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## APPENDIX III

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## PROFIT FORECAST

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*The forecast of consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 is set out in "Financial Information — Profit Forecast" section in this document.*

### (A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 based on audited consolidated results of the Group for the six months ended June 30, 2009, the unaudited consolidated results of the Group for the one month ended July 31, 2009 and the forecast of the consolidated results for the remaining five months ending December 31, 2009.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by our Company as summarized in the Accountants' Report, details of which are set forth in Appendix I to this document.

Our Directors have adopted the following principal assumptions in the preparation of profit forecast:

- the average selling prices of our iron concentrates and iron pellets for the five months ending December 31, 2009 are RMB592.4 per tonne and RMB826.5 per tonne, respectively (See "Financial Information — Profit Forecast" section of this document for a sensitivity analysis of the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 with respect to the variation in the forecast on the average selling price of iron concentrates and iron pellets in the five months ending December 31, 2009);
- there will be no material changes in our Group's operations;
- there will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or in any other country or territory in which our Group currently operates or which are otherwise material to our business;
- there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or in any other countries or territories in which our Group operates or with which our Group has arrangements or agreements, which may materially adversely affect our Group'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 Group'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 Group operates except as otherwise disclosed in this document.

Beginning in June 2009, we have entered into supplemental agreements with all our customers of iron ore products which set the floor price for iron ore products contracted for 2009 and 2010. According to these supplemental agreements, if the market price of the iron ore product falls below the contracted sales price, the contracted sales price remains unchanged. If the market price of the iron ore product rises above the contracted sales price, the contracted sales price will be adjusted to a higher amount equal to the sum of the contracted selling price and an amount to be agreed that is not more than 50.0% of the increase in the market price above the contracted sales price. Therefore, the

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## PROFIT FORECAST

consolidated total comprehensive income attributable to the owners of our Company for 2009 will not be changed if the average selling price of iron ore products falls below the contracted floor price.

The following table sets forth a sensitivity analysis of the forecast consolidated total comprehensive income attributable to owners of our Company for the year ending December 31, 2009 with respect to the variation in the forecast average selling prices of our Group's major products, namely iron concentrates and iron pellets, for the five months ending December 31, 2009 and on the assumption that there is no change in other input variables, including fixed and variable costs:

Iron ore products price (RMB per tonne)		Variation from iron ore products price	Corresponding 2009 forecasted consolidated total comprehensive income attributable to owners of our Company	Variation from 2009 forecasted consolidated total comprehensive income attributable to owners of our Company
Iron concentrates	Iron pellets	(%)	RMB'000	(%)
473.9	661.2	(20)	321,776	—
503.5	702.5	(15)	321,776	—
533.1	743.8	(10)	321,776	—
562.8	785.2	(5)	321,776	—
592.4	826.5	—	321,776	—
622.0	867.8	5	339,737	6
651.6	909.1	10	357,697	11
681.2	950.5	15	375,658	17
710.9	991.8	20	393,619	22

The above sensitivity analysis is based on the principal assumptions set out in this appendix.