not recognize the concept of authorized share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in general meeting and by the relevant PRC governmental and regulatory authorities.

Under the PRC Law, a company which is authorised by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribed any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. The monetary contribution shall not be less than 30% of a joint stock limited company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi may only be subscribed and traded by investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its

directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law.

(iv) Financial assistance for acquisition of shares

The PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. The Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(v) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variation of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the articles of association, which are summarised in "Appendix VIII — Summary of Articles of Association" to this document. Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

(vi) Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of interests in material contracts, restrictions on interested directors being counted towards the quorum of and voting at a meeting of the board of directors at which a transaction in which a director is interested is being considered, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits such as loans to directors and guarantees in respect of directors' liability and prohibition against compensation for loss of office without shareholders' approval.

(vii) Supervisory committee

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a supervisory committee but there is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have been guilty of a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right that in the event that the directors and senior managers violate their fiduciary obligations to a company, shareholders individually or jointly holding over 1% of the shares in the company for more than

180 days consecutively may request in writing the supervisory committee to initiate proceedings in the People's Court. In the event that the supervisory committee violates their fiduciary obligations to a company, the above said shareholders may request in writing the board of directors to initiate proceedings in the People's Court. Upon receipt of such request in writing from the shareholders, if the supervisory committee or the board of directors refuse to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall for the benefit of the company's interests, have the right to initiate proceedings directly to the court in its own name. The Mandatory Provisions further provide remedies to the company against directors, supervisors and officers in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

(x) Notice of shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given 20 days before the meeting, while notice of an extraordinary meeting must be given 15 days before the meeting or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively; and the notice period for an annual general meeting is 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for shareholders' general meeting but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not

achieved, the company shall within five days notify shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(xiii) Financial disclosure

A joint stock limited company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, changes in financial position and other relevant annexures 20 days before the annual general meeting of shareholders. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial situation. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report which are to be laid before the company in its annual general meeting not less than 21 days before such meeting.

A joint stock limited company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The PRC Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the PRC and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years while that under the PRC law is two years.

(xvi) Corporate reorganisation

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC law, the merger, demerger, dissolution or change to the status of a joint stock limited company has to be approved by shareholders in general meeting.

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

(xviii) Mandatory transfers

Under the PRC Company Law, a joint stock limited company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no such requirements under Hong Kong law.

(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

(xx) Dividends

The articles of association of a company empower the company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers, and managers owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

(c) Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the People's Republic of China other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

Jia Yuan Law Firm, our legal adviser on PRC law, has sent to us a legal opinion dated [•] which includes a statement to the effect that the description of PRC laws and regulations as contained in this document is true and accurate. This legal opinion is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix X to this document.

Any person wishing to have detailed advice on PRC law and the laws of any jurisdiction is recommended to seek independent legal advice.

APPENDIX VIII: SUMMARY OF ARTICLES OF ASSOCIATION

The principal objective of this Appendix is to provide an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important.

1 DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

(b) Power to dispose of the Company's or any of its subsidiaries' assets

The Board shall not, without the approval of the Shareholders in general meeting, dispose or agree to dispose of any fixed assets of the Company where the aggregate of: (i) the value of the consideration for the proposed disposition; and (ii) where any fixed assets of the Company have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last audited balance sheet placed before the Shareholders in general meeting. For the purposes of this provision, disposition includes an act involving a transfer of an interest in property other than by way of security.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of the above-mentioned restriction contained in the Articles of Association.

(c) Compensation or payments for loss of office

In the contract for emoluments entered into by the Company with a Director or Supervisor: when the Company is acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of the Shareholders in general meeting, payments by way of compensation for loss of office or for his retirement from office. Such contract of emoluments shall make provision for the right of a Director or Supervisor, in connection with the takeover of the Company, subject to the approval of the Shareholders in a general meeting, to receive compensation or other payment for loss of office or for his retirement for office. A takeover of the Company means:

(i) an offer made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with above provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

(d) Loans to Directors, Supervisors and other officers

The Company is prohibited from directly or indirectly making any loan or guarantee to its Directors, Supervisors, president, or other senior officers or the directors, supervisors, president, or other senior officers of its holding company. The Company is also prohibited from, providing any loan or guarantee in connection with a loan made by any connected person to such a director, supervisor, president, or other senior officer.

A loan made by the Company in breach of the prohibition described above shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan. A guarantee for a loan provided by the Company in breach of the prohibition referred to above shall be unenforceable against the Company unless:

(i) the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor, president, or other senior officer of the Company or its holding company and at the time the loan was advanced the lender did not know of the relevant circumstances, or

(ii) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The following transactions are not subject to the foregoing prohibition:

(i) the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

(ii) the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its Directors, Supervisors, president, or other senior officer to meet expenditure incurred or to be incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and

(iii) the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, president, or other senior officers or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

For these purposes, guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

(e) Giving of financial assistance to purchase the shares of the Company or any of its subsidiaries

Subject to the Articles of Association:

(i) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in the Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in the Company; and

(ii) neither the Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited:

(i) the provision of financial assistance where the Company's principal purpose for giving that assistance is genuinely in the interests of the Company and not for the purpose of acquiring the Company's shares or the provision of such assistance is incidental to some broader objective of the Company;

(ii) a distribution of the Company's assets by way of dividend lawfully declared;

(iii) a distribution of dividends by way of bonus shares;

(iv) a reduction of share capital, repurchase of shares of the Company or a reorganization of the share capital effected in compliance with the Articles of Association;

(v) the provision of loans by the Company in the ordinary course of its business, provided that the Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the assistance is provided out of distributable profits; and

(vi) the Company's contribution to employees' share schemes provided that the Company's net assets are not thereby reduced or, to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

For these purposes,

(i) "financial assistance" includes, without limitation to:

(aa) assistance given by way of gift;

(bb) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of the Company's own default) or by way of release or waiver;

(cc) assistance given by way of a loan; or entering into an agreement under which the Company needs to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of contracting parties or the assignment of rights arising under such loan or such agreement; or

(dd) assistance given by the Company in any other manner when the Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent; and

(ii) "incurring a liability" includes incurring a liability by making an agreement or arrangement (whether enforceable or unenforceable, and whether made on one's own account or on the account of any other person) or by changing one's financial position by any other means.

(f) Disclosure of interests in and voting on contracts with the Company or any of its subsidiaries

Where a Director, Supervisor, president, or other senior officer is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company other than his contract of service, he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board of Directors.

Unless the interested Director or Supervisor, president, or other senior officer has disclosed his interest in accordance with the Articles of Association and the contract, transaction or arrangement has been approved by the Board of Directors at a meeting at which the interested Director, Supervisor, president, or other senior officer is not counted in the quorum and has refrained from voting, such contract, transaction or arrangement in which a Director, Supervisor, president, or other senior officer is materially interested can be rescinded at the Company's option provided that such rescission will not affect the validity of such contract, transaction or arrangement as against a bona fide party thereto acting in good faith. For these purposes, a Director, Supervisor or president, or other senior officer is deemed to be interested in a contract, transaction or arrangement in which a person connected to him is interested.

Where a Director, Supervisor, president, or other senior officer of the Company gives the Board a general notice in writing stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be entered into by the Company, then he shall be deemed to have made a disclosure for the purposes of the relevant provisions in the Articles of Association so far as the content stated in such notice is concerned, if such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by the Company.

(g) Remuneration

The Company shall, with the prior approval of the Shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The Directors or Supervisors have no power under the Articles of Association to determine the remuneration for themselves. The said emoluments include:

(i) emoluments in respect of their services as Director, Supervisor or senior officer of the Company;

(ii) emoluments in respect of their services as Director, Supervisor or senior officer of any subsidiary of the Company;

(iii) emoluments otherwise in connection with services for the management of the Company or any subsidiary thereof; and

(iv) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against the Company for anything due to him in respect of the matters specified above.

(h) Retirement, appointment and removal

The following persons may not serve as a Director, Supervisor, president, or other senior officer of the Company:

(i) an individual who has no civil capacity or has restricted civil capacity;

(ii) persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than five years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than five years have elapsed since the date of the completion of the implementation of such deprivation;

(iii) persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated as a result of mismanagement and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;

(v) persons who have failed to pay a relatively large debt when due and outstanding;

(vi) persons who have committed criminal offences and are still under investigation by judicial authorities;

(vii) persons who have been given a punishment of prohibition for entering the security market from the CSRC and the term of such punishment has not expired;

(viii) persons who have been convicted of offences of violating provisions of the relevant securities laws and regulations or offences of fraud or acting in bad faith, where less than 5 years have lapsed since the date of conviction;

(ix) persons who are not natural persons; and

(x) other persons stipulated by laws, administrative regulations, department regulations and the regulations promulgated by the security supervisory authority or stock exchange where the Company's shares are listed.

The validity of the conduct of Directors, president, or other senior officers who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such Directors, president, or other senior officers.

The Board of Directors shall consist of nine Directors. The Directors shall be elected at the Shareholders' general meetings. A Director is not required to hold any shares in the Company.

The president or other senior officers may serve concurrently as a Director of the Company, provided, however, the number of the Directors that serve concurrently as the president or other senior officers of the Company shall not exceed half of the total number of the Directors of the Company.

The chairman of the Board of Directors shall be elected or removed by more than one half of all of the Directors. A Director (without prejudice to any claim for damages under any contract) may be removed by ordinary resolution at a Shareholders' general meeting.

The term of office of the chairman and other Directors shall be three years commencing from their appointment and ending on the expiry of the term of the current session of the Board and is renewable upon re-election.

The minimum length of the period for giving written notice of the intention to nominate a person for election as a Director and of his willingness to be elected shall be at least seven days. The period for giving such written notice shall commence after the date the Company gives notice of the general meeting by post, and shall end not later than seven (7) days before the date of the general meeting.

The list of directors' and supervisors' candidates shall be proposed in the form of a motion to the Shareholders' general meeting for resolution.

At the time of voting for the election of Directors or Supervisors at a Shareholders' general meeting, the cumulative voting system may be implemented pursuant to the Articles of Association or based on the resolutions adopted at a Shareholders' general meeting.

For the purposes of the preceding paragraph, the term "cumulative voting system" means that at the time of voting for the election of directors or supervisors at a Shareholders' general meeting, each share shall carry the same number of voting rights as the number of director's or supervisor's candidates. The voting rights of a Shareholder may be exercised on a collective basis. The Board shall

make a public announcement on the biographies and general information of the directors' and supervisors' candidates.

(i) Borrowing powers

Under the circumstance of compliance with the laws and administrative regulations of the State, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any shareholder.

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

(j) Liabilities

The Directors, Supervisors, president, and other senior officers of the Company owe fiduciary duties and duties of diligence to the Company. In addition to any rights and remedies provided in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a Director, Supervisor, president, or other senior officer is in breach of his duties owed to the Company:

(i) to claim against such a Director, Supervisor, president or other senior officer for losses incurred by the Company as a result of his breach;

(ii) to rescind any contract or transaction entered into between the Company and the Director, Supervisor, president or other senior officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;

(iii) to account for the profits made by the Director, Supervisor, president or other senior officer as a result of his breach;

(iv) to recover any monies received by the Director, Supervisor, president or other senior officer which should have been received by the Company, including, without limitation, commissions;

(v) to demand the return of the interest earned or which may have been earned on any monies referred to in (iv) above by the Director, Supervisor, president or other senior officer which should have been received by the Company; and

(vi) to supplement legal procedures to give the judgement that the interest of a Director, Supervisor, president or other senior officer earned through his breach of duty should belong to the Company.

The Board shall carry out its duties in compliance with the laws and administrative regulations, the Articles of Association and resolutions of the Shareholders' general meetings. Each Director, Supervisor, president, and other senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following:

(i) to act honestly in what he considers to be in the best interest of the Company;

(ii) to exercise his powers within the scope specified and not to act ultra vires;

(iii) to exercise the discretion vested in him personally and not allow himself to act under the direction of another and, unless and to the extent permitted by law or by the Shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;

(iv) to treat the Shareholders of the same class equally and to treat the Shareholders of different classes fairly;

(v) except in accordance with the Articles of Association or with the informed consent of the Shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;

(vi) not without the approval of the Shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets for his personal benefit;

(vii) not to use his position to accept bribes or other illegal income and not to expropriate in any manner the Company's assets, including (without limitation) opportunities beneficial to the Company;

(viii) not without the informed consent of the Shareholders in general meeting, to accept commissions in connection with the Company's transactions;

(ix) to abide by the Articles of Association, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company for personal benefit;

(x) not to compete with the Company in any way except with the informed consent of the Shareholders given in general meeting;

(xi) not to misappropriate the Company's funds, not to open any bank account in his own name or other name for the deposit of the Company's assets;

(xii) not in breach of the Articles of Association and without the consent of the Board of Directors or the Shareholders' general meeting, to lend the Company's funds to any person or to provide security for debt of a Shareholder of the Company or any other individuals;

(xiii) not to take advantage of his position as a connected party to impair the Company's interests; and

(xiv) without the informed consent of the Shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a governmental authority is permitted where (i) the disclosure is compulsory in accordance with the relevant laws; (ii) there is a duty to the public to disclose; or (iii) the personal interests of the Director, Supervisor, president or other senior officer require the disclosure.

A Director, Supervisor, president, or other senior officer of the Company shall not direct persons connected to him to do what he is not permitted to do. A person is connected to a Director, Supervisor, president, or other senior officer if he is:

(i) the spouse or minor child of such a Director, Supervisor, president, or other senior officer;

(ii) a trustee for such a Director, Supervisor, president, or other senior officer or any person referred to in (i) above;

(iii) a partner of such a Director, Supervisor, president, or other senior officer or of any person referred to in (i) and (ii);

(iv) a company in which that a Director, Supervisor, president, or other senior officer, alone or jointly with one or more persons referred to in above (i), (ii) and (iii) or with any of other Directors, Supervisors, president, or other senior officers of the Company, have de facto control; or

(v) a Director, Supervisor, president, or other senior officer of a company referred to in (iv) above.

The fiduciary duties of a Director, Supervisor, president, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Except in circumstances referred to in the Articles of Association, liabilities of a Director, Supervisor, president, or other senior officer arising from the violation of a specified duty may be released by informed shareholders in general meeting.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, Directors, Supervisors, president, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the Shareholders:

(i) not to cause the Company to go beyond the business scope specified by its business license;

(ii) to act honestly in what they consider to be the best interest of the Company;

(iii) not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company; and

(iv) not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the provisions of the Articles of Association and adopted at a Shareholders' general meetings.

Each of the Directors, Supervisors, president, and other senior officers of the Company owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise under the similar circumstances.

Where the Company incurs losses as a result of a Director or senior officer having violated any provision of law, administrative regulation or the Articles of Association in the course of performing their duties with the Company, Shareholders alone or in aggregate holding 1% or more of the Company's shares for one hundred and eighty (180) consecutive days or more shall be entitled to request in writing the supervisory committee to initiate proceedings in a court; where the Company incurs losses as a result of the supervisory committee having violated any provision of law, administrative regulation or the Articles of Association in the course of performing its duties with the Company, shareholders may request the Board in writing to initiate proceedings in a court.

If the Supervisory Committee or the Board refuses to initiate proceedings upon receipt of the written request of shareholders set forth in the preceding paragraph, or fails to initiate such proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where

failure to initiate such proceedings will immediately result in irreparable damage to the Company's interests, Shareholders described in the preceding paragraph shall have the right to initiate proceedings in a court directly in their own name in the interests of the Company.

Shareholders provided for in the first paragraph of this Articles of Association may also initiate proceedings in a court in accordance with the preceding two paragraphs in the event that the lawful interests of the Company is infringed upon by a third party and that the Company suffers from losses accordingly.

Shareholders may initiate proceedings in a court if a Director or senior officer has breached the laws, administrative regulations or the Articles of Association resulting in impairing the interests of the Shareholders.

2 ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the company approval authorities of the State Council and the securities regulatory authority of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

3 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

The Company may not vary or abrogate rights attached to any class of shares ("Class Rights") unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the provisions of the Articles of Association. The following circumstances shall be deemed to be a variation or abrogation of the Class Rights of a class:

(i) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of a class having voting or distribution rights or other privileges equal or superior to the shares of such class, except for where holders of our Domestic Shares transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council;

(ii) to effect an exchange of all or part of the shares of such class into those of another class or to affect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class, except for where holders of our Domestic Shares transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the securities authority of the State Council;

(iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends of such class;

(iv) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

(v) to add, remove or reduce conversion, options, voting, transfer or pre-emptive rights or rights to acquire securities of the Company of such class;

(vi) to remove or reduce rights to receive payments from the Company in any particular currency;

(vii) to create a new class of shares having voting or distribution rights or privileges equal or superior to the shares of such class;

(viii) to restrict the transfer of ownership of the shares of such class or to increase any such restrictions;

(ix) to allot and issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(x) to increase the rights or privileges of another class;

(xi) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and

(xii) to vary or abrogate the provisions in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but Interested Shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall require the approval of shareholders present representing more than two thirds of the voting rights of that class voting in favor of such resolutions.

Written notice of a class meeting shall be given by the Company forty-five (45) days prior to the date of the meeting to notify all the registered shareholders holding shares of that class of the matters to be considered at the meeting and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver a written reply confirming his attendance at the class meeting to the Company twenty (20) days prior to the date of the meeting.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend represents more than one half of the total number of such shares of the Company. If not, the Company shall make an announcement, within five days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the class shareholders' meeting.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a similar way as closely as possible to the provisions for general meetings of shareholders set out in the Articles of Association. The provisions of the Articles of Association relating to the conduct of any meeting of shareholders shall apply to any class meeting.

In addition to holders of other class shares, holders of Domestic Shares and overseas-listed foreign-invested shares are deemed to be shareholders of different classes.

Voting by holders of different classes of Shares is not required in the following situations:

(i) where the Company issues, upon the approval by special resolution of its shareholders in general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued Domestic Shares;

(ii) where the Company completes, within fifteen (15) months from the date on which approval is given by the securities regulatory authorities of the State Council, its plan (made at the time of its establishment) to issue Domestic Shares; and

(iii) where shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the Securities Authority of the State Council.

For the purposes of the class rights provisions of the Articles of Association, an "Interested Shareholder" is:

(i) in the case of a repurchase of shares by offers to all shareholders or public dealing on a stock exchange, a controlling shareholder within the meaning of the Articles of Association;

(ii) in the case of a repurchase of shares by an off-market contract under the Articles of Association, a shareholder to whom the proposed contract is related; or

(iii) in the case of a restructure of the Company, a shareholder within a class who bears less than a proportionate amount of obligations imposed on the shareholders of that class or who has an interest different from the interest of the other shareholders of that class.

4 SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of general meetings are divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, more than one half of the votes represented by shareholders (including proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution more than two thirds of the votes represented by the shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution.

5 VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary shareholders of the Company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. Shareholders (including proxies) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

At any shareholders' meeting, voting shall be on a poll. On a poll taken at a meeting, a shareholder (including his proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, the chairman of the meeting shall be entitled to an additional vote.

In addition to the cumulative voting system, voting for all motions proposed to a shareholders' general meeting shall be conducted on an item-by-item basis. If different motions have been proposed for the same matter, voting related thereto shall be conducted based on the chronological order of proposing the motions. Unless a general meeting is suspended or no resolution can be adopted due to force majeure or other special reasons, no motion shall be set aside or rejected for voting at the general meeting.

The same right to vote can only be exercised by electing to vote at the scene, via the Internet or otherwise. If the same right to vote has been exercised twice, the result of the first voting shall prevail.

6 REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Shareholders' general meetings shall be convened by the Board of Directors. Annual general meetings are held once every year within six months after the end of the financial year.

7 ACCOUNTS AND AUDIT

(a) Financial and accounting system

The Company shall establish its financial and accounting systems and internal audit system in accordance with the laws, administrative regulations and the PRC accounting standards formulated by the finance regulatory authority of the State Council.

The Board of Directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by the laws, administrative regulations or directives promulgated by competent local governments and supervisory authorities to be prepared by the Company.

The Company shall not keep any other books of accounts other than those provided by law.

(b) Appointment and removal of accountants

The Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the State to audit the Company's annual reports and review the Company's other financial reports.

The first accountants firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accountants firm so appointed shall hold office until the conclusion of the first annual general meeting.

The accountants firm appointed by the Company shall hold office from the conclusion of the annual general meeting of shareholders until the conclusion of the next annual general meeting of shareholders.

The shareholders in general meeting may by ordinary resolution remove an accountants firm before the expiry of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accountants firm or the manner in which such remuneration is determined shall be decided by the shareholders in general meeting.

The Company's appointment of, removal of and non-reappointment of an accountants firm shall be resolved upon by the shareholders in general meeting.

Prior to the removal or the non-renewal of the appointment of the accountants firm, an advance notice of such removal or non-renewal shall be given to the accountants firm and such firm shall have the right to attend and to make representation to the shareholders' general meeting.

Where the accountants firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accountants firm may resign its office by depositing at the Company's legal address a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or

(ii) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under circumstance (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection.

Where the accountants firm's notice of resignation contains a statement of any circumstance which should be brought to the notice of the shareholders or creditors of the Company, it may require the Board of Directors to convene a shareholders' extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

8 NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The shareholders' general meeting is the organ of authority of the Company and shall exercise its functions and powers in accordance with law.

The Company shall not enter into any contract with any person other than a Director, Supervisor, president, or other senior officer whereby such person is entrusted with the management of the whole or a material part of any business of the Company without the prior approval of shareholders in general meeting.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

(i) when the number of Directors is less than the number of Directors required by the Company Law or two-thirds of the number of Directors specified in the Articles of Association;

(ii) when the unaccounted losses of the Company amount to one third of its share capital;

(iii) when shareholders holding 10% or more of the Company's issued and outstanding shares carrying voting rights requests in writing the convening of an extraordinary general meeting;

(iv) when the board of Directors considers necessary or upon the request of the supervisory committee;

(v) when 2 or more independent non-executive Directors so request; and

(vi) other situations stipulated by laws, administrative regulations and AOA.

In the case of (iii) to (v), the matters proposed to be considered at the meeting shall be listed in the agenda of the meeting.

To convene a general meeting, the Company shall give written notices forty-five (45) days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company to be received by the Company twenty (20) days before the date of the meeting.

When the Company is to convene an annual general meeting, shareholders holding 3 per cent. or more of shares carrying voting rights shall have the right to put forward new proposals in writing to the Company.

The Company shall calculate, according to the written replies received twenty (20) days before the date of the meeting, the number of shares carry voting rights that the shareholders attending the meeting represent. The Company can convene a shareholders' general meeting if the number of shares carrying voting rights represented by shareholders intending to attend attain more of the one half of total number of shares carrying voting rights. If not, the Company shall make an announcement, within five (5) days, once again notifying the shareholders of the matters proposed to be considered and the date and place of the meeting. Once an announcement has been so made, the Company may convene the general meeting. An extraordinary general meeting may not decide on matters not specified in the notice.

A notice of meeting of shareholders shall be in writing, and:

(i) specify the time, venue, the date of the meeting;

(ii) state the matters to be discussed at the meeting;

(iii) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another company, to repurchase shares of the Company, to reorganize the share capital or to restructure the Company in any other way, the terms

of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the reasons for and consequences of such proposal must be properly explained;

(iv) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, president, or other senior officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of other shareholders of the same class;

(v) contain the text of any special resolution proposed to be passed at the meeting;

(vi) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that a proxy need not be a shareholder;

(vii) specify the time and venue for lodging proxy forms for the relevant meeting;

(viii) specify the date of the share register listing the shareholders that have the right to attend and vote at the shareholders' meeting; and

(ix) specify the name and contact number of the contact person for the meeting.

Notices of shareholders' general meetings shall be served on the shareholders (whether or not they are entitled to vote at the meeting) by personal delivery or prepaid mail to their addresses registered in the register of shareholders. For holders of Domestic Shares, notice of Shareholder's general meeting may be made by way of public announcement.

Public announcement of notices of shareholders' general meetings shall be published in one or more newspapers designated by the securities regulatory authority of the State Council during forty-five (45) days to fifty (50) days prior to the date of the meeting. Upon the publication of announcement, all holders of Domestic Shares shall be deemed to have received notice of the relevant shareholders' meeting. The accidental omission to give notice of a meeting to, or the non receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Upon issuance of the notice of the shareholders' general meeting, the general meeting shall neither be delayed nor cancelled without proper reasons. Motions listed in such notice shall not be revoked. Once the general meeting is delayed or cancelled, the convenor shall make a public announcement stating the reasons therefor at least two (2) working days prior to the date originally scheduled for convening the meeting.

Shareholders requisitioning an extraordinary general meeting of shareholders or class meeting shall abide by the following procedures:

Shareholder(s) alone or in aggregate holding in aggregate 10% or more of the shares have the right to require the Board to convene a shareholders' extraordinary meeting by a written requisition. Within ten days after receipt the requisition, the Board shall, in accordance with laws, regulations and this Articles of Association, give a written response in respect of whether or not it agrees to convene a shareholders' extraordinary meeting.

If the Board agrees to convene a shareholders' extraordinary meeting, a notice of shareholders' meeting shall be issued within five (5) days after the Board reaches such a resolution.

If the Board refuses to convene a shareholders' extraordinary meeting, or fails to respond within ten (10) days after receipt of the requisition, the shareholder(s) alone or in aggregate holding 10% or more of the shares have the right to propose to the Supervisory Committee by a written requisition that the Supervisory Committee convene a shareholders' extraordinary meeting.

If the Supervisory Committee agrees to convene a shareholders' extraordinary meeting, a notice of shareholders' meeting shall be issued within five (5) days after receipt of the requisition. Failure of the Supervisory

Committee to issue a notice of general meeting within the stipulated period shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and shareholder(s) alone or in aggregate holding 10% or more of the Company's shares for ninety (90) consecutive days or more shall be entitled to convene and preside over the meeting.

The Supervisory Committee shall have the right to propose the Board to convene an extraordinary shareholders' general meeting and shall submit its proposal thereof to the Board in writing.

If the Supervisory Committee or shareholders determine to convene a shareholders' general meeting by themselves, they shall give a written notice to the Board and file the same with the local office of the CSRC at the place where the Company is located and the stock exchange for record.

Prior to the announcement of the resolutions of the shareholders' general meeting, the shareholding proportion of the convening shareholders shall not be lower than 10%.

The convening shareholder shall submit relevant evidence to the local office of the CSRC at the place where the Company is located and the stock exchange upon the issuance of the notice of shareholders' general meeting and the announcement of the resolutions adopted thereat.

The matters which require the sanction of an ordinary resolution at a shareholders' general meeting shall include:

(i) the approval of business policy and investment plans of the Company;

(ii) the election and removal of the members of the Board and members (being the Shareholders' representatives) of the Supervisory Committee, their remuneration and method of payment;

(iii) the approval of work reports of the Board and the Supervisory Committee;

(iv) the approval of the annual budget and final financial plan;

(v) the approval of plans for the distribution of profits and for making up losses;

(vi) the appointment and dismissal of the accountants of the Company;

(vii) the approval of the merger, demerger and reorganization of the subsidiaries of the company;

(viii) the approval of the change in use of proceeds; and

(ix) save as required by the laws and regulations of the PRC or by the Articles of Association, all other matters other than those required to be adopted by special resolution;

The matters which require the sanction of a special resolution at a shareholders' general meeting include:

(i) the increase or reduction of registered share capital;

(ii) the issue of debentures or other securities of the Company or plan for listing;

(iii) the demerger, merger, termination, liquidation or entity structure of the Company;

(iv) amendments to the Articles of Association;

(v) the approval of buying or selling the assets of the Company exceeding 30% of the latest audited total asset value of the Company;

(vi) the approval of a share incentive scheme; and

(vii) save as required by the laws and regulations of the PRC or by the Articles of Association, all other important matters which was adopted by ordinary resolution that those required to be adopted by special resolution;

The Company shall be subject to the approval of the shareholders' general meeting upon consideration in the event of providing in favour of a third party any of the following security:

(i) any security that is provided after the total amount of security provided by the Company and its controlling subsidiaries in favour of a third party has reached or exceeded 50% of the latest audited net asset value;

(ii) any security that is provided after the total amount of security provided by the Company in favour of a third party has reached or exceeded 30% of the latest audited total asset value;

(iii) any security to be provided in favour of an entity which is subject to a gearing ratio of over 70%;

(iv) the amount of a single security exceeding 10% of the latest audited net asset value;

(v) security to be provided in favour of any shareholder, effective controlling person of the Company and its connected parties;

(vi) any security that is provided after the total amount of security provided has reached or exceeded 50% of the latest audited net asset value and more than 50 million RMB in twelve (12) months continuously; and

(vii) other security to be subject to the approval of the shareholders' general meeting by the stock exchange or by the Articles of Association

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder or his proxy in contravention of such requirement or restriction (provided that the Company is informed) shall not be counted.

If a resolution of a shareholders' general meeting or the Board of the Company is in breach of any law and administrative regulation, the shareholders shall have the right to petition to a court to render the same as invalid.

If the procedures for convening a meeting of, or the method of voting at, a general meeting or the Board are in breach of any law, administrative regulation or these Articles of Association, or the content of a resolution is in breach of the Articles of Association, shareholders may petition to a court to rescind such resolutions within sixty (60) days from the date on which such resolution is passed.

9 TRANSFER OF SHARES

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

Shares of the Company held by the promoter are not transferable within one (1) year commencing from the date of establishment of the Company. Shares of the Company that are already in issue prior to its public offering are not transferable within one (1) year commencing from the date on which the shares of the Company were listed and traded on a stock exchange.

The Directors, Supervisors and senior officers of the Company shall report to the Company the number of shares held by them in the Company and the subsequent changes in their shareholdings. The number of shares which a Director, Supervisor or senior officer may transfer every year during his term of office shall not exceed 25% of the total number of the Company's shares in his or her possession; and shares of the Company in his or her possession are not transferable within one (1) year commencing from the date on which the shares of the Company were listed

and traded on a stock exchange. Such personnel shall not transfer the Company's shares in their possession within six (6) months after they have terminated their employment with the Company.

Any gains from the sale of shares of the Company by any Company's Director, Supervisor, senior officer or shareholders holding 5% or more of the shares in the Company within six (6) months after purchasing such shares, or thereafter any gains from repurchasing such shares in the Company within six (6) months after the sale thereof, shall be vested in by the Company. The Board of the Company shall forfeit such gains from the abovementioned parties. If the Board of the Company fails to comply with the provision set forth in this paragraph, the responsible director(s) shall be jointly and severally liable therefor in accordance with the law.

If the Board of the Company fails to comply with the provision set forth in the preceding paragraph, a shareholder shall have the right to require the Board to effect the same within thirty (30) days. If the Board fails to do so within the said time limit, a shareholder shall have the right to initiate proceedings in a court directly in his own name in the interests of the Company.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the shareholders' register due to the transfer of shares may be made within thirty (30) days before the date of a general meeting or within five (5) days before the record date for the Company's distribution of dividends.

10 POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company may, with the approval in accordance with the procedures provided in the Articles of Association and subject to the approval of the relevant governing authorities of the State, repurchase its issued shares in the following circumstances:

(i) cancellation of its shares for the purpose of reducing its share capital;

(ii) merging with another company which holds Shares;

(iii) granting shares as incentive compensation to the staff of the Company;

(iv) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or division of the Company; or

(v) other circumstances permitted by the laws and administrative regulations.

If the Company repurchases its own shares due to items (i) through (iii) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting of shareholders. If the Company repurchases its own shares in accordance with the preceding paragraph under the circumstances set forth in item (i), the shares so repurchased shall be cancelled within ten days of the repurchase. In the event of the circumstances set forth in items (i) and (iv), the shares so repurchased shall be transferred or cancelled within six months.

If the Company repurchases its own shares in accordance with item (iii) of the preceding paragraph, the shares so repurchased shall not exceed 5% of the total number of shares issued by the Company. The repurchase shall be funded with the post-tax profit of the Company, and the shares so repurchased shall be transferred to the employees within one year.

The Company may, upon the approval of the relevant state governing authorities, repurchase its shares in one of the following ways:

(i) making a pro rata general offer of repurchase to all its shareholders;

(ii) repurchasing shares through public dealing on a stock exchange;

(iii) repurchasing by an off-market agreement outside a stock exchange.

The Company may, with the prior sanction of shareholders obtained at a shareholder's meeting in accordance with the Articles of Association, repurchase its shares by an off-market contract but the Company may rescind or vary such contract or waive any or part of its rights under a contract so entered into by the Company with the prior approval of shareholders obtained at a shareholder's meeting in the same manner. A contract to repurchase shares as mentioned above includes but is not limited to an agreement to become obliged to repurchase or acquire rights to repurchase shares.

The Company shall not assign a contract to repurchase its shares or any of its rights thereunder.

Unless the Company is in the course of liquidation, it shall comply with the following provisions in relation to repurchase of its issued shares:

(i) where the Company repurchases its shares at par value, payment shall be made out of the book surplus distributable profits of the Company and out of the proceeds from any issue of new shares made for the purpose of the repurchase;

(ii) where the Company repurchases its shares at a premium to the par value, payment up to their par value may be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase. Payment of the portion in excess of the par value shall be effected as follows:

  (a) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

  (b) if the Shares being repurchased were issued at a premium to the par value, payment shall be made out of the book surplus distributable profits of the Company and the proceeds from any issue of new shares made for the purpose of the repurchase, provided that the amount paid out of such proceeds shall neither exceed the aggregate of the premiums received by the Company on the issue of the Shares repurchased nor the current amount of the share premium account or the capital reserve fund account of the Company (including the premiums on the new issues) at the time of the repurchase;

(iii) where the Company repurchases its shares which it is entitled to repurchase:

  (a) if repurchased not made through the stock market or by way of tender, the price of the repurchased shares shall be subject to a certain maximum price;

  (b) if repurchased by way of tendering, the tender offer must be sent to all shareholders and all the shareholders must be treated fairly and equally in this process.

(iv) payment by the Company for the following purposes shall be made out of the Company's distributable profits:

  (c) acquisition of rights to repurchase shares;

  (d) variation of any contract to repurchase shares;

  (e) release of any of the Company's obligations under a contract to repurchase shares; and

(v) After the Company's registered capital has been reduced by the aggregate par value of the cancelled shares in accordance with the relevant regulations, the amount deducted from the distributable profits for paying up the par value portion of the repurchased shares shall be transferred to the Company's share premium account or capital reserve fund account.

Where the Company has the power to purchase for redemption a redeemable share:

(i) purchase not made through the market or by tender shall be limited to a maximum price; and

(ii) if purchases are by tender, tenders shall be available to all shareholders alike.

11 POWER OF ANY SUBSIDIARY OF THE COMPANY TO OWN SHARES IN ITS PARENT COMPANY

The Articles of Association contains no restrictions preventing any subsidiary of the Company from holding shares.

12 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company may distribute dividends by way of cash or bonus shares.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.

After the resolution in respect of profit distribution has been adopted at the shareholders' general meeting, the Board of the Company is required to complete the distribution of dividends (or shares) within two (2) months after such meeting is convened.

13 PROXIES

Any shareholder entitled to attend and vote at a shareholders' general meeting shall be entitled to appoint one or more persons (whether or not a shareholder) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

(i) the shareholder's right to speak at the meeting;

(ii) the right to demand, whether on his own or together with others, a poll; and

(iii) the right to vote on a poll according to the number of shares, the voting rights of which he is authorized to exercise; however, if the proxy represents more than one shareholder, the proxy must vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal person either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy shall be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting not less than 24 hours prior to the time for holding the meeting at which the proxy propose to vote or the time specified for the passing of the resolution. If such instrument is signed by another person under a power of attorney or other authorization documents given by the appointor, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as is specified in the notice convening the meeting.

If the appointor is a legal person, its legal representative or any person authorized by resolutions of its board of directors or other governing body shall attend the shareholders' meeting as the appointor's representative.

Any form issued to a shareholder by the Board for the purpose of appointing a proxy shall be such as to enable the shareholder, according to his free will, to instruct his proxy to vote in favor of or against the motions proposed and in respect of each individual matters to be voted on at the meeting. Such a form shall contain a statement that in the absence of instructions from the appointor, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

14 CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

15 INSPECTION OF REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company shall keep a register of shareholders.

No changes which are required by reason of a transfer of shares may be made to the register of shareholders within thirty (30) days prior to the date of a shareholders' general meeting or five (5) days prior to the record date for the Company's distribution of dividends.

When the Company decides to convene a shareholders' general meeting, distribute dividends, liquidate or carry out other activities which require the determination of shareholdings, the Board of Directors shall fix a record date for the purpose of determining the shareholding. A person who is registered in the register as shareholders of the Company at the end of the record date shall be a shareholder of the Company.

Any person who objects to what is contained in the register of shareholders and wishes to register his name on, or delete his name from, the register may apply to the court which jurisdiction to amend the register.

The right of the shareholders to information includes, but without limitation, the following:

(i) the right to a copy of the Articles of Association after payment of costs;

(ii) the right to inspect and copy, subject to payment of a reasonable fee:

  a. all parts of the register of members;

  b. personal particulars of each of the Company's Directors, Supervisors, president, and other senior officers;

  c. reports on the status of the Company's share capital;

  d. reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose; and

  e. corporate bond certificates, minutes of the general meetings of shareholders, resolutions of the Board of Directors' meeting, resolutions of the supervisory committee, and financial and accounting reports.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding paragraph shall provide to the Company written documents indicating the class and number of shares they hold. After confirmation of the shareholder's identity, the Company shall provide such information based on the shareholder's request.

16 QUORUM FOR SHAREHOLDERS MEETINGS

The Company can convene a shareholders' meeting if the number of shares carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of shares carrying voting rights.

The Company can convene a class shareholders' meeting, if the number of shares of the class carrying voting rights represented by shareholders intending to attend comprise at least half of the total number of such shares of the class.

17 RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or the Listing Rules on which shares are listed, a controlling shareholder, when exercising his rights as a shareholder, shall not exercise his voting rights to make a decision which is prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company in respect of the following matters:

(i) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

(ii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any way, of the Company's assets, including (without limitation) opportunities beneficial to the Company; or

(iii) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, but not including a reorganization of the Company submitted to and approved by shareholders' general meeting in accordance with the Articles of Association.

18 PROCEDURE ON LIQUIDATION

The Company shall be dissolved and liquidated in accordance with law upon occurrence of any of the following events:

(i) the termination of business term or any other situations of dissolution that regulated by the Articles of Association;

(ii) a resolution for dissolution is passed by a shareholders' general meeting;

(iii) dissolution is necessary due to a merger or division of the Company;

(iv) the Company is legally declared insolvent due to its failure to repay debts due;

(v) the Company is ordered to close down because of its violation of laws or administrative regulations; or

(vi) where the Company's operation encounters serious difficulty, continuing operation will cause substantial loss to shareholders and such difficulty cannot be solved some other way, shareholders holding more than 10% of the voting rights of all shareholders may make requisition to the People's Court to liquidate the Company.

A liquidation group shall be set up within 15 days after the events under the occurrence of (i), (ii), (v) and (vi). The liquidation group of the Company shall comprise persons appointed by the Board's or shareholders' meeting. If the liquidation group is not set up within the stipulated period of time, creditors may request the People's Court to designate the relevant personnel to form a liquidation group to conduct the liquidation.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the

Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the group's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation.

The liquidation group shall, within ten (10) days of its establishment, send a notice to creditors, and within sixty (60) days of its establishment make a public announcement in a newspaper.

The liquidation group shall carry out registration of creditors' rights so reported.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

(i) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(ii) to notify all creditors by notice or public announcements;

(iii) to dispose of and liquidate any relevant unfinished business matters of the Company;

(iv) to pay all outstanding taxes;

(v) to settle claims and debts;

(vi) to deal with assets remaining after the Company's debts having been paid in full; and

(vii) to represent the Company in any civil proceedings.

The liquidation committee shall thoroughly examine the assets of the Company, and prepare a balance sheet and an inventory of assets. Upon completion, the liquidation committee shall draw up a proposal for liquidation and submit the same to the shareholders' meeting and the relevant authority in charge for confirmation.

If the Company is liquidated by reason of dissolution and the liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared the Company insolvent, the company's liquidation committee shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group shall present a report on liquidation and prepare a statement of the receipts and payments during the period of liquidation and financial books and records which shall be audited by the PRC certified public accountants and submitted to the shareholders' general meeting or the relevant governing authority for confirmation.

The liquidation group shall also within 30 days after such confirmation, submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

19 OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

(a) General provisions

The Company is a joint stock limited company of perpetual existence.

The Company may invest in other companies with limited liability or joint stock limited companies and shall be liable to the companies in which it invests to the extent of its capital contribution.

The Article of Association constitute a legal document regulating the relationship between the Company and each of its shareholders and among the shareholders interest, actionable by a shareholder against the Company and vice versa and by shareholders against each other in respect of rights and obligations concerning the affairs of the Company arising out of the Articles of Association. The shareholders may also bring actions against the Directors, Supervisors, president, and other senior officers of the Company. For the purposes of the Articles of Association, actions include court proceedings and arbitration proceedings.

(b) Shares and transfers

The Company may increase its capital in the following ways:

(i) offering new shares to non-specially-designated investors for subscription;

(ii) private issue of new shares;

(iii) allotting bonus shares to its existing shareholders;

(iv) conversion of capital reserve; and

(v) any other ways permitted by laws and administrative regulations.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations of the State.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets.

The Company's registered capital after reduction shall not be less than the statutory minimum amount.

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer their shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

(c) Shareholders

A shareholder of the Company is a person who lawfully holds shares and has his name recorded on the register of shareholders. A shareholder enjoys rights, and is subject to obligations, according to the class and number of shares he holds. Holders of the same class of shares enjoy the same rights and subject to the same obligations.

Unless specified otherwise in the Articles of Association, the holders of Domestic Shares and overseas-listed foreign-invested shares are ordinary shareholders with the same rights and subject to the same obligations. The ordinary shareholder of the Company shall enjoy the following rights:

(i) the right to dividends and other distributions in proportion to the number of shares held by him;

(ii) the right to request, convene, preside, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(iii) the right to supervise the Company's business operations, and the right to present proposals and inquiries;

(iv) the right to transfer, give or pledge shares in accordance with the laws, administrative regulations and the Articles of Association;

(v) the right to obtain relevant information in accordance with the provisions of the Articles of Association;

(vi) in the event of the termination or liquidation of the Company, to participate in the distribution of surplus assets of the Company according to the number of shares held by him;

(vii) in the event of a merger or division of the Company, the right to request the Company to purchase his shares if he objects to the merger or division; and

(viii) other rights conferred by laws, administrative regulations and the Articles of Association.

If a shareholder holding 5% or more of the voting shares of the Company pledges any shares that are in his or her possession, he or she shall report the same to the Company in writing on the day on which he or she pledges his or her shares.

The Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A shareholder is not be liable to make any further contribution to the share capital other than the terms agreed.

Share certificates of the Company shall be in registered form.

Share certificates of the Company shall be signed by the legal representative of the Company. Where the stock exchanges on which shares are listed require the share certificates to be signed by senior officers of the Company, the share certificates shall also be signed by such senior officers. Where the shares are issued or traded on a surplus basis, the Company shall comply with the relevant regulations of the securities regulatory authority.

The share certificates shall take effect after being affixed with the Company's seal or a machine-imprinted seal of the Company provided that such seal shall only be affixed with the authority of the Board of Directors. The signatures of the legal representative or other senior officers of the Company on the Share certificates may be printed in mechanical form.

Any person who is registered shareholder or who requests to have his name (title) entered into the register of shareholders may, if his share certificate (the "original certificate") in respect of shares in the Company is lost, apply to the Company for a replacement new share certificate in respect of such shares (the "Relevant Shares").

If a holder of Domestic Shares loses his share certificate and applies for a replacement new share certificate, it shall be dealt with in accordance with relevant provisions of the Company Law.

In the case of an application to issue a replacement new certificate being made without the consent of the registered holder of the Relevant Shares, the Company shall deliver by mail to such registered shareholder a copy of the announcement to be published.

(v) if, by the expiration of the 90-day period referred to in above (iii) and (iv), the Company shall not have received from any person notice of any disagreement to such application, the Company may issue a replacement new share certificate to the applicant accordingly.

(vi) where the Company issues a replacement new share certificate under the Articles of Association, it shall forthwith cancel the original share certificate and enter the cancellation and replacement issue in the register of shareholders accordingly.

(vii) all expenses relating to the cancellation of an original share certificate and the issue of a replacement new share certificate by the Company shall be borne by the applicant. The Company may refuse to take any action until reasonable security is provided by the applicant for such expenses.

(d) Untraceable members

The Company may exercise power to cease sending dividend warrants by post to a holder of foreign shares listed overseas when such warrants have not be cashed twice in a row. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered.

The Company shall not exercise power to sell the shares of a shareholder who is untraceable unless:

(i) during a period of 12 years at least three dividends in respect of the shares in question have become payable an no dividend during that period has been claimed; and

(ii) on expiry of the 12 years the Company, after approval by the securities regulatory authority of the State Council, gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention.

(e) The Board of Directors

The Board of Directors shall be accountable to the general meeting of the shareholders, and shall exercise the following functions and powers:

(i) to convene general meetings and report on its work to the shareholders;

(ii) to implement the resolutions of general meetings;

(iii) to decide on the Company's business plans, investment plans;

(iv) to decide on the Company's investment, transaction of assets, mortgage of assets, entrust financing and related transaction with the authorization of the shareholders' general meeting;

(v) to formulate the Company's proposed annual financial budget and final accounts;

(vi) to formulate the Company's profit distribution plan and plan for making up for losses;

(vii) to formulate proposals for the increase or reduction of the Company's registered capital;

(viii) to formulate the issue of corporate bond or other securities and the listing plan;

(ix) to prepare plans for material acquisition, purchase of the Company's shares, merger, demerger, dissolution or change of the form of the Company;

(x) to decide on the establishment of the Company's internal management structure;

(xi) to appoint or dismiss the Company's president;

(xii) pursuant to the chairman of board's nominations to appoint or dismiss the secretary of the Board;

(xiii) pursuant to the president's nominations to appoint or dismiss vice president, financial charge, and other senior officers of the Company and to decide on their remuneration and benefits;

(xiv) to formulate the Company's basic management system;

(xv) to formulate plans for the amendment of the Company's Articles of Association;

(xvi) to formulate the Company's share incentive scheme;

(xvii) to deal with disclosures of information on our Company;

(xviii) to propose to the shareholders' general meetings the appointment or replacement of the auditor of our Company;

(xix) to receive work report submitted by the president of our Company and to review his performance;

(xx) to elect the Chairman and vice Chairman of the Company;

(xxi) to approve corporate guarantees, which does not require the approval of shareholders at a general meeting in accordance with the Articles of Association;

(xxii) to decide the establishment or cancel of the Company's branch;

(xxiii) to decide on any plans for the conversion, demerger, reorganization or dissolution of our subsidiaries;

(xxiv) to decide on any policies or schemes in respect of employees' remuneration, welfare, bonus and disincentives;

(xxv) to decide on and to monitor the implementation of our Company's risk management system, including risk assessments, financial control, internal audit, legal risk control;

(xxvi) to appoint or replace any Directors and Supervisors representing shareholders of the wholly-owned subsidiaries of our Company, and to nominate shareholders' representatives, directors (candidates) and supervisors representing shareholders (candidates) of controlling and holding subsidiaries; to nominate candidates for senior management of wholly-owned subsidiaries or subsidiaries in which the Company is a majority shareholder;

(xxvii) to decide on the establishment of the Special Committee, to appoint or dismiss the chairman of the special committee;

(xxviii) to decide on the pledges and charge of assets and provision of guarantees in respect of the Company's debts;

(xxix) to manage the put on record of the charge of the company's department;

(xxx) to decide on the vouch provide for the company's loan;

(xxxi) to decide on the extraordinary expenses of annual financial budget; and

(xxxii) to exercise other functions and powers conferred at general meetings and by the laws, regulations and the Articles of Association.

Resolutions relating to the above, with the exception of items (vii), (viii), (xi), and (xv) above which shall require the consent of more than two thirds of the Directors and item (xxi) above which shall require the consent of more than two thirds of the attended Directors, shall require the consent of more than half of the Directors.

Meetings of the Board shall be held regularly at least forth in each year and shall be convened by the Chairman of the Board of Directors. A quorum will be formed by more than half of the Directors attending in person and appointing another Director as his attorney.

If a Director is unable to attend a board meeting, he may appoint another Director by a written power of attorney to attend on his behalf. Such a power of attorney shall specify the scope of authorization.

A director shall be deemed to be unable to carry out his duties if he or she fails to (i) attend two consecutive board meetings in person and fails to appoint an alternate director to attend board meetings on his behalf; (ii) fails to attend at least three quarters of the total number of board meetings (including general meetings and extraordinary general meetings) held within one year; or (iii) abstains from voting more than or equal to 30% of the number of votes cast within one year. The Board shall propose at the shareholders' general meeting for the removal of such Director.

Directors attending board meetings shall exercise their powers as Directors within their scope of authorization. If a Director fails to attend a board meeting and does not appoint an attorney to attend, the Director is deemed to have relinquished his rights to vote at that meeting.

Each Director shall have one vote. Unless specified otherwise in the Articles of Association, resolutions of the board of directors must be passed by more than half of all the Directors. Where the number of votes cast for and against a resolution are equal, the Chairman shall have the right to cast an additional vote.

A director shall abstain from voting in connection with the relevant motion under any of the following circumstances:

(i) circumstances that such Director should abstain from voting as provided for in the listing rules of the stock exchange located at the listing venue of the Company;

(ii) circumstances that such Director thinks fit to do so; or

(iii) any other circumstance that as provided for in the Articles of Association, such Director should abstain from voting on the ground that he or she is connected with the enterprise involved in the motion tabled to the meeting.

To the extent that the Directors abstain from voting, the relevant Board meeting may be conducted if more than half the number of non-connected Directors are present at the meeting and resolutions shall be adopted by a simple majority vote of all non-connected directors present thereat. If there are less than three (3) non-connected Directors present at the Board meeting, no voting shall be conducted for the relevant motion and the matter concerned shall be submitted to the shareholders' general meeting for consideration.

(f) Independent Directors

Members of the Board of the Company shall include at least one-third or more of the independent Directors.

(g) Secretary of the Board of Directors

The secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board.

(h) Supervisory Committee

The Company shall have a Supervisory Committee.

The Supervisory Committee shall be composed of three members, one of whom shall be the chairman of the Supervisory Committee.

The election or removal of the chairman of the Supervisory Committee shall be decided by two-thirds or more of the Supervisors. Decisions of the supervisory committee shall be made by the affirmative vote of two-thirds or more of the Supervisors.

The term of office of supervisors shall be three years, renewable upon re-election.

The Directors, president, financial officer of the Company shall not act concurrently as Supervisors.

The Supervisory Committee shall be accountable to the shareholders' general meeting and exercise the following functions and powers in accordance with law:

(i) to check the regular reports prepared by the Board and provide written opinion;

(ii) to examine the Company's financial situation;

(iii) to supervise the Directors and senior officers in their performance of duties and to propose the removal of Directors and senior officers who have contravened any law, regulations, the Articles of Association or shareholders' resolutions, represent the Company to bargain with or sue Directors;

(iv) to demand any Director and senior officer of the Company who acts in a manner which is harmful to the Company's interests to rectify such behavior, and to report such situations to the shareholders meeting or relevant authorities when necessary;

(v) to propose to convene a shareholders' extraordinary general meeting, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the general meeting in accordance with the Company Law;

(vi) to propose resolutions at a shareholders' general meeting;

(vii) to propose to convene an extraordinary meeting of the Board of Directors;

(viii) to elect the chairman of supervisory committee;

(ix) to institute a suit to the Directors or senior officers of the Company by laws; and

(x) to conduct investigation into any irregularities in the Company's operations identified; if necessary, professionals such as accounting firms and law firms may be hired to provide assistance at the expense of the Company.

Supervisors shall be present at meetings of the Board.

(i) President

The Company shall have one president, who shall be appointed and dismissed by the Board. The president shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's production, operation and management and report to the board;

(ii) to organize the implementation of the resolutions of the Board;

(iii) to organize the implementation of the Company's annual business plan and investment plan;

(iv) to draft plans for the establishment of the Company's internal management structure;

(v) to draft the Company's basic management system;

(vi) to formulate basic rules and regulations of the Company;

(vii) to propose the appointment or dismissal of the Company's vice president and charge of finance;

(viii) to appoint and dismiss management personnel other than those required to be appointed or dismissed by the Board;

(ix) to sign the stock and other legal documents as the company's representative;

(x) to formulate the plans for conversion, demerger, reorganization or dissolution of our subsidiaries;

(xi) to formulate the plans for establishment of the company;

(xii) to formulate the salary level of and distribution plan to our employees;

(xiii) pursuant to the authorization of the Board to dispose affairs of the company's which in force majeure or in great crisis in accordance with the laws and the benefits of the company, and report to the Board lately;

(xiv) to formulate the plans for the establishment of branches of our Company; and

(xv) other functions and powers conferred by laws, regulations, the Articles of Association and the Board and authoried by the Board.

(j) Common Reserve Fund

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to the Company.

No profits shall be distributed in respect of the shares held by the Company.

The common reserve fund of the Company shall be used to make up its losses, increasing the scale of production and operation of the Company or converting the same into the capital of the Company to increase the amount thereof, provided that the capital common reserve fund shall not be applied for making up the losses of the Company.

At the time of converting the statutory common reserve fund into registered capital, the amount retained in such common reserve fund shall not be less than 25% of the registered capital before the said conversion.

I. FURTHER INFORMATION ABOUT THE COMPANY

1. The Company

The Company was established in the PRC as a joint stock limited company on December 1, 2008 by Parent and Baosteel Group Corporation (寶鋼集團有限公司) as the Promoters, in accordance with the provisions set out in the Company Law under the name of Metallurgical Corporation of China Ltd. The Company obtained a Business License (Registration No. 100000000041958) issued by the SAIC (國家工商行政管理總局) on December 1, 2008. The Company has established a place of business in Hong Kong at Rooms 2204-5, 22/F, Chung Kiu Commercial Building, 47-51 Shan Tung Street, Mongkok, Kowloon, Hong Kong and has registered with the Hong Kong Companies Registry as an overseas company in Hong Kong under Part XI of the Companies Ordinance on March 12, 2009. Zou Weimin has been appointed as the agent of the Company for the acceptance of service of process in Hong Kong.

2. Changes in the share capital of the Company

(a) At the time of its establishment as a joint stock limited company, the Company's share capital was RMB13,000,000,000 divided into 13,000,000,000 domestic shares of nominal value of RMB1.00 each, all of which were credited as fully paid up and held as follows:

Promoters	Number of domestic shares of nominal value of RMB1.00 each in the share capital of the Company	Percentage of shareholding
		(%)
Parent	12,870,000,000	99.00
Baosteel Group Corporation (寶鋼集團有限公司)	130,000,000	1.00
	13,000,000,000	100.00

II. SUBSIDIARIES

The Company's principal subsidiaries as at 31 December 2008 are set out in the Accountant's Report, the text of which is set out in "Appendix I — Accountant's Report" to this document.

The following sets out the changes in the share capital of our principal second- and third-tier subsidiaries which have taken place within the two years preceding the date of this document:

(a) On December 16, 2008, Chongqing Iron and Steel Designing Institute Co., Ltd. (重慶鋼鐵設計研究總院有限公司) increased its registered capital from RMB87,807,600 to RMB366,356,300.

(b) On October 12, 2007, Wuhan Iron & Steel Design and Research Incorporation Limited (武漢鋼鐵設計研究總院有限公司) reduced its registered capital from RMB80,000,000 to RMB62,737,000. On December 15 2008, Wuhan Iron & Steel Design and Research Incorporation Limited increased its registered share capital from RMB62,737,000 to RMB63,000,000.

(c) On December 11, 2008, China Third Metallurgical Construction Co., LTD. (中國第三冶金建設有限公司) increased its registered capital from RMB60,000,000 to RMB79,090,000.

(d) On October 8, 2008, China 5th Metallurgical Construction Co., Ltd. (中國第五冶金建設有限公司) reduced its registered capital from RMB163,153,500 to RMB119,980,700.

(e) On January 14, 2008, China 13th Metallurgical Construction Corporation (中國第十三冶金建設有限公司) reduced its registered capital from RMB307,590,000 to RMB133,460,000. On April 10, 2009, China 13th Metallurgical Construction Corporation (中國第十三冶金建設有限公司) further reduced its registered capital from RMB133,460,000 to RMB111,662,700.

(f) On July 8, 2008, CISDI Engineering Co., Ltd. (中冶賽迪工程技術股份有限公司) increased its registered capital from RMB286,760,000 to RMB430,140,000.

(g) On November 12, 2007, BERIS Engineering and Research Corporation (中冶東方工程技術有限公司) increased its registered capital from RMB80,000,000 to RMB93,000,000.

(h) On December 11, 2008, Northern Engineering & Technology Corporation, (中冶北方工程技術有限公司) MCC increased its registered capital from RMB100,980,000 to RMB151,470,000.

(i) On January 31, 2008, MCC Shijiu Construction Co., Ltd. (中冶實久建設有限公司) increased its registered capital from RMB115,170,000 to RMB120,000,000.

(j) On December 10, 2008, MCC Baosteel Technology Services Co., Ltd. (中冶寶鋼技術服務有限公司) reduced its registered capital from RMB285,000,000 to RMB185,000,000.

(k) On December 6, 2007, MCC Hi-Tech Engineering Co., Ltd. (中冶建設高新工程技術有限責任公司) increased its registered capital from RMB110,186,000 to RMB174,996,400.

(l) On October 23, 2007, Huatian Engineering & Technology Corporation, MCC (中冶華天工程技術有限公司) made alterations to its registered. On December 19, 2008, Huatian Engineering & Technology Corporation, MCC increased its registered capital from 118,125,000 to RMB177,187,500.

(m) On May 21, 2009, China MCC 17 Construction Co., LTD increased its registered capital from RMB100,000,000 to RMB300,000,000.

(n) On December 11, 2008, ACRE Coking & Refractory Engineering Consulting Corporation, MCC (中冶焦耐工程技術有限公司) increased its registered capital from RMB135,000,000 to RMB175,500,000 respectively.

(o) On April 9, 2009, MCC Real Estate Co. Ltd. (中冶置業有限責任公司) increased its registered capital from RMB500,000,000 to RMB2,000,000,000.

(p) On June 22, 2009, China Metallurgical Construction Co. Ltd. (中冶建工有限公司) increased its registered capital from RMB76,500,000 to RMB156,500,000.

(q) On June 3, 2009 China First Metallurgical Construction Corporation (中國第一冶金建設有限責任公司) increased its registered capital from RMB280,000,000 to RMB300,000,000.

(r) On January 15, 2009 Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) increased its registered capital from RMB240,000,000 to RMB1,290,000,000.

(s) On December 9, 2008, North China Metallurgical Construction Co., Ltd (中國華北冶金建設有限公司) reduced its registered capital from RMB154,440,000 to RMB66,000,000.

IV. FURTHER INFORMATION ABOUT THE DIRECTORS, SUPERVISORS, STAFF AND MANAGEMENT, AND SUBSTANTIAL SHAREHOLDERS

1. Service contracts and remuneration of Directors and Supervisors

(a) Directors' and Supervisors' Service Contracts

None of the Directors or Supervisors has entered into or proposes to enter into a service contract with our Company other than a service contract expiring or terminable by the Company within one year without payment of compensation (other than statutory compensation).

(b) Remuneration of Directors and Supervisors

During the three years ended December 31, 2008 and the six months ended June 30, 2009, the aggregate amount of compensation (including basic salaries, housing allowances, other allowances and benefits-in-kind, contributions to pension plans and discretionary bonuses) paid by our Company to our Directors and Supervisors was approximately RMB1.5 million, RMB2.5 million , RMB3.2 million, and RMB1.1 million respectively. For further details, see "Note 38 of Appendix I — Accountant's Report."

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2008 by the Company or any of its subsidiaries to the Directors and Supervisors.

Under the arrangements currently in force, the estimated aggregate remuneration payable to the Directors and Supervisors for the year ending December 31, 2009 is approximately RMB2.1 million.

So far as our Directors are aware, as at the date of this document, the following persons (not being a Director or chief executive of the Company) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company.

Member of Our Company	Person with 10% or More Interest (Other Than Us)	Percentage of That Person's Interest
中冶廣西馬梧高速公路建設發展有限公司 (MCC (Guangxi) Mawu expressway construction & development Co., Ltd.)	珠海市卡都投資有限公司 ([Zhuhai Kadoo Investment Co., Ltd.])	20%
中冶集團武漢冶建技術研究有限公司 (Wuhan Metallurgical Construction Co., Ltd. of MCC Group)	湖北龍源石膏有限公司 [(Hubei Longyuan Gypsum (Group)., Ltd)]	15%
中冶沈勘工程技術有限公司 (Shen Kan Engineering & Technology Corporation, MCC)	瀋陽英迪商貿有限公司 ([Shenyang Yingdi Trading Co., Ltd.])	20%
中冶賽迪工程技術股份有限公司 (CISDI Engineering Co., Ltd.)	攀枝花鋼鐵(集團)公司 [(PanZhiHua Iron & Steel (Group) Co.)]	13.34%
中冶焦耐工程技術有限公司 (ACRE Coking & Refractory Engineering Consulting Corporation, MCC)	鞍山鋼鐵集團公司 [(Anshan Iron and Steel Group Corporation)]	10.67%

Member of Our Company	Person with 10% or More Interest (Other Than Us)	Percentage of That Person's Interest
中冶北方工程技術有限公司 (Northern Engineering & Technology Corporation, MCC)	鞍山鋼鐵集團公司 [(Anshan Iron and Steel Group Corporation)]	10%
中冶長天國際工程有限責任公司 (Zhong Ye ChangTian International Engineering Co., LTD)	上海浩勤實業有限責任公司 [(Shanghai Haoqin Industrial Co., Ltd.)]	14.83%
中國第一冶金建設有限責任公司 (China First Metallurgical Construction Corporation)	山西海鑫鋼鐵(集團)有限公司 ([Shanxi Haixin Iron and Steel (Group) Co., Ltd.])	10.71%
中冶東北建設有限公司 (MCC Northeastern Construction Co., LTD)	遼寧中冶建設有限責任公司 ([Liaoning MCC Construction Co., Ltd.])	17.86%
中國第十七冶金建設有限公司 (China MCC 17 Construction Co., LTD)	馬鞍山市建設投資有限責任公司 ([Maanshan Construction Investment Co., Ltd.])	27.3%
中冶建工有限公司 (China Metallurgical Construction Co., Ltd.)	重慶小南海水泥廠 [(Nanhai Cement)]	11.76%
中國二十冶建設有限公司 (China 22nd Metallurgical Construction Corporation Limited)	上海祥騰投資有限公司 [(Shanghai Shineton Investment Co.)]	21%
中冶京唐建設有限公司 (MCC Jingtang Construction Corporation Limited)	唐山鋼鐵股份有限公司 ([Tangshan Iron and Steel Co., Ltd.])	10%
中冶寶鋼技術服務有限公司 (MCC Baosteel Technology Services Co., Ltd.)	上海海瑞投資管理有限公司 ([Shanghai Hairui Investment Management Co., Ltd.])	10.526%
上海寶冶建設有限公司 (Shanghai Baoye Construction Corp., Ltd)	山西省海鑫鋼鐵集團有限公司 ([Shanxi Highsee Iron and Steel Group Co., Ltd.])	12.14%
中冶葫蘆島有色金屬集團有限公司 (MCC Huludao Nonferrous Metals Group Co., LTD)	葫蘆島鋅廠 ([Huludao Zinc Plant])	22.36%
	中國華融資產管理公司 [(China Huarong Asset Management Corporation)]	13.91%
中冶湘西礦業有限公司 (MCC Xiangxi Mining Co., Ltd)	上海國冶企業集團公司 ([Shanghai Guoye Group Co., Ltd.])	20%
中冶阿根廷礦業有限公司(境外) (MCC Minera Sierra Grande S.A.)	美國曉業貿易有限公司 [(A GRADE TRADING (USA) LTD)]	30%
中冶金吉礦業開發有限公司 (MCC-JJJ Mining Development Company Limited)	金川集團有限公司 [(Jinchuan Group Ltd.)]	13%
	吉林吉恩鎳業股份有限公司 [(Jilin Jien Nickel Industry Co., Ltd.)]	13%
	酒泉鋼鐵(集團)有限公司 [(Jiuquan Iron & Steel Group)]	13%

Member of Our Company	Person with 10% or More Interest (Other Than Us)	Percentage of That Person's Interest
中冶大地工程諮詢有限公司 (MCC Great Land United Consulting and Engineering Co., Ltd.)	[北京中冶建設汽車出租公司] ([Beijing MCC Construction Vehicle Rental Company])	10%
中冶陝西軋輥有限公司 ([MCC Shaanxi Rolls Co., Ltd.])	陝西壓延設備廠 ([Shaanxi Rolling Processing Equipment Plant])	40.323%
中冶陝壓重工設備有限公司 [(MCC-SFRE Heavy Industry Equipment Co., LTD)]	陝西壓延設備廠 ([Shaanxi Rolling Processing Equipment Plant])	45%
西安電爐研究所有限公司 ([Xi'an Electric Furnace Institute Co., Ltd.])	陝西省科學技術廳 ([Shaanxi Science and Technology Administration])	33%
武漢都市環保工程技術股份有限公司 [(China City Environment Protection Engineering Limited Company)]	湖北省工業建築總承包集團工業設備安裝公司 ([Hubei Industrial Construction Contractor Group Industrial Equipment Installation Company])	11.36%
朝陽金昌礦業集團有限公司 ([Chaoyang Jinchang Mining Group Co., Ltd.])	金宗翰 ([Jin Zonghan])	13%
中冶遼寧德龍鋼管有限公司 [(MCC Dragon Pipe Industries Co., LTD)]	張明清 ([Zhang Mingqing])	10%
寧城縣宏大礦業有限公司 [(Hongda Mining Industry Group Co., Ltd.)]	承德鋼鐵集團有限公司 ([Chengde Iron & Steel Group Co., Ltd.])	46%
四川農戈山多金屬礦業有限責任公司 ([Sichuan Nonggeshan Multi-metal Mine Company Ltd.])	甘孜州雅地德礦山建設有限責任公司 [(Ganzizhou Yadede Kuangshan Jianshe Youxian Gongsi)]	49%
南京中冶和熙置業有限責任公司 ([Nanjing MCC Hexi Real Estate Co., Ltd.])	南京河西新城區國有資產經營控股(集團)有限責任公司 ([Nanjing Hexi New Town State-owned Assets Management Holding (Group) Co., Ltd.])	28%
南京中冶正興置業有限責任公司 ([Nanjing MCC Zhengxing Real Estate Co., Ltd.])	南京河西新城區國有資產經營控股(集團)有限責任公司 ([Nanjing Hexi New Town State-owned Assets Management Holding (Group) Co., Ltd.])	40%

2. Connected transactions and related transactions

Details of the related party transactions are set out in the section entitled "Relationship with the Parent Group and Connected Transactions" of this document and in the Accountant's Report, the text of which is set out in "Appendix I — Accountant's Report" to this document.

3. Disclaimers

Save as disclosed in this document:

(a) none of the Directors or Supervisors or any parties listed in paragraph VI.4 headed "Qualification of experts" in this Appendix is interested directly or indirectly in the promotion of the Company or in any assets which have been, within the two years immediately preceding the issue of [•], acquired or disposed of by or leased to the Company or its subsidiaries or are proposed to be acquired or disposed of by or leased to the Company or its subsidiaries;

(b) none of the Directors or Supervisors or any parties listed in paragraph VI.4 headed "Qualification of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company or its subsidiaries;

(c) none of the parties listed in paragraph VI.4 headed "Qualification of experts" in this Appendix:

(i) is interested legally or beneficially in any shares in the Company or its subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or its subsidiaries;

(d) none of the Directors or Supervisors has entered or proposes to enter into a service contract with the Company or its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);

(e) none of the Directors or their Associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's Shares in issue) has any interest in any of the five largest contractors and five largest customers of the Company or its subsidiaries.

V. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts, not being in the ordinary course of business, have been entered into by the Company and its subsidiaries within two years immediately preceding the date of this document and are or may be material:

(i) the Reorganization Agreement dated December 5, 2008 and entered into between the Parent and the Company, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions" of this document;

(ii) the Deed of Novation dated October 31, 2007 and entered into between the Parent and MCC Mining (Western Australia) Pty Ltd ("MCC WA"), a wholly owned subsidiary of the Company, and Sino Iron Pty Ltd ("Sino Iron") under which the Parent novates its rights and obligations under an engineering and construction agreement dated January 24, 2007 between the Parent and Sino Iron to MCC WA;

(iii) the Deed of Novation and Amendments dated March 5, 2009 and entered into between the Parent, the Company and Catak Enterprises Corp. under which the Parent novates its rights and obligations under the Sino Iron Transfer Agreement ("Transfer Agreement") and the Sino Iron Shareholder Agreement to the Company and the parties agree to amend certain provisions in the Transfer Agreement;

(iv) the Joint Development Agreement for the Afghanistan Aynak Copper Mine Project dated October 2008 and entered into between the Parent and Jiangxi Copper Co. Ltd. regarding the establishment of a project company to hold the mining rights for the Aynak copper mine project;

(v) the Tenement and Related Asset Sale Agreement dated June 2008 and entered into between MCC WA, Cape Lambert Iron Ore Limited ("CLI") and Mt Anketell Pty Ltd (a wholly owned subsidiary

of CLI) ("Anketell") regarding the sale by CLI and Anketell and the purchase by MCC WA of four exploration licences in respect of the Cape Lambert iron ore mine;

(vi) the Relocation and Assumption Agreement of Huludao Non-ferrous Group Ltd. ("Huludao") dated November 4, 2007 and entered into between the Parent and Huludao Zinc Factory regarding the acquisition of an equity interest in Huludao;

(vii) the Agreement on Increasing Share Capital in Huludao dated January 4, 2008 and entered into between the Parent, Huludao Zinc Factory, China Huarong Asset Management Corporation, Great Wall Asset Management Corporation, China Construction Bank and China Oriental Asset Management Corporation regarding the increase in share capital of Huludao;

(viii) the Non-competition Undertaking Letter issued by the Parent to the Company dated December 5, 2008, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions — Non-competition Undertaking Letter" of this document;

(ix) the Non-competition Agreement dated [•] and entered into between the Parent and the Company, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions — Non-competition Agreement" of this document;

(x) the Strategic Co-operation Agreement dated May 5, 2009 and entered into between the Company and China Life Insurance Limited regarding a comprehensive framework for insurance transactions, company annuity transactions, stock rights investment, creditor's rights investment, real estate and sharing of resources;

(xi) the Strategic Co-operation Agreement dated May 15, 2009 and entered into between the Company and the City of Shijiazhuang regarding the construction and urban development of the city of Shijiazhuang in Hebei province;

(xii) the Strategic Co-operation Agreement dated March 10, 2009 and entered into between the Company and the City of Wuhan regarding the development and construction of the Second Ring Road, expressway, track transportation, social security housing and environmental protection construction of the city of Wuhan in Hubei province;

(xiii) the Land Use Rights Leasing Agreement dated December 5, 2008 and entered into between the Company and the Parent, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions — Continuing Connected Transactions" of this document;

(xiv) the Properties Leasing Agreement dated December 5, 2008 and entered into between the Company and the Parent, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions — Continuing Connected Transactions" of this document;

(xv) the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement dated December 5, 2008 and entered into between the Company and the Parent, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions — Continuing Connected Transactions" of this document;

(xvi) the Trademarks Licensing Agreement dated December 5, 2008 and entered into between the Company and the Parent, details of which are set out in the section headed "Relationship with the Parent Group and Connected Transactions — Continuing Connected Transactions" of this document; and

(xvii) the Framework Agreement dated July 22, 2009 and entered into between the Company and China First Pty Ltd regarding the coal project in the Galilee Basin in Central Queensland, Australia.

2. Intellectual property rights

Pursuant to the Reorganization, the Parent injected into the Company all intellectual property rights owned and/or registered by the former subsidiaries of the Parent. Such intellectual property rights include [317] registered trademarks and the right to use [144] patents in the PRC.

(a) Trademarks (and service marks)

As part of the Reorganization, the following trademarks were injected into the Company and the Company has applied to the relevant trademark bureaus for the registration of the following trademarks under its name:

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
1		37	1998.08.21	2018.08.20	1201993	Parent
2		36	1995.09.14	2015.09.13	766715	Parent
3	中冶	35	1995.09.21	2015.09.20	768049	Parent
4	中冶	36	1995.08.28	2015.08.27	764315	Parent
5	中冶	37	1995.09.14	2015.09.13	766761	Parent
6	中冶	41	1995.10.07	2015.10.06	781934	Parent
7	中冶	42	1995.09.07	2015.09.06	765481	Parent
8	中冶	32	2008.03.07	2018.03.06	4717210	Parent
9	中冶	29	2008.03.07	2018.03.06	4717188	Parent
10	中冶	30	2008.03.07	2018.03.06	4717188	Parent
11	中冶	31	2008.03.07	2018.03.06	4717211	Parent
12	中冶	34	2008.03.07	2018.03.06	4717208	Parent
13	中冶	12	2008.04.07	2018.04.06	4717194	Parent
14	中冶	9	2008.04.07	2018.04.06	4717196	Parent
15	中冶	8	2008.04.07	2018.04.06	4717197	Parent
16	中冶	7	2008.04.07	2018.04.06	4717200	Parent

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
17	中之杰	13	2008.04.07	2018.04.06	4717217	Parent
18	中之杰	10	2008.04.07	2018.04.06	4717217	Parent
19	MCC	29	2008.03.07	2018.03.06	4716105	Parent
20	MCC	31	2008.03.07	2018.03.06	4716117	Parent
21	MCC	32	2008.03.07	2018.03.06	4716116	Parent
22	MCC	34	2008.03.07	2018.03.06	4716114	Parent
23	MCC	6	2008.03.28	2018.03.27	4716108	Parent
24	MCC	10	2008.03.28	2018.03.27	4716134	Parent
25	MCC	13	2008.03.28	2018.03.27	4716135	Parent
26	MCC	11	2008.04.07	2018.04.06	4716104	Parent
27	中之杰	1	2008.04.07	2018.04.06	4717199	Parent
28	中之杰	2	2008.11.14	2018.11.13	4717222	Parent
29	中之杰	3	2008.11.14	2018.11.13	4717221	Parent
30	中之杰	4	2008.11.14	2018.11.13	4717220	Parent
31	中之杰	5	2008.11.14	2018.11.13	4717219	Parent
32	中之杰	14	2008.11.14	2018.11.13	4717216	Parent
33	中之杰	15	2008.11.14	2018.11.13	4717215	Parent
34	中之杰	16	2008.11.14	2018.11.13	4717193	Parent
35	中之杰	17	2008.11.14	2018.11.13	4717214	Parent
36	中之杰	20	2008.11.14	2018.11.13	4717191	Parent
37	中之杰	21	2008.11.14	2018.11.13	4717185	Parent
38	MCC	2	2008.11.14	2018.11.13	4716130	Parent

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
39		3	2008.11.14	2018.11.13	4716131	Parent
40		4	2008.11.14	2018.11.13	4716132	Parent
41		5	2008.11.14	2018.11.13	4716133	Parent
42		14	2008.11.14	2018.11.13	4716136	Parent
43		15	2008.11.14	2018.11.13	4716137	Parent
44		20	2008.11.14	2018.11.13	4716095	Parent
45		21	2008.11.14	2018.11.13	4716100	Parent
46		6	2008.06.14	2018.06.13	4717198	Parent
47		11	2008.06.14	2018.06.13	4717195	Parent
48		7	2008.06.14	2018.06.13	4716094	Parent
49		8	2008.06.14	2018.06.13	4716107	Parent
50		9	2008.06.14	2018.06.13	4716106	Parent
51		12	2008.06.14	2018.06.13	4716103	Parent
52		30	2008.07.21	2018.07.20	4716096	Parent
53		1	2005.05.28	2015.05.27	3650371	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
54		6	2005.02.28	2015.02.27	3650370	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
55		7	2005.11.21	2015.11.20	3650369	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
56		9	2005.02.28	2015.02.27	3650368	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
57	环境工程	16	1987.11.20	2017.11.19	303259	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
58		19	2007.01.14	2017.01.13	3650367	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
59		35	2005.06.21	2015.06.20	3650366	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
60		42	2005.11.14	2015.11.13	3650365	中冶集團建築研究總院 (Central Research Institute of Building and Construction of the MCC Group)
61	ENFI	42	1999.11.21	2009.11.20	1337336	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)
62	恩菲	42	1999.11.21	2009.11.20	1337337	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)
63	WISDRI	42	2001.09.21	2011.09.20	1639947	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
64	WISDRI	12	2001.08.14	2011.08.13	1617932	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
65	WISDRI	40	2001.10.07	2011.10.06	1647838	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
66	WISDRI	9	2001.09.14	2011.09.13	1634481	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
67	WISDRI	11	2001.09.21	2011.09.20	1638159	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
68	WISDRI	37	2001.08.28	2011.08.27	1627864	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
69		36	2001.10.07	2011.10.06	1647732	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
70		39	2001.10.14	2011.10.13	1651936	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
71		6	2001.08.28	2011.08.27	1625622	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
72		7	2001.09.07	2011.09.06	1629753	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)
73		7	2001.11.14	2011.11.13	1665842	冶金工業部長沙冶金設計研究院 (Changsha Metallurgical Design & Research Institute of the Ministry of Metallurgical Industry)
74		9	2001.10.14	2011.10.13	1650331	冶金工業部長沙冶金設計研究院 (Changsha Metallurgical Design & Research Institute of the Ministry of Metallurgical Industry)
75		42	2001.12.28	2011.12.27	1691994	冶金工業部長沙冶金設計研究院 (Changsha Metallurgical Design & Research Institute of the Ministry of Metallurgical Industry)
76	EYG（二冶工）	19	2003.07.07	2013.07.06	3171805	中國第二冶金建設公司建材廠 (Construction Materials Factory of the 2nd China Metallurgical Construction Corporation)
77		7	2006.08.21	2016.08.20	4109400	Capital Engineering & Research Incorporation Limited
78	中冶京诚	42	2007.08.07	2017.08.06	4109537	Capital Engineering & Research Incorporation Limited
79	字母與圖形的組合(字母為CISDI)	42	2003.08.14	2018.02.20	1153707	CISDI Engineering Co., Ltd.
80	字母(CISDI)	42	2003.08.14	2018.02.20	1153750	CISDI Engineering Co., Ltd.
81	CCTEC	37	2005.08.14	2015.08.13	3560960	CCTEC Engineering Co., LTD.
82	中冶连铸	9	2004.12.14	2014.12.13	3560965	CCTEC Engineering Co., LTD.

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
83	中冶连铸	7	2005.01.14	2015.01.13	3560974	CCTEC Engineering Co., LTD.
84	CCTEC	9	2004.12.14	2014.12.13	3560973	CCTEC Engineering Co., LTD.
85		35	2005.01.14	2015.01.13	3560963	CCTEC Engineering Co., LTD.
86		9	2004.11.28	2014.11.27	3560964	CCTEC Engineering Co., LTD.
87	CCTEC	35	2005.06.14	2015.06.13	3560962	CCTEC Engineering Co., LTD.
88	CCTEC	42	2005.10.07	2015.10.06	3560958	CCTEC Engineering Co., LTD.
89		7	2005.10.07	2015.10.06	3560972	CCTEC Engineering Co., LTD.
90		42	2005.10.07	2015.10.06	3560959	CCTEC Engineering Co., LTD.
91	CCTEC	7	2005.03.28	2015.03.27	3560975	CCTEC Engineering Co., LTD.
92	一冶	4	2005.04.21	2015.04.20	3687145	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
93	一冶	6	2005.04.07	2015.04.06	3687213	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
94	一冶	8	2005.02.28	2015.02.27	3687211	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
95	一冶	9	2005.04.21	2015.04.20	3687210	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
96	一冶	10	2005.04.21	2015.04.20	3687209	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
97	一冶	13	2005.03.21	2015.03.20	3687206	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
98	一冶	30	2005.03.21	2015.03.20	3687189	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
99	一冶	31	2005.02.28	2015.02.27	3687188	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
100	一冶	32	2005.04.07	2015.04.06	3687187	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
101	一冶	33	2005.04.07	2015.04.06	3687186	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
102	一冶	34	2005.03.14	2015.03.13	3687185	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
103		4	2005.04.21	2015.04.20	3687600	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
104		6	2005.04.07	2015.04.06	3687598	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
105		8	2005.02.28	2015.02.27	3687596	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
106		9	2005.04.21	2015.04.20	3687595	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
107		10	2005.04.21	2015.04.20	3687594	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
108		13	2005.03.21	2015.03.20	3687591	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
109		30	2005.04.07	2015.04.06	3687574	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
110		31	2005.02.28	2015.02.27	3687163	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
111		32	2005.04.07	2015.04.06	3687162	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
112		33	2005.04.07	2015.04.06	3687161	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
113		34	2005.03.14	2015.03.13	3687160	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
114	YIYE	4	2005.04.21	2015.04.20	3687625	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
115	YIYE	6	2005.04.07	2015.04.06	3687623	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
116	YIYE	8	2005.02.28	2015.02.27	3687621	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
117	YIYE	9	2005.04.21	2015.04.20	3687620	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
118	YIYE	10	2005.04.21	2015.04.20	3687619	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
119	YIYE	13	2005.03.21	2015.03.20	3687616	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
120	YIYE	30	2005.03.21	2015.03.20	3687279	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
121	YIYE	31	2005.02.28	2015.02.27	3687278	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
122	YIYE	32	2005.04.07	2015.04.06	3687277	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
123	YIYE	33	2005.04.07	2015.04.06	3687276	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
124	YIYE	34	2005.03.14	2015.03.13	3687275	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
125	YIYE	4	2005.04.21	2015.04.20	3687610	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
126	CFMCC	6	2005.04.07	2015.04.06	3687608	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
127	CFMCC	8	2005.02.28	2015.02.27	3687606	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
128	CFMCC	9	2005.04.21	2015.04.20	3687605	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
129	CFMCC	10	2005.04.21	2015.04.20	3687604	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
130	CFMCC	13	2005.03.21	2015.03.20	3687141	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
131	CFMCC	30	2005.03.21	2015.03.20	3687124	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
132	CFMCC	31	2005.02.28	2015.02.27	3687123	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
133	CFMCC	32	2005.04.07	2015.04.06	3687122	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
134	CFMCC	33	2005.04.07	2015.04.06	3687121	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
135	CFMCC	34	2005.03.14	2015.03.13	3687120	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
136	一冶	1	2005.07.07	2015.07.06	3687148	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
137	一冶	2	2005.06.07	2015.06.06	3687147	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
138	一冶	7	2005.07.21	2015.07.20	3687212	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
139	一冶	11	2005.04.28	2015.04.27	3687208	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
140	一冶	12	2005.05.14	2015.05.13	3687207	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
141	一冶	15	2005.07.07	2015.07.06	3687204	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
142	一冶	17	2005.07.07	2015.07.06	3687202	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
143	一冶	20	2005.08.21	2015.08.20	3687199	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
144	一冶	29	2005.04.28	2015.04.27	3687190	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
145	一冶	35	2005.08.14	2015.08.13	3687184	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
146	一冶	40	2005.08.14	2015.08.13	3687179	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
147	YIYE	1	2005.07.07	2015.07.06	3687628	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
148	YIYE	2	2005.06.07	2015.06.06	3687627	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
149	YIYE	7	2005.07.21	2015.07.20	3687622	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
150	YIYE	11	2005.04.28	2015.04.27	3687618	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
151	YIYE	12	2005.05.14	2015.05.13	3687617	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
152	YIYE	15	2005.07.07	2015.07.06	3687614	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
153	YIYE	17	2005.07.07	2015.07.06	3687292	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
154	YIYE	20	2005.08.21	2015.08.20	3687289	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
155	YIYE	29	2005.04.28	2015.04.27	3687280	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
156	YIYE	35	2005.08.14	2015.08.13	3687274	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
157	YIYE	40	2005.08.14	2015.08.13	3687269	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
158		1	2005.08.21	2015.08.20	3687603	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
159		2	2005.06.07	2015.06.06	3687602	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
160		11	2005.04.28	2015.04.27	3687593	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
161		12	2005.05.14	2015.05.13	3687592	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
162		15	2005.07.07	2015.07.06	3687589	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
163		17	2005.07.07	2015.07.06	3687587	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
164		29	2005.07.07	2015.07.06	3687575	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
165		35	2005.08.14	2015.08.13	3687159	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
166		40	2005.08.14	2015.08.13	3687154	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
167	CFMCC	1	2005.07.07	2015.07.06	3687613	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
168	CFMCC	2	2005.06.07	2015.06.06	3687612	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
169	CFMCC	7	2005.07.21	2015.07.20	3687607	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
170	CFMCC	11	2005.04.28	2015.04.27	3687143	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
171	CFMCC	12	2005.05.14	2015.05.13	3687142	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
172	CFMCC	15	2005.07.07	2015.07.06	3687139	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
173	CFMCC	17	2005.07.07	2015.07.06	3687137	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
174	CFMCC	20	2005.08.21	2015.08.20	3687134	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
175	CFMCC	29	2005.04.28	2015.04.27	3687125	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
176	CFMCC	35	2005.08.14	2015.08.13	3687119	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
177	CFMCC	40	2005.08.14	2015.08.13	3687114	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
178	YIYE	3	2005.11.07	2015.11.06	3687626	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
179	YIYE	14	2005.09.07	2015.09.06	3687615	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
180	YIYE	16	2006.01.07	2016.01.06	3687293	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
181	YIYE	18	2006.01.28	2016.01.27	3687291	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
182	YIYE	19	2005.11.28	2015.11.27	3687290	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
183	YIYE	21	2005.11.21	2015.11.20	3687288	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
184	YIYE	22	2005.11.21	2015.11.20	3687287	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
185	YIYE	23	2005.12.07	2015.12.06	3687286	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
186	YIYE	24	2005.12.28	2015.12.27	3687285	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
187	YIYE	26	2005.12.07	2015.12.06	3687283	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
188	YIYE	27	2005.12.21	2015.12.20	3687282	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
189	YIYE	28	2006.01.07	2016.01.06	3687281	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
190	YIYE	36	2005.12.14	2015.12.13	3687273	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
191	YIYE	37	2005.12.14	2015.12.13	3687272	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
192	YIYE	41	2005.09.07	2015.09.06	3687268	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
193	YIYE	42	2005.12.28	2015.12.27	3687267	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
194	YIYE	44	2005.09.28	2015.09.27	3687265	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
195	YIYE	45	2005.10.21	2015.10.20	3687264	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
196		3	2005.11.07	2015.11.06	3687601	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
197		5	2005.12.28	2015.12.27	3687599	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
198		7	2005.10.07	2015.10.06	3687597	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
199		14	2005.09.07	2015.09.06	3687590	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
200		16	2005.11.14	2015.11.13	3687588	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
201		19	2005.11.14	2015.11.13	3687585	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
202		20	2006.01.21	2016.01.20	3687584	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
203		21	2005.11.21	2015.11.20	3687583	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
204		22	2005.11.21	2015.11.20	3687582	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
205		23	2005.12.07	2015.12.06	3687581	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
206		24	2006.01.14	2016.01.13	3687580	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
207		26	2005.12.07	2015.12.06	3687578	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
208		27	2005.12.21	2015.12.20	3687577	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
209		36	2005.12.14	2015.12.13	3687158	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
210		37	2005.12.14	2015.12.13	3687157	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
211		38	2005.10.21	2015.10.20	3687156	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
212		39	2005.10.21	2015.10.20	3687155	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
213		41	2005.09.07	2015.09.06	3687153	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
214		42	2005.12.28	2015.12.27	3687152	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
215		44	2005.09.28	2015.09.27	3687150	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
216		45	2005.10.21	2015.10.20	3687149	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
217	CFMCC	3	2005.11.07	2015.11.06	3687611	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
218	CFMCC	5	2005.12.28	2015.12.27	3687609	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
219	CFMCC	14	2005.09.07	2015.09.06	3687140	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
220	CFMCC	16	2005.11.14	2015.11.13	3687138	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
221	CFMCC	18	2006.01.28	2016.01.27	3687136	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
222	CFMCC	19	2005.11.28	2015.11.27	3687135	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
223	CFMCC	21	2005.11.21	2015.11.20	3687133	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
224	CFMCC	22	2005.11.21	2015.11.20	3687132	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
225	CFMCC	23	2005.12.07	2015.12.06	3687131	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
226	CFMCC	24	2005.12.28	2015.12.27	3687130	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
227	CFMCC	26	2005.12.07	2015.12.06	3687128	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
228	CFMCC	27	2005.12.21	2015.12.20	3687127	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
229	CFMCC	28	2006.01.07	2016.01.06	3687126	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
230	CFMCC	36	2005.12.14	2015.12.13	3687118	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
231	CFMCC	37	2005.12.14	2015.12.13	3687117	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
232	CFMCC	38	2005.10.21	2015.10.20	3687116	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
233	CFMCC	39	2005.10.21	2015.10.20	3687115	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
234	CFMCC	41	2005.09.07	2015.09.06	3687633	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
235	CFMCC	42	2006.01.07	2016.01.06	3687632	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
236	CFMCC	44	2005.10.14	2015.10.13	3687630	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
237	CFMCC	45	2005.10.21	2015.10.20	3687629	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
238	一冶	3	2005.11.07	2015.11.06	3687146	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
239	一冶	5	2005.12.28	2015.12.27	3687144	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
240	一冶	14	2005.09.07	2015.09.06	3687205	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
241	一冶	16	2005.11.14	2015.11.13	3687203	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
242	一冶	18	2006.01.28	2016.01.27	3687201	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
243	一冶	19	2005.11.28	2015.11.27	3687200	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
244	一冶	21	2005.11.21	2015.11.20	3687198	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
245	一冶	22	2005.11.21	2015.11.20	3687197	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
246	一冶	23	2005.12.07	2015.12.06	3687196	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
247	一冶	24	2005.12.28	2015.12.27	3687195	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
248	一冶	26	2005.12.07	2015.12.06	3687193	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
249	一冶	27	2005.12.14	2015.12.13	3687192	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
250	一冶	28	2006.01.07	2016.01.06	3687191	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
251	一冶	36	2005.12.14	2015.12.13	3687183	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
252	一冶	37	2005.12.14	2015.12.13	3687182	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
253	一冶	38	2005.10.21	2015.10.20	3687181	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
254	一冶	39	2005.10.21	2015.10.20	3687180	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
255	一冶	41	2005.09.07	2015.09.06	3687178	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
256	一冶	42	2005.12.28	2015.12.27	3687177	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
257	一冶	44	2005.09.28	2015.09.27	3687175	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
258	一冶	45	2005.10.21	2015.10.20	3687174	中國第一冶金建設公司 (The 1st China Metallurgical Construction Corporation)
259		6	1997.08.14	2017.08.13	1078659	中國第三冶金建設公司鋼管廠 (Steel Pipe Factory of the 3rd China Metallurgical Construction Corporation)
260	宝冶	39	2004.12.21	2014.12.20	3460008	Shanghai Baoye Construction Corp., Ltd
261	宝冶	19	2005.01.21	2015.01.20	3460005	Shanghai Baoye Construction Corp., Ltd
262	宝冶	36	2005.01.28	2015.01.27	3460006	Shanghai Baoye Construction Corp., Ltd
263	宝冶	37	2005.01.28	2015.01.27	3460009	Shanghai Baoye Construction Corp., Ltd
264	宝冶	35	2004.08.28	2014.08.27	3460010	Shanghai Baoye Construction Corp., Ltd
265	宝冶	40	2004.08.28	2014.08.27	3460001	Shanghai Baoye Construction Corp., Ltd
266	宝冶	42	2004.12.28	2014.12.27	3460007	Shanghai Baoye Construction Corp., Ltd
267		42	2006.05.28	2016.05.27	3869289	Shanghai Baoye Construction Corp., Ltd
268		37	2006.07.28	2016.07.27	3869292	Shanghai Baoye Construction Corp., Ltd

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
269		19	2006.07.07	2016.07.06	3869293	Shanghai Baoye Construction Corp., Ltd
270		39	2006.08.28	2016.08.27	3869291	Shanghai Baoye Construction Corp., Ltd
271		40	2006.04.07	2016.04.06	3869290	Shanghai Baoye Construction Corp., Ltd
272	MCCE圖形	7	2008.07.21	2018.07.20	4706381	中冶集團北京冶金設備研究設計總院 (Beijing MCC Central Research & Design Institute for Metallurgical Equipment)
273	陝壓牌	10	2006.05.17	2013.04.14	174825	中冶陝壓重工設備有限公司 (MCC-SFRE Heavy Industry Equipment Co., Ltd.)
274	都市+圖形	40	2003.01.14	2013.01.13	1958174	武漢都市環保工程技術股份有限公司 (China City Environment Protection Engineering Limited Company)
275	中冶	22	2009.04.07	2019.04.06	4717203	Parent
276	中冶	18	2009.04.07	2019.04.06	4717213	Parent
277	中冶	40	2009.04.07	2019.04.06	4717186	Parent
278	中冶	24	2009.02.28	2019.02.27	4717184	Parent
279	中冶	39	2009.02.28	2019.02.27	4717187	Parent
280	中冶	23	2009.02.28	2019.02.27	4717202	Parent
281	中冶	27	2009.02.28	2019.02.27	4717212	Parent
282	中冶	38	2009.01.21	2019.01.20	4717207	Parent
283	中冶	43	2009.01.21	2019.01.20	4717206	Parent
284	中冶	44	2009.01.21	2019.01.20	4717205	Parent

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
285	中兴	45	2009.01.21	2019.01.20	4717204	Parent
286	中兴	26	2009.02.07	2019.02.06	4717201	Parent
287	中兴	19	2009.02.07	2019.02.06	4717192	Parent
288	中兴	28	2009.02.07	2019.02.06	4717190	Parent
289	MCC	37	2009.04.14	2019.04.13	4716093	Parent
290	MCC	25	2009.04.14	2019.04.13	4716099	Parent
291	MCC	42	2009.04.14	2019.04.13	4716110	Parent
292	MCC	36	2009.04.14	2019.04.13	4716124	Parent
293	MCC	1	2009.04.07	2019.04.06	4716109	Parent
294	MCC	40	2009.04.07	2019.04.06	4716111	Parent
295	MCC	26	2009.04.07	2019.04.06	4716119	Parent
296	MCC	44	2009.04.07	2019.04.06	4716128	Parent
297	MCC	24	2009.02.21	2019.02.20	4716098	Parent
298	MCC	27	2009.02.21	2019.02.20	4716118	Parent
299	MCC	23	2009.02.21	2019.02.20	4716120	Parent
300	MCC	17	2009.02.07	2019.02.06	4716123	Parent
301	MCC	18	2009.02.07	2019.02.06	4716122	Parent
302	MCC	22	2009.02.07	2019.02.06	4716121	Parent
303	MCC	19	2009.02.07	2019.02.06	4716101	Parent
304	MCC	28	2009.02.07	2019.02.06	4716097	Parent

	Mark	Class	Date of Registration	Expiry Date	Registration Number	Registered Owner
305		45	2009.01.21	2019.01.20	4716129	Parent
306		43	2009.01.21	2019.01.20	4716127	Parent
307		41	2009.01.21	2019.01.20	4716126	Parent
308		25	2009.02.07	2019.02.06	4717183	Parent
309	中冶长天	6	2009.05.21	2019.05.20	5426490	Zhong Ye ChangTian International Engineering Co., LTD
310		6	2009.05.21	2019.05.20	5426489	Zhong Ye ChangTian International Engineering Co., LTD
311	中冶长天	7	2009.05.21	2019.05.20	5426491	Zhong Ye ChangTian International Engineering Co., LTD
312		7	2009.05.21	2019.05.20	5426492	Zhong Ye ChangTian International Engineering Co., LTD
313	CIE	7	2009.05.21	2019.05.20	5426483	Zhong Ye ChangTian International Engineering Co., LTD
314	中冶长天	9	2009.06.07	2019.06.06	5426494	Zhong Ye ChangTian International Engineering Co., LTD
315	CIE	9	2009.06.07	2019.06.06	5426477	Zhong Ye ChangTian International Engineering Co., LTD
316	中冶长天	11	2009.05.07	2019.05.06	5426694	Zhong Ye ChangTian International Engineering Co., LTD
317	CIE	11	2009.05.07	2019.05.06	5426484	Zhong Ye ChangTian International Engineering Co., LTD

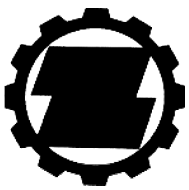
As at the Latest Practicable Date, the Group has filed applications for the registration of the following trademarks in the PRC:

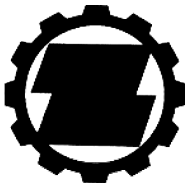
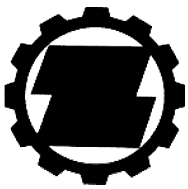
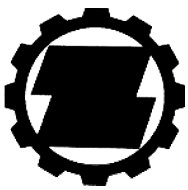
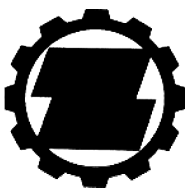
	Mark	Class	Date of Registration	Registration Number	Registered Owner
1		16	2005.06.13	4716102	Parent
2		35	2005.06.13	4716113	Parent

	Mark	Class	Date of Registration	Registration Number	Registered Owner
3		39	2005.06.13	4716112	Parent
4	ENFI	42	2006.04.03	5260821	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)
5		1	2006.06.19	5426488	Zhong Ye ChangTian International Engineering Co., LTD
6		9	2006.06.19	5426493	Zhong Ye ChangTian International Engineering Co., LTD
7		11	2006.06.19	5426693	Zhong Ye ChangTian International Engineering Co., LTD
8		16	2006.06.19	5426692	Zhong Ye ChangTian International Engineering Co., LTD
9		19	2006.06.19	5426689	Zhong Ye ChangTian International Engineering Co., LTD
10		37	2006.06.19	5426688	Zhong Ye ChangTian International Engineering Co., LTD
11		42	2006.06.19	5426475	Zhong Ye ChangTian International Engineering Co., LTD

	Mark	Class	Date of Registration	Registration Number	Registered Owner
12	CIE	35	2006.06.19	5426478	Zhong Ye ChangTian International Engineering Co., LTD
13	CIE	36	2006.06.19	5426479	Zhong Ye ChangTian International Engineering Co., LTD
14	CIE	37	2006.06.19	5426480	Zhong Ye ChangTian International Engineering Co., LTD
15	CIE	40	2006.06.19	5426481	Zhong Ye ChangTian International Engineering Co., LTD
16	CIE	42	2006.06.19	5426482	Zhong Ye ChangTian International Engineering Co., LTD
17	中冶长天	1	2006.06.19	5426487	Zhong Ye ChangTian International Engineering Co., LTD
18	中冶长天	16	2006.06.19	5426691	Zhong Ye ChangTian International Engineering Co., LTD
19	中冶长天	19	2006.06.19	5426690	Zhong Ye ChangTian International Engineering Co., LTD
20	中冶长天	37	2006.06.19	5426687	Zhong Ye ChangTian International Engineering Co., LTD
21	中冶长天	42	2006.06.19	5426476	Zhong Ye ChangTian International Engineering Co., LTD
22	中冶长天	40	2006.06.19	5426486	Zhong Ye ChangTian International Engineering Co., LTD
23	中冶焦耐	42	2006.01.04	5097606	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
24	焦耐	42	2006.01.04	5097607	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
25	ACRE	42	2006.01.04	5097608	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
26	ACRE	42	2006.01.04	5097609	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
27	圖形	42	2006.01.04	5097610	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
28	中冶南方	42	2008.01.18	6516340	WISDRI Engineering & Research Incorporation Limited
29	中冶南方	40	2008.01.18	6516341	WISDRI Engineering & Research Incorporation Limited
30	中冶南方	39	2008.01.18	6516342	WISDRI Engineering & Research Incorporation Limited
31	中冶南方	37	2008.01.18	6516349	WISDRI Engineering & Research Incorporation Limited
32	中冶南方	36	2008.01.18	6516350	WISDRI Engineering & Research Incorporation Limited

	Mark	Class	Date of Registration	Registration Number	Registered Owner
33	中治南方	35	2008.01.18	6516351	WISDRI Engineering & Research Incorporation Limited
34	中治南方	12	2008.01.18	6516352	WISDRI Engineering & Research Incorporation Limited
35	中治南方	11	2008.01.18	6516353	WISDRI Engineering & Research Incorporation Limited
36	中治南方	79	2008.01.18	6516354	WISDRI Engineering & Research Incorporation Limited
37	中治南方	7	2008.01.18	6516355	WISDRI Engineering & Research Incorporation Limited
38	中治南方	6	2008.01.18	6516356	WISDRI Engineering & Research Incorporation Limited
39	WISDRI	42	2008.01.18	6516368	WISDRI Engineering & Research Incorporation Limited
40	WISDRI	40	2008.01.18	6516369	WISDRI Engineering & Research Incorporation Limited
41	WISDRI	37	2008.01.18	6516370	WISDRI Engineering & Research Incorporation Limited
42	WISDRI	36	2008.01.18	6516371	WISDRI Engineering & Research Incorporation Limited
43	WISDRI	35	2008.01.18	6516372	WISDRI Engineering & Research Incorporation Limited
44	WISDRI	12	2008.01.18	6516373	WISDRI Engineering & Research Incorporation Limited
45	WISDRI	11	2008.01.18	6516374	WISDRI Engineering & Research Incorporation Limited
46	WISDRI	9	2008.01.18	6516375	WISDRI Engineering & Research Incorporation Limited
47	WISDRI	7	2008.01.18	6516376	WISDRI Engineering & Research Incorporation Limited
48	WISDRI	6	2008.01.18	6516377	WISDRI Engineering & Research Incorporation Limited
49	WISDRI	39	2008.01.18	6516339	WISDRI Engineering & Research Incorporation Limited
50	WISDRI 中治南方	42	2008.01.18	6516357	WISDRI Engineering & Research Incorporation Limited
51	WISDRI 中治南方	40	2008.01.18	6516358	WISDRI Engineering & Research Incorporation Limited
52	WISDRI 中治南方	39	2008.01.18	6516359	WISDRI Engineering & Research Incorporation Limited
53	WISDRI 中治南方	37	2008.01.18	6516360	WISDRI Engineering & Research Incorporation Limited
54	WISDRI 中治南方	36	2008.01.18	6516361	WISDRI Engineering & Research Incorporation Limited
55	WISDRI 中治南方	35	2008.01.18	6516362	WISDRI Engineering & Research Incorporation Limited
56	WISDRI 中治南方	11	2008.01.18	6516363	WISDRI Engineering & Research Incorporation Limited
57	WISDRI 中治南方	12	2008.01.18	6516364	WISDRI Engineering & Research Incorporation Limited

	Mark	Class	Date of Registration	Registration Number	Registered Owner
58	WISDRI 中冶南方	9	2008.01.18	6516365	WISDRI Engineering & Research Incorporation Limited
59	WISDRI 中冶南方	7	2008.01.18	6516366	WISDRI Engineering & Research Incorporation Limited
60	WISDRI 中冶南方	6	2008.01.18	6516367	WISDRI Engineering & Research Incorporation Limited
61	中冶赛迪	7	2006.12.26	5808546	CISDI Engineering Co., Ltd.
62	CISDI	7	2006.12.26	5808545	CISDI Engineering Co., Ltd.
63	圖形	7	2006.12.26	5808544	CISDI Engineering Co., Ltd.
64	中冶赛迪	37	2006.12.26	5808543	CISDI Engineering Co., Ltd.
65	CISDI	37	2006.12.26	5808542	CISDI Engineering Co., Ltd.
66	圖形	37	2006.12.26	5808541	CISDI Engineering Co., Ltd.
67	中冶赛迪	42	2006.12.26	5808540	CISDI Engineering Co., Ltd.
68	CISDI	42	2006.12.26	5808539	CISDI Engineering Co., Ltd.
69	圖形	42	2006.12.26	5808538	CISDI Engineering Co., Ltd.
70	中冶德龍+圖形	6	2007.06.15	6111175	中冶遼寧德龍鋼管有限公司 (MCC Liaoning Dragon Pipe Industries Co., Ltd)
71	中冶重机 Zhongyezhongji	6	2008.09.01	6927114	MCC Baosteel Technology Services Co., Ltd.
72	中冶重机 Zhongyezhongji	7	2008.09.01	6927113	MCC Baosteel Technology Services Co., Ltd.
73	中冶重机 Zhongyezhongji	9	2008.09.01	6927112	MCC Baosteel Technology Services Co., Ltd.
74	中冶重机 Zhongyezhongji	12	2008.09.01	6927111	MCC Baosteel Technology Services Co., Ltd.
75	中冶重机 Zhongyezhongji	37	2008.09.01	6927110	MCC Baosteel Technology Services Co., Ltd.
76	中冶重机 Zhongyezhongji	40	2008.09.01	6927109	MCC Baosteel Technology Services Co., Ltd.
77		6	2008.09.01	6927108	MCC Baosteel Technology Services Co., Ltd.
78		7	2008.09.01	6927107	MCC Baosteel Technology Services Co., Ltd.

	Mark	Class	Date of Registration	Registration Number	Registered Owner
79		9	2008.09.01	6927106	MCC Baosteel Technology Services Co., Ltd.
80		12	2008.09.01	6927105	MCC Baosteel Technology Services Co., Ltd.
81		37	2008.09.01	6927116	MCC Baosteel Technology Services Co., Ltd.
82		40	2008.09.01	6927115	MCC Baosteel Technology Services Co., Ltd.
83	BERIS圖形	42	2008.11.18	7062772	BERIS Engineering and Research Corporation
84	SBC 寶冶建設	6	2009.05.27	7426724	Shanghai Baoye Construction Corp. Ltd.
85	寶冶	6	2009.05.27	7426725	Shanghai Baoye Construction Corp. Ltd.

As at the Latest Practicable Date, the Company has filed applications for the registration of the following trademarks in Hong Kong:

	Mark	Class	Application Date	Application Number	Applicant
1	MCC	35, 36, 37, 42	2009.07.24	301391760	Company
2	中冶	33, 36, 37, 42	2009.07.24	301391779	Company
3		33, 35, 36, 42	2009.07.24	301391788	Company

(b) Patents

As part of the Reorganisation, the following patents were injected into the Company and the Company has applied to transfer the ownership of such patents to its name.

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
1	中冶華天工程技術有限公司 (Huatian Engineering & Corporation, MCC)	一種高爐爐渣組合處理系統 (A type of integrated treatment system for blast furnace slag)	Invention Patent	ZL200610096624.3	2006.10.11	2026.10.10

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
2	冶金工業部建築研究總院、上海第五鋼鐵廠、上海五洋冶金廢渣利用廠 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry, The 5th Shanghai Iron & Steel Factory, Shanghai Wuyang Metallurgical Waste Residue Recovery Factory)	一種轉爐爐渣處理工藝及其設備 (A type of treatment technique for converter furnace slag and its equipment)	Invention Patent	ZL89104375	1989.06.30	2009.06.29
3	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	耐蝕磨石 (Resistant grindstone)	Invention Patent	ZL90108924	1990.11.12	2010.11.11
4	冶金工業部建築研究總院、北京市海淀區中科工程技術應用研究所 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry, China Sciences Engineering Technology Application Research Institute of Haidan District, Beijing)	地基變形模量和承載力的動測方法 (Dynamic measuring method for foundation deformation modulus and bearing capacity)	Invention Patent	ZL91102953	1991.05.09	2011.05.08
5	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	鹽漬土地基的處理方法 (Treatment method for saline soil foundation)	Invention Patent	ZL90106005	1990.12.27	2010.12.26
6	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	柴油機用組合燃料的生產方法 (Production method of composite fuel for diesel engines)	Invention Patent	ZL91110622.7	1991.11.14	2011.11.13
7	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	COD和色度吸附劑及其生產方法 (COD and chroma absorbent and its production method)	Invention Patent	ZL92102266.2	1992.04.07	2012.04.06
8	冶金工業部建築研究總院、宣化鋼鐵公司附屬企業公司 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry, a subsidiary of the Xuanhua Iron & Steel Corporation)	塊狀鋼渣的綜合熱悶處理方法 (Integrated pyrolysis method for blocks of steel slag)	Invention Patent	ZL92112576	1992.10.31	2012.10.30
9	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	新型鋼渣礦渣水泥 (New steel slag and slag cement)	Invention Patent	ZL92103180.7	1992.05.13	2012.05.12
10	上海第三鋼鐵廠、冶金工業部建築研究總院 (The 3rd Shanghai Iron & Steel Factory, Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	一種煉鋼爐渣處理工藝及其設備 (A type of treatment technique for steel making slag and its equipment)	Invention Patent	ZL92108477.3	1992.06.26	2012.06.25
11	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	地基水平置換加固法 (Horizontal replacement and reinforcement method for the foundation)	Invention Patent	ZL93105052.9	1993.05.18	2013.05.17
12	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	混凝土冬季施工用高效防凍劑 (Highly effective anti-freezing agent for concrete construction in winter)	Invention Patent	ZL94100148.2	1994.01.15	2014.01.14

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
13	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	已有混凝土結構煙囪開大型洞口的開鑿改造方法 (Tunneling and modification method for enlarged chimney hole of concrete structures)	Invention Patent	ZL95118380.X	1995.11.28	2015.11.27
14	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	複合礦棉板芯材的成型方法與設備 (Forming method and equipment for composite panel core of mineral cotton)	Invention Patent	ZL96114225.1	1996.12.20	2016.12.19
15	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	平行間隙精密電阻焊機控制執行系統 (Control and execution system for precise resistance welding machine in parallel gap)	Invention Patent	ZL97106268.4	1997.02.04	2017.02.03
16	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	預應力錨索無腰梁護壁樁錨固工法 (Pre-stressed anchor-cable anchorage technique without foundation beam for side-wall protection)	Invention Patent	ZL96100336.7	1996.01.23	2016.01.22
17	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	將分室反吹袋式除塵器改成脈衝噴吹袋式除塵器的方法 (The method to transform sectional reverse-blow bag filter to pulse blow bag filter)	Invention Patent	ZL99100248.2	1999.01.25	2019.01.24
18	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	一種水泥和混凝土高效摻合料及生產工藝 (A type of highly-effective blending agent for cement and concrete and its production techniques)	Invention Patent	ZL00105634.4	2000.04.14	2020.04.13
19	冶金工業部建築研究總院 冶金環境保護研究所、北京國緯達環保科技有限公司 (Metallurgical Environmental Protection Research Institute under the Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry, Beijing Guoweida Environmental Protection Technology Company Limited)	半乾式煙氣脫硫與生產磁化肥的一體化方法和設備 (Integrative method and equipment for semi-dry soot desulphurization and magnetic fertilizer)	Invention Patent	ZL98101530.1	1990.04.13	2010.04.12
20	冶金工業部建築研究總院 (Central Research Institute of Building and Construction of the Ministry of Metallurgical Industry)	多用途可控劈裂後注漿裝置及應用工藝 (Multi-purpose controllable spilt-up injection grouting device and application techniques)	Invention Patent	ZL200410071158.4	2004.07.30	2024.07.29
21	中冶集團建築研究總院、吳轉琴、尚仁杰、范蘊蘊、周建鋒 (Central Research Institute of Building and Construction of the the Group, Wu Zhuanqin, Shang Renjie, Fan Yunyun, Zhou Jianfeng)	一種緩粘結預應力筋用的膠粘劑 (A type of adhesive agent for condensation-retarded pre-stressed beams)	Invention Patent	ZL200510132504.X	2005.12.23	2025.12.22
22	中國京冶建設工程承包公司、中冶集團建築研究總院 (Central Jinye Construction Engineering Contracting Company, Central Research Institute of Building and Construction of the the Group)	一種熱態鋼渣熱悶處理方法 (A type of pyorlysis method for molten steel slag)	Invention Patent	ZL200510096981.0	2004.12.07	2014.12.06

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
23	冶金工業部北京冶金設備研究院 (Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	低合金鑄鐵磨球及其製造方法 (Low-alloy iron-casting grinding ball and its production method)	Invention Patent	ZL94114948.x	1994.08.19	2014.08.18
24	冶金工業部北京冶金設備研究院 (Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	高強度高絡鑄鐵襯板的製造方法 (Production method for high-intensity high chromium iron-casting liner plate)	Invention Patent	ZL94107290.8	1994.06.28	2014.06.27
25	寶山鋼鐵(集團)公司、冶金工業部北京冶金設備研究院 (Baoshan Iron & Steel (Group) Company, Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	不銹耐蝕導電輥套筒的制造方法 (Production method for stainless non-erosive conductive cot sleeve)	Invention Patent	ZL95104907.0	1995.05.09	2015.05.08
26	冶金工業部北京冶金設備研究院 (Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	多元高鉻鑄鋼軋鋼機組合式導板及其製造方法 (Plate for multi-element high chromium steel-casting rolling steel machine set and its production method)	Invention Patent	ZL97116908. x	1997.09.18	2017.09.17
27	冶金工業部北京冶金設備研究院 (Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	抗鋼堆積性優良的高鉻多元合金鑄鋼 (High chromium multi-element alloy cast steel specialized for anti-steel piling)	Invention Patent	ZL96120577.6	1996.11.21	2016.11.20
28	冶金工業部北京冶金設備研究院 (Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	罐式爐焙基直接還原鐵的生產方法 (Production method for coal-based direct-reduced iron through pot furnace)	Invention Patent	ZL98119030.8	1998.09.28	2018.09.27
29	冶金工業部北京冶金設備研究院 (Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	多元鎢合金鑄鐵輥環及其製造方法 (Multi-element tungsten alloy iron-casting roll collar and its production method)	Invention Patent	ZL98120601.8	1998.10.15	2018.10.14
30	寶山鋼鐵股份有限公司、冶金工業部北京冶金設備研究院 (Baoshan Iron & Steel Co., Ltd., Beijing Research Institute of Metallurgical Equipment of the Ministry of Metallurgical Industry)	高鉻鑄鋼蓖條及其製造方法 (High chromium steel-casting strips and its production method)	Invention Patent	ZL00123693.8	2000.08.29	2020.08.28
31	中冶集團北京冶金設備研究設計總院、麗水市森得立生物農業研發有限公司 (Beijing MCC Central Research & Design Institute for Metallurgical Equipment, Lishui Sendeli Biological and Agricultural Research & Development Company Limited)	一種稭桿碳化裝置 (A type of stalk carbonization device)	Invention Patent	ZL200310121163.7	2003.12.22	2023.12.21
32	中冶集團北京冶金設備研究設計總院 (Beijing MCC Central Research & Design Institute for Metallurgical Equipment)	一種單傳動輸入軸壓下量可調的三輥軋機 (A type of adjustable three-roller rolling mill with single-drive input bearing pressure-measurement)	Invention Patent	ZL200510131956.6	2005.12.22	2025.12.21

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
33	中冶集團北京冶金設備研究設計總院 (Beijing MCC Central Research & Design Institute for Metallurgical Equipment)	一種無機材料複合塗層鋼質管道的生產設備及生產方法 (A type of production equipment for composite coating steel pipelines made of inorganic materials and production method)	Invention Patent	ZL200610066245.x	2006.3.30	2026.3.29
34	上海梅山鋼鐵股份有限公司、中冶集團北京冶金設備研究設計總院 (Shanghai Meishan Iron & Steel Company Limited, Beijing MCC Central Research & Design Institute for Metallurgical Equipment)	一種抗高溫蠕變爐殼材料及其製備方法 (A type of heat-and-creep resistant furnace shell materials and its production method)	Invention Patent	ZL200510130041.3	2005.12.12	2025.12.11
35	中冶集團北京冶金設備研究設計總院 (Beijing MCC Central Research & Design Institute for Metallurgical Equipment)	一種可以實現中心漲縮的傳動機構 (A type of transmission mechanism for kernel expansion and contraction)	Invention Patent	ZL200510131957.0	2005.12.22	2025.12.21
36	冶金工業部武漢冶金建築研究所 (Wuhan Metallurgical Construction Institute of the Ministry of Metallurgical Industry)	煤粉氣化燃燒裝置 (Coal powder gasification combustion device)	Invention Patent	ZL95112452.8	1995.09.14	2015.09.13
37	冶金工業部武漢冶金建築研究所 (Wuhan Metallurgical Construction Institute of the Ministry of Metallurgical Industry)	一種延長熱風爐陶瓷燃燒器壽命的方法 (A type of useful-life extension method for hot-air combustion stove ceramic burner)	Invention Patent	ZL97109094.7	1997.04.30	2017.04.29
38	冶金工業部武漢冶金建築研究所 (Wuhan Metallurgical Construction Institute of the Ministry of Metallurgical Industry)	粉煤灰輕質隔熱耐火磚 (Lightweight coal ash heat-insulated and refractory brick)	Invention Patent	ZL94111126.1	1994.08.19	2014.08.18
39	冶金工業部武漢冶金建築研究所 (Wuhan Metallurgical Construction Institute of the Ministry of Metallurgical Industry)	熱風爐多孔中空陶瓷燃燒器 (Hot-air combustion stove multiple-hole cannular ceramic burner)	Invention Patent	ZL90106015.1	1990.12.26	2010.12.25
40	武漢冶金建築研究院 (Wuhan Metallurgical Construction Institute)	用化學石膏和工業廢料製成的石膏砌塊及其製備方法 (Gypsum block made of chemical gypsum and industrial waste and its production method)	Invention Patent	ZL200510019351.8	2005.08.26	2015.08.25
41	中冶集團武漢冶建技術研究有限公司 (Wuhan Metallurgical Construction Co., LTD of the Group)	帶中心繞流柱的高爐熱風爐陶瓷燃燒器 (Blast furnace hot-air combustion stove ceramic burner with central cylinder flow)	Invention Patent	ZL200310111478.3	2003.11.28	2013.11.27
42	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	底吹熔池煉銅法及其裝置 (Bottom-blowing molten puddle copper smelting process and its device)	Invention Patent	ZL92106990.1	1992.07.04	2012.07.03
43	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	剪撐式恒轉矩匀速升降台 (Trimming-supporting constant torque and speed lifting platform)	Invention Patent	ZL00132278.8	2000.11.16	2020.11.15
44	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	四氯化硅氫化生產三氯氫硅的方法 (Trichlorosilane production method through silicon tetrachloride hydrogenation)	Invention Patent	ZL02104524.0	2002.02.08	2022.02.07

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
45	中國有色工程設計研究總院、水口山有色金屬有限責任公司 (China Nonferrous Engineering and Research Institute, Shui Kou Shan Nonferrous Metals Company Limited)	採用氧氣底吹熔煉鼓風爐還原的煉鉛法及實現它的系統 (Lead smelting method by oxidizing in bottom-blowing furnace and reduction smelting in blast furnace and its implementing system)	Invention Patent	ZL200310113789.3	2003.11.25	2023.11.24
46	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	脫硫、除塵、脫氮、脫氟濕式煙氣淨化方法 (Moistening purification method for soot through desulphurization, dust-elimination, denitrogenation and defluorination)	Invention Patent	ZL200410006361.3	2004.03.01	2024.02.29
47	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	熔融鉛氧化渣冶煉方法及裝置 (Metallurgical method and device for melting lead and oxidizing slag)	Invention Patent	ZL200510200331.0	2005.06.16	2025.06.15
48	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	一種混合型稀土精礦分解方法 (A type of mixed rare earth mineral dissolution method)	Invention Patent	ZL200410006443.8	2004.03.08	2024.03.07
49	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	大型三氯氫硅合成裝置及合成方法 (Large scale Trichlorosilane composite device and method)	Invention Patent	ZL200510200333.X	2005.06.16	2025.06.15
50	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	三氯氫硅加壓提純方法及裝置 (Trichlorosilane pressure boosting and purification method and device)	Invention Patent	ZL200510200334.4	2005.06.16	2025.06.15
51	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	一種從硫酸鋅溶液中除銅、除鎘和除鈷的方法及其裝置 (A type of method to eliminate copper, cadmium and cobalt from zinc sulfate solution and its devices)	Invention Patent	ZL03119136.3	2003.03.14	2023.03.13
52	中國有色工程設計研究總院 (China Nonferrous Engineering and Research Institute)	底伸式傳動方法及底伸式攪拌裝置 (Base-extension driving method and base-extension agitation device)	Invention Patent	ZL200510200332.5	2005.06.16	2025.06.15
53	冶金工業部包頭鋼鐵設計研究院、廣州有線電廠 (Baotou Iron & Steel Design & Research Institute of the Ministry of Metallurgical Industry, Guangzhou Wire Electric Factory)	程控企業通信系統 (Program-control system of corporate communication)	Invention Patent	ZL93117963.7	1993.09.29	2013.09.28
54	冶金工業部包頭鋼鐵設計研究院 (Baotou Iron & Steel Design & Research Institute of the Ministry of Metallurgical Industry)	冶金熔渣粒化裝置 (Metallurgical slag granulation device)	Invention Patent	ZL98106855.3	1998.04.14	2018.04.13

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
55	中國冶金建設集團包頭鋼鐵設計研究總院、西寧特殊鋼集團有限責任公司 (Baotou Engineering and Research Corporation of Iron and Steel Industry of the China Metallurgical Construction Group, XiNing Special Steel Co., Ltd.)	一種連鑄輕壓下方法及其實施該方法的裝置 (A type of soft reduction method for continuous casting and its devices)	Invention Patent	ZL01122537.8	2001.06.29	2021.06.28
56	冶金工業部武漢勘察研究院 (Wuhan Surveying-Geotechnical Research Institute of the Ministry of Metallurgical Industry)	一種水泥粉煤灰鋼渣樁及其生產方法 (A type of cement coal ash steel slag pillar and its production method)	Invention Patent	ZL 00 1 15934.8	2000.08.02	2020.08.01
57	冶金工業部瀋陽勘察研究院 (Shenyang Surveying and Research Institute of the Ministry of Metallurgical Industry)	一種評價複合地基的方法 (A type of assessment method for composite foundation)	Invention Patent	89105089.2	1989.05.31	2009.05.30
58	冶金工業部北京鋼鐵設計研究總院 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the Ministry of Metallurgical Industry)	高爐出鐵場廠房結構 (Blast furnace cast-house factory structure)	Invention Patent	ZL93109138.1	1993.08.05	2013.08.04
59	冶金工業部北京鋼鐵設計研究總院; 瀋陽計算機技術研究設計院 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the Ministry of Metallurgical Industry; Shenyang Computer Technology Research and Design Institute)	料倉貯料量檢測方法和裝置 (Examination method and device for the quantity of storage materials)	Invention Patent	ZL95108210.8	1995.07.19	2015.07.18
60	冶金工業部北京鋼鐵設計研究總院 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the Ministry of Metallurgical Industry)	高爐噴煤支管堵塞檢測方法和裝置 (Examination method and device for jam detection in blast furnace coal injection)	Invention Patent	ZL96120460.5	1996.11.05	2016.11.04
61	冶金工業部北京鋼鐵設計研究總院、冶金工業部鋼鐵研究總院、北京科技大學、東北大學 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the Ministry of Metallurgical Industry, Central Research Institute of Iron and Steel of the Ministry of Metallurgical Industry, University of Science of Technology Beijing, Northeastern University)	煤氧熔融還原煉鐵方法及裝置 (Method and device for coal-oxygen smelting reduction iron-making)	Invention Patent	ZL 99122119.2	1999.10.27	2019.10.26
62	冶金工業部北京鋼鐵設計研究總院、冶金工業部鋼鐵研究總院、北京科技大學 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the Ministry of Metallurgical Industry, Central Research Institute of Iron and Steel of the Ministry of Metallurgical Industry, University of Science of Technology Beijing)	熔融還原預還原方法及裝置 (Method and device for smelting pre-reduction)	Invention Patent	ZL 99 1 22120.6	1999.10.27	2019.10.26

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
63	冶金工業部北京鋼鐵設計研究總院 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the Ministry of Metallurgical Industry)	熔融還原煉鐵的終還原裝置及方法 (Device and method for final reduction of smelting reduction iron-making)	Invention Patent	ZL99122121.4	1999.10.27	2019.10.26
64	中冶集團北京鋼鐵設計研究總院 (Beijing Central Engineering and Research Incorporation of Iron and Steel Industry of the the Group)	五維水平衡節水技術的控制方法及其控制系統 (Control method of five dimensional water balance and water conservation technology and its control system)	Invention Patent	ZL01136957.4	2001.12.26	2021.12.25
65	Capital Engineering & Research Incorporation Limited	臭氣發生器用鍍膜導電層介電管的製備方法 (Production method of odor generator using coated conductive layer electron tube)	Invention Patent	ZL200410074191.2	2004.09.01	2024.08.31
66	Capital Engineering & Research Incorporation Limited	轉爐複合循環汽化冷卻裝置 (Converter furnace composite cycle gasification cooling device)	Invention Patent	ZL200510107955.8	2005.12.26	2025.12.25
67	CISDI Engineering Co., Ltd.	高爐爐頂排壓煤氣強制回收裝置 (Blast furnace top gas depressurization mandatory recovery device)	Invention Patent	ZL90106036.4	1990.12.15	2010.12.14
68	中冶賽迪工程技術股份有限公司、北京鐵路工業總公司 (CISDI Engineering Co., Ltd., Beijing Railway Industry General Corporation)	鋼軌熱處理方法和裝置 (Steel rail heating treatment method and device)	Invention Patent	ZL92113263.8	1992.11.26	2012.11.25
69	CISDI Engineering Co., Ltd.	道岔尖軌中頻感應加熱裝置 (Medium-frequency induction heating device for switch blade of track)	Invention Patent	ZL93117173.3	1993.09.15	2013.09.14
70	CISDI Engineering Co., Ltd.	道岔尖軌熱處理方法 (Heating treatment method for switch blade of track)	Invention Patent	ZL93118783.4	1993.10.26	2013.10.25
71	CISDI Engineering Co., Ltd.	步進梁式加熱爐汽化冷卻裝置 (Evaporation cooling device for walking-beam heating furnace)	Invention Patent	ZL93117174.1	1993.09.15	2013.09.14
72	CISDI Engineering Co., Ltd.	高爐煤氣調溫系統 (Blast furnace gas temperature-adjustment system)	Invention Patent	ZL96117549.4	1996.05.09	2016.05.08
73	CISDI Engineering Co., Ltd.	二自由度型前饋調節器 (Feedforward in a two-degree-of-freedom regulator)	Invention Patent	ZL95113063.3	1995.11.08	2015.11.07
74	CISDI Engineering Co., Ltd.	一種改進型純滯後預估補償方法 (A type of compensation method for advanced pure lag estimation)	Invention Patent	ZL95111281.3	1995.03.20	2015.03.19

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
75	CISDI Engineering Co., Ltd.	反吹風布袋除塵器 (Reverse-blow bag filter)	Invention Patent	ZL96117851.5	1996.12.20	2016.12.19
76	CISDI Engineering Co., Ltd.	整體式除氧器除氧設備 (Integrated oxygen remover and oxygen removal equipment)	Invention Patent	ZL95113225.3	1995.12.25	2015.12.24
77	CISDI Engineering Co., Ltd.	煤氣混合計算熱值和壓力控制器 (Calculation of calorific value of gas mixture and pressure controller)	Invention Patent	ZL95113210.5	1995.12.14	2015.12.13
78	中冶賽迪工程技術股份有限公司、寶鋼集團 (CISDI Engineering Co., Ltd., Baosteel Group Corporation)	改進型二自由度目標值濾波器 (Improved two-degree-of-freedom target value filter)	Invention Patent	ZL96117723.3	1996.09.23	2016.09.22
79	CISDI Engineering Co., Ltd.	一種合成減速驅動裝置 (A type of composite speed-reducer drive device)	Invention Patent	ZL96117435.8	1996.02.01	2016.01.31
80	中冶賽迪工程技術股份有限公司方音 (CISDI Engineering Co., Ltd.; Fangyin)	一種高爐爐渣處理系統 (A type of treatment system for blast furnace slag)	Invention Patent	ZL01108407.3	2001.05.01	2021.04.30
81	CISDI Engineering Co., Ltd.	高爐冷卻板 (Blast furnace cooling plate)	Invention Patent	ZL02133866.3	2002.10.01	2022.09.30
82	CISDI Engineering Co., Ltd.	一種鼓風機 (A type of blower)	Invention Patent	ZL02133790.x	2002.09.20	2022.09.19
83	CISDI Engineering Co., Ltd.	一種轉爐活動煙罩的連接裝置 (A type of connector device for fume cover of converter furnace)	Invention Patent	ZL03117690.9	2003.04.11	2023.04.10
84	CISDI Engineering Co., Ltd.	一種轉爐爐殼吊掛裝置 (A hanging device for furnace shell of converter furnace)	Invention Patent	ZL200410022515.8	2004.05.11	2024.05.10
85	CISDI Engineering Co., Ltd.	一種油霧淨化機組 (A set of oil mist purification units)	Invention Patent	ZL200510020326.1	2005.01.31	2025.01.30
86	CISDI Engineering Co., Ltd.	平整機 (Leveler)	Invention Patent	ZL200610054113.5	2006.03.07	2026.03.06
87	CISDI Engineering Co., Ltd.	轉爐軸承支撐裝置 (Converter furnace bearing support device)	Invention Patent	200610054155.9	2006.03.24	2026.03.23
88	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)	多爐一機的高爐煤氣餘壓能量回收透平發電工藝 (Gas residual pressure recovery turbine generation technique of blast furnace through multiple-furnace single machine)	Invention Patent	ZL01106596.6	2001.04.03	2021.04.02
89	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)	聯合軟水密閉循環冷卻系統 (Integrated closed loop soft water circulation cooling system)	Invention Patent	ZL01133659.5	2001.11.09	2021.11.08

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
90	武漢鋼鐵設計研究總院 (Wuhan Iron & Steel Design and Research General Institute)	高爐煤氣餘壓發電系統停機控制方法 (Stoppable control method for blast furnace gas residual pressure generation system)	Invention Patent	ZL200310111309.X	2003.10.31	2023.10.30
91	WISDRI Engineering & Research Incorporation Limited	保證極薄板連軋過程中帶鋼穩定的乳化液噴射方法 (Emulsion spray method to guarantee steel-strip stability of ultra-thin plate during continuous rolling processing)	Invention Patent	ZL200610125554.X	2006.12.22	2026.12.21
92	WISDRI Engineering & Research Incorporation Limited	一種環保型高爐爐渣處理工藝及其系統 (A type of environmental-friendly treatment technique for blast furnace slag and its system)	Invention Patent	ZL200610166512.0	2006.12.28	2026.12.27
93	WISDRI Engineering & Research Incorporation Limited	防止0.4mm以下的極薄板高速軋製工況下帶鋼顫動的方法 (Steel strip vibration prevention method for high-speed ultra-thin plate (below 0.4mm) rolling)	Invention Patent	ZL200610125165.7	2006.11.28	2026.11.27
94	WISDRI Engineering & Research Incorporation Limited	一種提高軋機高壓系統響應頻率的方法 (A type of method to enhance response frequency of rolling mill and high-pressure system)	Invention Patent	ZL200610125555.4	2006.11.28	2026.11.27
95	WISDRI Engineering & Research Incorporation Limited	矮式揭蓋機 (Low-level cover manipulator)	Invention Patent	ZL200610166557.8	2006.12.30	2026.12.29
96	WISDRI Engineering & Research Incorporation Limited	真空室調平裝置 (Vacuum segment alignment device)	Invention Patent	ZL200610166562.9	2006.12.30	2026.12.29
97	WISDRI Engineering & Research Incorporation Limited	一種帶鋼在平整開卷中防撕裂的方法及裝置 (A type pf tear-resistant method and device for strip steel during leveling and uncoiling)	Invention Patent	ZL200610125469.3	2006.12.14	2026.12.13
98	WISDRI Engineering & Research Incorporation Limited	鹽酸廢液淨化處理工藝 (Treatment technique for hydrochloric acid waste purification)	Invention Patent	ZL200610018967.8	2006.04.28	2026.04.27
99	WISDRI Engineering & Research Incorporation Limited	火焰長度可控高效燃燒器 (Highly-effective flame-length controllable burner)	Invention Patent	ZL200610019312.2	2006.06.12	2026.06.11
100	WISDRI Engineering & Research Incorporation Limited	一種單機架平整機入口設備緊湊形佈置的方法 (A type of compact layout method for single frame leveler import equipment)	Invention Patent	ZL200610125468.9	2006.12.14	2026.12.13
101	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	計算機控制的煉焦配煤優化系統 (Computer-controlled coking coal blending optimization system)	Invention Patent	ZL200510047314.8	2005.09.30	2025.09.29

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
102	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	焦化污水超濾膜處理工藝 (Coke-making sewage ultra-filtration membrane treatment technique)	Invention Patent	ZL200510047395.1	2005.10.14	2025.10.13
103	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	焦化污水膜生物反應器處理工藝 (Coke-making sewage membrane bioreactor treatment technique)	Invention Patent	ZL200510047394.7	2005.10.14	2025.10.13
104	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	煉焦配合煤製備裝爐煤的工藝 (Preparation technique of fabricate coking blended coal for furnace coal)	Invention Patent	ZL200610031537.X	2006.04.21	2026.04.20
105	冶金工業部鞍山焦化耐火材料設計研究院 無錫市焦化廠 (Anshan Engineering and Research Institute for Coking and Refractory Industry of the Ministry of Metallurgical Industry; Wuxi Coking Factory)	以對苯二酚酞菁鈷磺酸鹽硫酸亞鐵為複合催化劑的氨法焦爐煤氣脫硫脫氰工藝 (Desulphurization and cyanogen removal technique for coke furnace gas based on hydroquinone cobalt phthalocyanine sulfonate ferrous sulfate as compound catalyzer)	Invention Patent	ZL96119502.9	1996.10.23	2016.10.22
106	中國冶金建設集團鞍山焦化耐火材料設計研究總院; 上海寶鋼化工有限公司 (Anshan Coking & Refractory Engineering Consulting Corporation of the China Metallurgical Construction Group; Baoshan Iron & Steel Co., LTD. Chemical Branch)	焦化污水中氨氮脱除方法 (Ammonia nitrogen removal method for coked sewage)	Invention Patent	ZL00123308.4	2000.11.23	2020.11.22
107	中國冶金建設集團鞍山焦化耐火材料設計研究總院 (Anshan Coking & Refractory Engineering Consulting Corporation of the China Metallurgical Construction Group)	焦爐煤氣終冷鹼洗精脱硫工藝 (Coke furnace gas refrigeration with alkaline cleaning and refined desulphurization technique)	Invention Patent	ZL00110168.4	2000.02.29	2020.02.28
108	中國冶金建設集團鞍山焦化耐火材料設計研究總院 (Anshan Coking & Refractory Engineering Consulting Corporation of the China Metallurgical Construction Group)	煤系針狀焦的兩段焦化製取法 (Two-stage coke extraction method for coal-based needle coke)	Invention Patent	ZL98114371.7	1998.10.07	2018.10.06
109	中國冶金建設集團鞍山焦化耐火材料設計研究總院 (Anshan Coking & Refractory Engineering Consulting Corporation of the China Metallurgical Construction Group)	生物氣中CO2、H2S的淨化工藝 (Purification technique for CO2 and H2S in biogenic gas)	Invention Patent	ZL00134330.0	2000.12.19	2020.12.18
110	冶金工業部鞍山冶金設計研究院、唐山鋼鐵股份有限公司燒結廠 (Anshan Metallurgical Design and Research Institute of the Ministry of Metallurgical Industry, Sintering Factory of Tangshan Iron and Steel Company Limited)	酸性小球外滾生石灰燒結工藝 (Acid pellet rolling quicklime sintering technique)	Invention Patent	ZL98114061.0	1998.06.10	2018.06.09
111	Zhong Ye ChangTian International Engineering Co., LTD	豎流式污水沉澱池 (Sewage sedimentation tank in vertical flow)	Invention Patent	ZL200510031957.3	2005.08.02	2015.08.01
112	Zhong Ye ChangTian International Engineering Co., LTD	回轉窑 (Rotary kiln)	Invention Patent	ZL200610031257.9	2006.02.22	2026.02.21

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
113	Zhong Ye ChangTian International Engineering Co., LTD	燒結礦冷卻環冷機的銷齒驅動裝置) (Sintering mining refrigeration circulation cooling drive device)	Invention Patent	ZL200610031278.0	2006.02.28	2026.02.27
114	Zhong Ye ChangTian International Engineering Co., LTD	燒結機混合料布料溜槽) (Mixed clothing chute of sintering machine)	Invention Patent	ZL200710034372.6	2007.02.02	2027.02.01
115	Zhong Ye ChangTian International Engineering Co., LTD	環冷機台車下部密封裝置 (Bottom sealing device for circulation cooling machine vehicle)	Invention Patent	ZL200710034675.8	2007.04.05	2027.04.04
116	CCTEC Engineering Co., LTD.	靜壓支撐導向液壓缸 (Hydrostatic pressure support-oriented hydraulic cylinder)	Invention Patent	ZL200610018945.1	2006.04.27	2026.04.26
117	CCTEC Engineering Co., LTD.	自動板坯噴印機 (Automatic slab spray-printing machine)	Invention Patent	ZL200610019758.5	2006.07.28	2026.07.27
118	China First Metallurgical Construction Corporation	蓄熱式加熱爐爐牆內的燒嘴、空氣通道煤氣通道施工方法 (Construction method for burner, air channel and gas channel in furnace wall of regenerative heating furnace)	Invention Patent	ZL200610125009.0	2006.11.13	2026.11.12
119	中國第三冶金建設公司結構製造安裝工程公司 (The Structure Production & Installation Company of the 3rd China Metallurgical Construction Corporation)	橡膠膜密封型儲氣櫃薄殼櫃頂多點數控整體提升裝置 (Integral lifting device with multi-point numerical control on the thin-shelled roof of gasholder sealed with rubber membrane)	Invention Patent	ZL200620093256.2	2006.09.15	2026.09.14
120	中冶第三冶金建設公司結構製造安裝工程公司 (The Structures Production & Installation Construction Company of the 3rd China Metallurgical Construction Corporation)	橡膠膜密封型儲氣櫃薄殼櫃頂多點數控整體提升方法 (Integral lifting method with multi-point numerical control on the thin-shelled roof of gasholder sealed with rubber membrane)	Invention Patent	2006100477459.0	2006.09.15	2026.09.14
121	中國第二十冶金建設公司 (The 20th Metallurgical Construction Corporation)	普通混凝土分塊跳倉澆築裂縫控制方法 (Cracking control method for ordinary concrete pouring in blocks with separate spacing)	Invention Patent	ZL 03116821.3	2003.05.08	2023.05.07
122	中國第二十冶金建設公司 (The 20th Metallurgical Construction Corporation)	整體澆注結構爐爐牆對拉支模方法 (Opposite pulling and formwork supporting method for furnace wall of furnace in intergral casting structural furnace)	Invention Patent	ZL 200410016952.9	2004.03.15	2024.03.14
123	中國第二十冶金建設公司 (The 20th Metallurgical Construction Corporation)	摻磨細礦渣微粉的混凝土管樁及其生產方法 (Concrete piles mixed with fine milled slag micro-powder and its production method)	Invention Patent	ZL 200410017634.4	2004.04.12	2024.04.11
124	中國第二十冶金建設公司 (The 20th Metallurgical Construction Corporation)	地下結構半逆作法反向連接施工方法 (Construction method for underground structure through semi-inverse method and reversed connection)	Invention Patent	ZL200410016954.8	2004.03.15	2024.03.14

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
125	上海二十冶金混凝土構件有限公司 (The 20th Shanghai Metallurgical Concrete Structure Company Limited)	薄壁鋼管離心混凝土管樁及其生產方法 (Centrifugal concrete filled thin-wall steel tubular pile and its production method)	Invention Patent	ZL200510028050.1	2005.07.22	2025.07.21
126	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	鐵水渣浸泡生產工藝 (Production technique of soaking iron water slag)	Invention Patent	ZL 01113138.1	2001.06.28	2021.06.27
127	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	轉爐鋼渣的除鏽磨料生產工藝 (Rust removal and abrasive grinding production technique of converter furnace steel slag)	Invention Patent	ZL 01113137.3	2001.06.28	2021.06.27
128	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	冶金渣微粉短流程生產工藝 (Short flow production technique of metallurgical slag micro-powder)	Invention Patent	ZL200410016138.7	2004.02.06	2024.02.05
129	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	冶金用高純度渣鋼、渣鐵的加工工藝 (Processing technique for dregs steel and dregs iron of high purity for metallurgy)	Invention Patent	ZL200410017636.3	2004.04.12	2024.04.11
130	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	鋼渣大理石及其製作方法 (Steel slag marble and its production method)	Invention Patent	ZL200410016152.7	2004.02.06	2024.02.05
131	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	一種利用水洗漿製備的三渣混合料 (A mixture of three types of slag made of washed slurry)	Invention Patent	ZL200510027098.0	2005.06.23	2025.06.22
132	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	一種用於替代黃砂的鋼渣水洗砂的製備方法 (Preparation method of steel slag washed sand, a substitute for yellow sand)	Invention Patent	ZL200410016149.5	2004.02.06	2024.02.05
133	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	一種利用鋼渣作為集料的透水混凝土 (A type of pervious concrete using steel slag as aggregate)	Invention Patent	ZL 200510027497.7	2005.07.04	2025.07.03
134	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	一種利用鋼渣集料製成的GRC製品 (A type of GRC product composed of steel slag aggregate)	Invention Patent	ZL 200510027498.1	2005.07.04	2025.07.03
135	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	高耐磨鋼渣道路混凝土 (Steel slag road concrete with high wear-resistance)	Invention Patent	ZL 200510027099.5	2005.06.23	2025.06.22
136	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	一種以鋼渣為集料的配種混凝土 (A type of blended concrete using steel slag as aggregate)	Invention Patent	ZL 200510027097.6	2005.06.23	2025.06.22
137	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	大渣罐噴塗工藝 (Technique of spraying large slag pot)	Invention Patent	ZL 200510029844.X	2005.09.21	2025.09.20
138	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	在混凝土切割單元內充填注漿材料的方法 (Method of filling and pouring slurry materials into concrete cutting units)	Invention Patent	ZL200510029202.X	2005.08.30	2015.08.29
139	上海寶鋼冶金建設公司 (Shanghai Baosteel Metallurgical Construction Corporation)	一種採用旋轉平衡法吊裝特大型設備的工藝方法 (A type of technique to hoist ultra-large equipment with spinning balance method)	Invention Patent	ZL200610026511.6	2006.05.12	2026.05.11

	Patent Applicant	Patent	Type	Application Number	Application Date	Valid until
140	葫蘆島有色金屬集團有限公司 (MCC Huludao Nonferrous Metals Group Co., LTD)	豎罐煉鋅殘渣的綜合回收技術 (Comprehensive recovery technology of zinc vertical retorting residue)	Invention Patent	ZL 03133582.9	2003.06.03	2023.06.02
141	葫蘆島有色金屬集團有限公司 (MCC Huludao Nonferrous Metals Group Co., LTD)	以豎罐煉鋅殘渣為燃料的鋅浸出渣處理新工藝 (New treatment technique of zinc leaching residual using zinc vertical retorting reside as fuels)	Invention Patent	ZL200410020695.6	2004.06.09	2024.06.08
142	葫蘆島鋅業股份有限公司、遼寧石油化工大學 (Huludao Zinc Industry Co., LTD. Liaoning Shihua University)	利用銅冶煉爐襯鎂磚回收金屬的方法 (Metal recovery method using lining magnesium bricks of copper smelting furnace)	Invention Patent	ZL200710012004.1	2007.07.04	2027.07.03
143	中國恩菲工程技術有限公司 (China Enfi Engineering Corporation)	一種煉鉛法以及用於實現該煉鉛法的裝置 (A type of lead smelting method and its implementing device)	Invention Patent	ZL200610066648.4	2006.04.17	2026.04.16
144	中國恩菲工程技術有限公司 (China Enfi Engineering Corporation)	半自磨球磨磨礦系統及其控制方法 (Grinding system of semi-autogrinding ball milling and its control methods)	Invention Patent	ZL200610200130.5	2006.02.16	2026.02.15

Save as disclosed in this document, there are no trademarks, patents or other intellectual property rights which are material to our business.

VI. OTHER INFORMATION

1. ESTATE DUTY

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. LITIGATION

As at the Latest Practicable Date, no member of the Company is engaged in any litigation or arbitration of material importance and no litigation or claims of material importance are known by the Directors to be pending or threatened by or against any member of the Company that would have an effect on the Company's results of operations or financial condition.

3. QUALIFICATION OF EXPERTS

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given opinions in this document are as follows:

Name	Qualifications
Minarco-MineConsult	Independent technical expert
PricewaterhouseCoopers	Certified Public Accountants
Sallmanns	Member of the Hong Kong Institute of Surveyors and the Royal Institution of Chartered Surveyors
Jia Yuan Law Firm	Licensed PRC advisors

4. CONSENTS OF EXPERTS

For the purposes of the relevant requirements, each of [•] has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports, valuation certificates, letters and/or opinions and summaries of opinion (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

5. NO MATERIAL ADVERSE CHANGE

The Company confirms that there is no material adverse change in its financial or trading position since June 30, 2009.

6. MISCELLANEOUS

[(a) Save as disclosed in this document:

(i) within the two years immediately preceding the date of this document, the Company and its subsidiaries have not issued or agreed to issue any of their share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) none of our equity or debt securities is listed or dealt with on any other stock exchange or trading system nor is any listing or permission to deal being or proposed to be sought;

(iv) the Company has not issued or agreed to issue any founder shares, management shares or deferred shares; and

(v) within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares of the Company or its subsidiaries.]

(b) The Company does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Provisional Rules for Several Questions on Establishment of Foreign Invested Joint Stock Company.

(c) This document is written in the English language and contains a Chinese translation for information purposes only. Should there be any discrepancy between the English language version of this document and the Chinese translation, the English language version of this document shall prevail.

7. PROMOTERS

The Promoters of the Company are the Parent and Baosteel Group Corporation. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given to the Promoters.

8. INDEMNITIES

The Parent Group has given the following indemnities:

(a) under the Reorganization Agreement dated December 5, 2008, [each of the Promoters] has agreed to indemnify the Company against, among other things:

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

(ii) taxes incurred from retaining the assets, interests and liabilities of the Parent and its related businesses;

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

(iv) claims arose from the negligence and default action that occurred when the Parent performs the duties under any contracts on behalf of and in the interest of us on and after the Effective Date of Reorganization onwards pursuant to the Reorganization Agreement; and

(v) claims suffered or incurred by the Parent for breach of any provisions of the Reorganization Agreement.

9. EXEMPTION AND WAIVER FROM CERTAIN REQUIREMENTS REGARDING PROPERTY VALUATION REPORT

As at June 30, 2009, we own [501] parcels of land in the PRC, with an aggregate site area of approximately [20,697,729.98] square meters, and [a] parcel of land in Pakistan with a site area of approximately [20,254.76] square meters. We also lease [74] parcels of land with an aggregate site area of approximately [900,294.11] square meters in the PRC. As at June 30, 2009, we own [4,206] buildings or units in the PRC, with an aggregate gross floor area of approximately [4,516,939.27] square meters, and [88] buildings or units with an aggregate gross floor area of approximately [111,344.20] square meters in Hong Kong and overseas countries. As at June 30, 2009, we lease [384] buildings or units in the PRC, with an aggregate gross floor area of approximately [355,874.93] square meters, and [7] buildings or units in overseas countries, with an aggregate gross floor area of approximately [1,378.22] square meters.

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

(a) to comply with the requirements under rules 5.01 and 5.06 and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and paragraph 34(2) of the Third Schedule of the Companies Ordinance in its unmodified form, namely to list all of the properties (other than those held or to be acquired by us for our property development business) and show their particulars and values individually in this document, would be unduly burdensome and, for the purposes of the Hong Kong Listing Rules, would not achieve the regulatory purpose for which the Hong Kong Listing Rules were made;

(b) to comply with rule 19A.27(4) of the Hong Kong Listing Rules in its unmodified form, namely to prepare an English translation of the full valuation report, would be unduly burdensome as substantially all of our properties are located in the PRC and consequently the underlying valuation and title information is in Chinese;

(c) the waiver and exemption sought will not prejudice the interests of shareholders as the proposed conditions to the waivers and exemption would provide adequate information to shareholders to assess the property interests held by us;

(d) for the reasons set out in paragraphs (a) to (c) above, the waiver would not result in undue risks to shareholders; and

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

The exemption has been granted by the SFC under section 342A(1) of the Companies Ordinance, subject to the following conditions:

(i) the full valuation report (which will be prepared in Chinese language only), containing description and values of all the properties owned and leased by us and complying with all the requirements of paragraph 34(2) of the Third Schedule to the Companies Ordinance, will be made available for public inspection;

(ii) a summary valuation report of all of our property interests (other than property interests held or to be acquired by us for our property development business) in abbreviated form and divided into subgroups prepared on the basis of the full valuation report will be included in "Appendix IV — Property Valuation" to this document;

(iii) a valuation report of property interests held or to be acquired by our property development business in full compliance with paragraph 34(2) of the Third Schedule to the Companies Ordinance will be included in "Appendix IV — Property Valuation" to the document; and

(iv) this document shall set out particulars of this exemption.

The waiver has been granted by the Hong Kong Stock Exchange from Rules 5.01, 5.06 and 19A.27(4) and paragraph 3 (a) of Practice Note 16 of the Hong Kong Listing Rules, subject to the following conditions:

(i) the full valuation report (which will be prepared in Chinese language only), containing description and values of all the properties owned and leased by us and complying with all the requirements of paragraph 34(2) of the Third Schedule to the Companies Ordinance, will be made available for public inspection;

(ii) a summary valuation report of all of our property interests (other than property interests held or to be acquired by us for our property development business) in abbreviated form and divided into subgroups prepared on the basis of the full valuation report will be included in "Appendix IV — Property Valuation" to the document;

(iii) a valuation report of property interests held or to be acquired by our property development business in full compliance with paragraph 34(2) of the Third Schedule to the Companies Ordinance will be included in "Appendix IV — Property Valuation" to the document; and

(iv) this document shall set out particulars of this waiver.

Our Directors are of the view that the exemption and waiver granted by the SFC and the Hong Kong Stock Exchange, respectively, will not prejudice the interests of potential investors.