

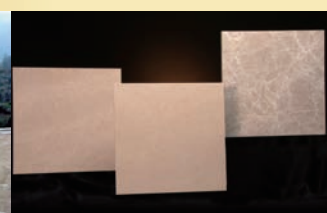


KINGSTONE
金石礦業

China Kingstone Mining Holdings Limited
中國金石礦業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1380



Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager



GLOBAL OFFERING

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.



China Kingstone Mining Holdings Limited

中國金石礦業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares : 580,000,000 Shares, comprising 500,000,000 New Shares and 80,000,000 Sale Shares (subject to the Over-allotment Option)

Number of Hong Kong Offer Shares : 58,000,000 New Shares (subject to adjustment)

Number of International Offer Shares : 522,000,000 Shares, comprising 442,000,000 New Shares and 80,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)

Offer Price : Not more than HK\$3.35 per Offer Share (payable in full on application in Hong Kong dollars, plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005% and subject to refund) and not less than HK\$2.25 per Offer Share

Nominal value : HK\$0.10 each

Stock code : 1380

Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, 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 Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this Prospectus, has been registered with the Registrar of Companies of Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies of Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters), the Company and the Selling Shareholder on the Price Determination Date. The Price Determination Date is expected to be on or around 11 March 2011 and, in any event, no later than 16 March 2011. The Offer Price will be not more than HK\$3.35 and is currently expected to be not less than HK\$2.25 unless otherwise announced. If, for any reason, the Offer Price is not agreed by 16 March 2011 by the Sole Global Coordinator (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus (which is HK\$2.25 to HK\$3.35 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see the section headed "Structure of the Global Offering" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this Prospectus.

The Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act. The Offer Shares are being offered, in the United States, only to qualified institutional buyers ("QIBs") in reliance on Rule 144A or other exemptions under the U.S. Securities Act and, outside the United States, to certain persons in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

EXPECTED TIMETABLE

Time and Date^(Note 1)

Application Lists open ^(Note 2) 11:45 a.m. on Thursday, 10 March 2011

Latest time to lodge **WHITE** and
YELLOW Application Forms 12:00 noon on Thursday, 10 March 2011

Latest time to giving **electronic application**
instructions to HKSCC ^(Note 3) 12:00 noon on Thursday, 10 March 2011

Latest time to complete electronic applications under
the **White Form eIPO** service through the designated
website at www.eipo.com.hk ^(Note 4) 11:30 a.m. on Thursday, 10 March 2011

Latest time to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on Thursday, 10 March 2011

Application Lists close ^(Note 2) 12:00 noon on Thursday, 10 March 2011

Expected Price Determination Date Friday, 11 March 2011

(1) Announcement of the Offer Price, the indication of level of
interest in the Global Offering, the results of applications in the
Hong Kong Public Offering and the basis of allotment of the
Hong Kong Offer Shares to be published in the South China
Morning Post (in English) and the Hong Kong Economic Times
(in Chinese) on or before Thursday, 17 March 2011

(2) Results of allocations in the Hong Kong Public Offering (with
successful applicants' identification document numbers or Hong
Kong business registration numbers, where appropriate) to be
available through a variety of channels (see the section headed
“How to Apply for Hong Kong Offer Shares — Results of
Allocations” in this Prospectus) on or before Thursday, 17 March 2011

(3) A full announcement of the Hong Kong Public Offering
containing (1) and (2) above to be published on the website of the
Stock Exchange at www.hkexnews.hk ^(Note 5) and the Company's
website at www.kingstonemining.com ^(Note 6) Thursday, 17 March 2011

Results of allocations in the Hong Kong Public Offering
will be available at www.iporesults.com.hk with
a “search by ID” function Thursday, 17 March 2011

Dispatch of Share certificates and refund checks in respect of
wholly or partially unsuccessful applications or wholly
successful applications (if applicable) on or before ^(Note 7) Thursday, 17 March 2011

EXPECTED TIMETABLE

Time and Date^(Note 1)

Dispatch of **White Form** e-Refund payment instructions (if applicable)
in respect of wholly successful (where applicable) or wholly
or partially unsuccessful applications on or before. Thursday, 17 March 2011

Dealings in Shares on the Stock Exchange expected to commence on Friday, 18 March 2011

Notes:

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Global Offering are set out in the section headed “Structure of the Global Offering” in this Prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Thursday, 10 March 2011, the Application Lists will not open on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — When to Apply for the Hong Kong Offer Shares — Effect of Bad Weather Conditions on the Opening of the Application Lists” in this Prospectus. If the Application Lists do not open and close on Thursday, 10 March 2011, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — How to Apply by Giving Electronic Application Instructions to HKSCC” in this Prospectus.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) The announcement will be available for viewing on the “Main Board — Allotment of Results” on the Stock Exchange’s website at www.hkexnews.hk.
- (6) None of the website or any of the information contained on the website forms part of this Prospectus.
- (7) **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements is terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be Friday, 18 March 2011. No dealings should take place in the Offer Shares prior to the commencement of dealings in the Shares on the Stock Exchange. Investors who trade the Offer Shares on the basis of publicly available allocation details prior to receipt of the Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.** e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial Offer Price per Share payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third-party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund check. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — How to Apply Using a White or Yellow Application Form” in this Prospectus.

You should read carefully the sections headed “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this Prospectus, for details relating to the structure of the Global Offering, how to apply for the Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the dispatch of refund checks and Share certificates.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by China Kingstone Mining Holdings Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, Bookrunner, Sponsor, Lead Manager, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or parties involved in the Global Offering.

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SUMMARY

This summary aims to provide you with an overview of the information contained in this Prospectus and should be read in conjunction with the full text of this Prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus.

OVERVIEW

We are a marble mining company at the initial stage of production. We currently own and operate one marble mine, the Zhangjiaba Mine, which is the largest beige marble mine in China in terms of marble reserves, according to a certification issued by CSMA in August 2010. The Zhangjiaba Mine, located in Sichuan Province of China, contains 44.2 million m³ of measured and indicated marble resources, which represents 16.8 million m³ of proved and probable marble reserves based on a block rate of 38%, according to the Competent Person’s Report. Our mine contains high-quality beige marble reserves, and our principal products are premium beige marble slabs and blocks. We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010. We currently hold a mining permit for an initial term of 10 years granted in February 2011, covering an area of 0.44 km² with an elevation from 590 m to 938 m above MSL. On the Listing Date, we will be the first marble mining company listed on the Hong Kong Stock Exchange.

In addition to marble block mining, we plan to construct large-scale marble slab processing facilities in close proximity to our mine. Following the completion of our ramp-up plan in 2014, our mining capacity for marble blocks is expected to reach 150,000 m³ per annum and our marble slab processing capacity at our processing facilities are expected to reach 3.0 million m² per annum. The estimated mine life of our Zhangjiaba Mine is 112 years, based on our current marble reserves and planned marble block mining capacity at 150,000 m³. CSMA expects our mining capacity and processing capacity upon completion of our ramp-up plan to be the largest among marble mining companies in China.

Our principal products are marble slabs processed and blocks mined from our marble reserves. According to an independent panel review organized by CSMA, our Pure Beige and Mixed Beige products are premium marble products and our Wood Grain and Gray Net products are mid- to high-end marble products. Our Pure Beige, Mixed Beige, Wood Grain and Gray Net marble account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves, respectively, according to the Competent Person’s Report. According to the same panel review organized by CSMA, our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on

SUMMARY

the physical specifications and the appearance of our marble samples. Due to these characteristics, our premium marble products are suitable for use in the decoration of high-end commercial and public buildings.

According to the Competent Person's Report, marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized. Commercially in the stone industry, and as used in this Prospectus, marble also includes limestone or dolomite that is rock of sedimentary origin primarily composed of calcium carbonate or calcium magnesium carbonate and is polishable. Our principal resource at Zhangjiaba Mine is limestone that is commercially classified as marble.

OUR CURRENT OPERATIONS

Our Zhangjiaba Mine is located in Sichuan Province of China. In August 2009, we obtained a mining permit for our Zhangjiaba Mine that covers a mining area of 0.495 km² with an elevation from 750 m to 930 m above MSL to carry out marble mining activities. In February 2011, we obtained a new mining permit that covers substantially the same mining area as our permit obtained in 2009. This mining permit covers a mining area of 0.44 km² with an elevation from 590 m to 938 m above MSL. We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010. As we are still at the initial stage of production, our operations may be subject to various risks. See the section headed "Risk Factors."

Production Volume and Contracted Sales

During the period from September to December 2010, we mined a total of 1,145 m³ of marble blocks. During the same period, we sold a total of 3,000 m² of Pure Beige marble slabs, 9,000 m² of Mixed Beige marble slabs and 24 m³ of marble blocks. Until the commencement of the commercial operations of our processing facilities in January 2012, we expect our marble blocks to be processed into marble slabs by third-party processing plants.

SUMMARY

The following table sets forth the sales volume, the revenue and the average selling price by product from 1 September 2010 to 3 January 2011, pursuant to a short-term sales contract of marble slabs we entered into with a construction material trading company in September 2010 and two individual transactions of marble blocks we entered into with two independent third parties who are engaged in stone processing:

	Marble Slabs			Marble Blocks
	Pure Beige	Mixed Beige	Total	
<i>1 September 2010 to 30 November 2010</i>				
Sales volume (m ³ (blocks)/m ² (slabs))	1,000	2,000	3,000	24
Revenue (RMB in millions)	0.72	0.97	1.69	0.08
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	563	3,414
<i>1 December 2010 to 3 January 2011</i>				
Sales volume (m ³ (blocks)/m ² (slabs))	2,000	7,000	9,000	—
Revenue (RMB in millions)	1.44	3.41	4.85	—
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	538	—
<i>1 September 2010 to 3 January 2011</i>				
Sales volume (m ³ (blocks)/m ² (slabs))	3,000	9,000	12,000	24
Revenue (RMB in millions)	2.16	4.38	6.54	0.08
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	545	3,414

Note: The average selling price is calculated by dividing the revenue by the corresponding sales volume. Our revenue is net of VAT.

Revenue from 1 December 2010 to 3 January 2011 and revenue from 1 September 2010 to 3 January 2011 presented in the table above are estimates based on unaudited management accounts for the relevant periods. Accordingly, you should not place undue reliance on these estimates. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see “Forward-Looking Statements.” Our estimated revenue for these periods is not indicative of our gross profit or net profit or net loss for such periods, nor is it indicative of our revenue, gross profit or net profit or net loss or other financial results for the year ended 31 December 2010 or any other periods. Our estimated net profit and gross profit for the month ended 31 December 2010 were in line with our expectations and consistent with our loss estimate for the year ended 31 December 2010 included in “— Loss Estimate for the Year Ended 31 December 2010” and “Appendix III — Loss Estimate.” Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Prospectus for information regarding trends and other factors that may influence our results of operations.

In 2010, we entered into seven legally binding long-term sales contracts. These sales contracts provide for an aggregate sales volume of 1,025,000 m², 1,610,000 m² and 2,015,000 m² of marble slabs in 2011, 2012 and 2013, respectively, representing 63%, 56% and 45%, respectively, of our total planned marble slab production according to the Competent Person’s Report, at average ex-factory sales prices of RMB830 per m² for Pure Beige marble slabs, RMB540 per m² for Mixed Beige marble slabs and RMB520 per m² for other marble slabs during the terms of such contracts. Our customers are obliged to purchase a minimum of 90% of the volume set out in these sales contracts. These prices compare favorably to the average price of approximately RMB150 per m² for other PRC branded marble

SUMMARY

products, based on data from the Hatch Report. These sales contracts, which are for a period of five years, have been entered into with construction material suppliers in China, which in turn are expected to sell to property developers and construction companies. According to Hatch, China's marble demand is expected to maintain steady growth. Therefore, our Directors believe that there will be sufficient demand for our planned marble slab production.

The following table sets forth the sales prices and volumes of our marble slabs in our seven long-term sales contracts:

	Price Range ⁽¹⁾ (RMB/m ²)	Contracted Sales Volume ⁽²⁾ (m ²)				
		2011	2012	2013	2014	2015
Pure Beige marble slabs	800–865	355,000	670,000	960,000		
Mixed Beige marble slabs.	510–568	540,000	770,000	850,000		
Other marble slabs (Wood Grain and Gray Net).	500–538	130,000	170,000	205,000	Not less than	Not less than
Total	633–692 ⁽³⁾	1,025,000	1,610,000	2,015,000	1,975,000	1,975,000

Notes:

- (1) The sales prices in these contracts are VAT inclusive.
- (2) Our customers are obliged to purchase a minimum of 90% of the volume set out in the above table.
- (3) This volume weighted average price range is calculated based on price range of the three categories of the products and volume contracted during the period from 2011 to 2013.

According to Hatch, the current market prices of our primary competing beige marble products, Royal Batticino from Iran, Cream Marfil from Spain and Frans Beige from France, are RMB1,300 per m², RMB950 per m² and RMB1,200 per m², respectively. These products are sold at higher prices mainly due to their established brand names and high recognition among consumers. The average price of other PRC branded marble products is approximately RMB150 per m². There is no official statistics of standalone prices available for marble blocks, according to Hatch.

Pursuant to these sales contracts, we require our customers to make prepayment of 30% of the sales value upon order of marble slabs. An additional 50% of the sales value is required to be paid upon delivery of the processed marble slabs ex-factory. The remaining 20% will be paid within 10 days after such delivery. In addition, under these sales contracts, we have the right to adjust prices for marble slabs sold beyond the annual supply volume stipulated in the contract. In addition, subject to our customers' consent, we are entitled to adjust prices of the annual contracted volume according to changes in market conditions each year with one-month's advance written notice. Our customers are obligated to purchase a minimum of 90% of the annual volume set out in the contracts and are required to pay a penalty of 20% or 30% of the shortfall sales value, which equals the difference between the actual purchased volume and the minimum required volume multiplied by the average selling price set out in the contracts, if they purchase less than 90% of the contracted volume. We are obligated to supply the annual volume set out in the contracts and are required to pay a penalty of 20% of the sales value of the contracted volume we cannot supply.

We believe that these contracts will ensure a steady demand for our products upon the commencement of commercial production of our Zhangjiaba Mine as well as after we reach our full mining and processing capacities of marble blocks and marble slabs in 2014.

SUMMARY

Mining Method

We utilize the open-pit mining method, which facilitates access and extraction of marble blocks from our marble mine. We also utilize highly-efficient, semi-automatic machinery and equipment and apply mining methods that integrate traditional and innovative production techniques. Based on the Competent Person's Report, we believe that our mining operations will have a favorable cost structure primarily due to our use of the open-pit mining method, our low average waste to ore strip ratio of 0.07 and the high utilization of our mine as a result of its limited amount of tailings. We commenced commercial production in September 2010. In October and November 2010, we achieved a gross profit margin of 59.5% on a revenue of RMB1.8 million generated during the period. In addition, compared to underground mining, our open-pit mining operations generally do not involve the use of explosive materials or hazardous chemicals, thereby significantly reducing safety and environmental pollution concerns. Although our operations are in an early stage and our ability to successfully achieve our goals remains subject to uncertainty, we believe that, if we are able to continue to benefit from these efficiencies and to enjoy the current price levels for our products, we will be well positioned to improve the profitability of our Zhangjiaba Mine compared to its initial production stage.

Operating Costs

Major components of our cash costs of production are directly related to production volume. Our cash costs of operation mainly include mining costs, processing costs, general and administrative costs, selling costs, environmental protection costs, production taxes, resource compensation levy and other cash cost items. Variations in production volume and the costs of sales associated with top flipping, disintegration, mining, hauling to the processing plants, shaping, slinging, cutting, repairing, polishing and ware-housing are key factors that affect our cash costs of production. We did not incur any cost of sales prior to the commencement of our commercial production in September 2010. In October and November 2010, we generated revenue of RMB1.8 million from sales of our marble products and incurred cost of sales of RMB0.7 million. During the period from September to December 2010, our actual unit cash production cost of the third-party processed marble slabs was RMB325 per m², which was higher than the projected unit cash production costs of the third-party processed marble slabs upon reaching our full mining and processing capacities. The currently higher-than-projected unit cash cost is mainly the result of a combination of the relatively low production volume and high administrative expenses at the initial stage of production. The actual unit cash production cost of the third-party processed marble slabs decreased to RMB196 per m² in December 2010 as a result of increased production volume during this month. In addition, according to the Competent Person's Report, when we reach the planned mining capacity of 150,000 m³ of marble blocks per annum and processing capacity of 3.0 million m² of marble slabs per annum in 2014, the unit cash cost for our self-processed marble slabs (calculated as the sum of mining operating cash cost, slab processing cost and administrative and selling expenses) is estimated to be approximately RMB124 per m², based on a slab-block ratio of 33.7, and our unit cash cost for marble slabs processed by third-party contractors (calculated as the sum of mining operating cash cost, contractor charges, transportation cost and administrative and selling expenses) is estimated to be approximately RMB131 per m² in 2014.

SUMMARY

Location and Land Use Rights

Our marble mine, the Zhangjiaba Mine, is located in Sichuan Province, which is one of the main marble quarry regions in China. The Zhangjiaba Mine is located approximately 40 km away from Mianyang City, the local economic center in the north-central region of Sichuan Province, and approximately 160 km away from Chengdu, the capital city of Sichuan Province. Our mine is easily accessible by a local highway to Hanzeng Town, which is 5.5 km away and connects to the provincial highway linking to Beichuan County, as well as to the urban area of Jiangyou City. The closest railway depot is approximately 24 km away from our mine. In addition, we have easy access to water and electricity supplies, both of which are key utilities for our mining and processing operations. We plan to construct large-scale marble slab processing facilities in close proximity to our Zhangjiaba Mine to take advantage of our favorable geographical location.

As at the Latest Practicable Date, our Company completed the construction of a property which comprises a parcel of land with a site area of approximately 9,275.9 m² and an office building with the gross floor area of approximately 826 m². We obtained the state-owned land use right for the parcel of land on 20 October 2010. We are in the process of applying for the building ownership certificate with the relevant PRC regulatory authority.

Our Management Team

We have a highly experienced management team comprising industry experts and veterans. Our management team is led by four executive Directors and two senior management members, who together have an average of 20 years of experience and management expertise gained from their involvement in the marble mining and related industries. Our management team has served in various capacities at our Company since our inception and has been instrumental to our development.

RAMP-UP AND EXPANSION PLANS

The Controlling Shareholder of the Company acquired our principal subsidiary, Sichuan Jinshida, in March 2008. We commenced limited preliminary mine construction at our Zhangjiaba Mine in July 2008 and full-scale mine construction in January 2010. We completed the construction of the first two knolls of our mine in the end of 2010. Commercial production at these two knolls commenced in September 2010. We are currently constructing the other two knolls. Following the completion of all four knolls at our Zhangjiaba Mine, we plan to increase our mining capacity for marble blocks to 150,000 m³ per annum from 2014 onwards. Based on our current marble reserves and planned marble block mining capacity at 150,000 m³, the estimated mine life of our Zhangjiaba Mine is approximately 112 years. We also plan to construct large-scale marble slab processing facilities in close proximity to our mine, on which we expect to attain 60% of the planned processing capacity in 2012 and full planned processing capacity in 2013. We expect the marble slab processing facilities to have an aggregate processing capacity of 3.0 million m² of marble slabs per annum from 2013 onwards. After reaching our full mining and processing capacities, we expect to continue to outsource approximately 27% of our annual mined marble blocks to the third-party processing plants for slab processing as the volume of the

SUMMARY

marble slabs that can be processed from the marble blocks we mine annually is expected to exceed the full processing capacity at our processing facilities. The timeline below highlights the key development milestones of our ramp-up plan:

Year	Total marble block mining capacity ⁽¹⁾ (m ³ per annum)	Total marble slab processing capacity ⁽¹⁾ (million m ² per annum)	Capital expenditure for the Zhangjiaba Mine ⁽²⁾ (RMB in millions)	Capital expenditure for the processing facilities ⁽²⁾ (RMB in millions)
2008–2009	—	—	21.5	—
2010	1,145	—	66.2	1.0
2011	45,000	—	114.5	181.3
2012	90,000	1.8	80.4	188.0
2013	135,000	3.0	56.7	51.4
2014	150,000	3.0	27.4	—

Notes:

- (1) The marble block mining capacity and marble slab processing capacity represent our planned capacities which we intend to fully utilize, and are calculated based on 300 production days per annum, taking into account holidays, weather downtime and equipment maintenance.
- (2) The actual capital expenditures for the Zhangjiaba Mine and the marble slab processing facilities for the eleven months ended 30 November 2010 were RMB61.5 million and RMB1.0 million, respectively. As at 30 November 2010, our unutilized planned capital expenditures for the Zhangjiaba Mine and the marble slab processing facilities were approximately RMB283.7 million and RMB420.7 million, respectively, and we expect such capital expenditures to be principally funded by proceeds from the Global Offering. As at 30 November 2010, we had capital commitment of RMB363,000 for our unutilized planned capital expenditure of the Zhangjiaba Mine and nil for the marble slab processing facilities.

The table below illustrates our actual marble block production in 2010 and planned marble block production by volume of various uses at our Zhangjiaba Mine from 2011 to 2015, according to the Competent Person's Report:

Item	2010	2011	2012	2013	2014	2015
Blocks used for self slab production (m ³)	—	—	53,374	88,957	88,957	88,957
Blocks used for contract slab production (m ³)	1,121	45,000	30,000	40,000	40,000	40,000
Blocks used for shaped stone products (m ³)	—	—	1,800	3,000	3,000	3,000
Blocks to be sold directly to customer (m ³)	24	—	4,826	3,043	18,043	18,043
Total marble block mining capacity (m³)	1,145	45,000	90,000	135,000	150,000	150,000

Our primary growth strategy is to effectively execute our ramp-up plan to reach the full mining capacity of our Zhangjiaba Mine and full processing capacity at our processing facilities. In addition, we seek to grow through active participation in industry consolidation, which is supported by the local government policy promoting the acquisition of small-scale mines by larger mining enterprises, such as our Company. We believe that the exploration potential beyond our permitted mining area and in other neighboring marble mines in Sichuan Province is high, and that we are well positioned to capitalize on such potential. We regularly seek out and evaluate potential acquisition opportunities. As at the Latest Practicable Date, we did not enter into any definitive agreements with respect to any acquisition. On 30 July 2010, we entered into a legally binding letter of intent with a mining company, an Independent Third Party, under which we have the right to negotiate and consider the acquisition of certain mining rights for a neighboring marble mine containing approximately 3.7 million m³ of estimated marble resources. This letter of intent will expire at the end of June 2011 and is extendable based on mutual

SUMMARY

agreement in writing. On 18 January 2011, we entered into another legally binding letter of intent with a stone material company, an Independent Third Party. Pursuant to this letter of intent, we have the right to negotiate and consider the acquisition of certain mining rights for a neighboring marble mine. According to the letter of intent, such mine contains no less than 5.0 million m³ of estimated marble resources. This letter of intent will expire in one year from the signing date and is extendable based on mutual agreement in writing. The parties expect to enter into transfer agreements for the relevant mining rights and assets upon completion of satisfactory due diligence and agreement on the substantive terms and conditions of the transfers. The transfer consideration for the mining rights and assets is expected to be determined through negotiation on the basis of asset valuation to be conducted by a qualified valuation firm recognized by the parties.

Our ramp-up and expansion plans are subject to a number of assumptions, including:

- resource and reserve estimates;
- our marble block rate, which may be affected by weathering fractures and karst caves;
- schedule of construction and development of our projects, which may be affected by cost overrun and other unexpected financial burden;
- market demand for our marble blocks and slabs products and the price;
- ability to secure and procure technologically sophisticated machinery and equipment; and
- the quality and quality consistency of our products.

As part of our ramp-up and expansion plans, we have made a number of estimates on our future production and processing capacities and volumes as well as our future sales volume and prices of our products, which are based on these and other assumptions. We have sought to take into account the factors that affect these estimates and assumptions. However, we cannot assure you that these estimates will prove to be correct, or that our assumptions and the factors that we have taken into account will prove accurate or complete. For a further description of the risks and uncertainties that we face, see “Risk Factors.”

COMPETITIVE STRENGTHS

We believe the following strengths distinguish us from our competitors:

- our Zhangjiaba Mine has abundant marble reserves, significant planned mining and processing capacities and immediate expansion potential;
- our Zhangjiaba Mine produces high-quality marble blocks that can be processed into high-end marble slabs commanding premium pricing;
- our efficient mining and processing methods ensure low operating costs;
- we benefit from the convenient location of our Zhangjiaba Mine and processing facilities;
- our mining and production processes are safe and environmentally friendly; and
- we have a strong and experienced management team with extensive industry and management experience.

SUMMARY

BUSINESS STRATEGIES

Our vision is to become a leading integrated marble business operator in China. We plan to accomplish this goal by pursuing the following strategies:

- ramp up our mining and processing capacities;
- establish a strong customer base and strengthen customer relationships;
- develop high product recognition and strengthen pricing power; and
- expand our marble resources through further expansion and selective acquisitions.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary financial information of: (i) our consolidated statements of financial position as at 31 December 2008, 31 December 2009 and 30 November 2010, and (ii) consolidated statements of comprehensive income and consolidated cash flows statements for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2009 and 2010, as set forth below, are derived from the Accountants' Report of our Company included in Appendix I to this Prospectus. For your convenience, we include in the summary financial information set forth below our consolidated statements of comprehensive income and consolidated cash flows statements for the eleven months ended 30 November 2009. The summary financial information is qualified in its entirety by reference to such Accountants' Report, including the notes thereto, and should be read in conjunction with the discussions included in the section headed "Financial Information."

Summary Consolidated Statements of Comprehensive Income

	Period from 14 March 2008 to 31 December ⁽¹⁾	Year ended 31 December	Eleven months ended 30 November	
	2008	2009	2009	2010
	(RMB'000)			
Revenue	—	—	—	1,771
Cost of sales.	—	—	—	(717)
Gross profit	—	—	—	1,054
Other income	3	2	2	31
Selling and distribution costs . . .	(63)	(270)	(244)	(472)
Administrative expenses	(1,200)	(2,610)	(2,181)	(23,134) ⁽²⁾
Other expenses	(720)	(690)	(203)	(728)
Finance costs	(25)	(2,042)	(1,780)	(2,129)
Loss before tax	(2,005)	(5,610)	(4,406)	(25,378)
Income tax benefit.	253	241	193	4,143
Loss for the year/period	(1,752)	(5,369)	(4,213)	(21,235)

SUMMARY

Notes:

- (1) As a result of merger accounting, the financial information of Sichuan Jinshida is included in our consolidated financial information as if the consolidation had occurred since 14 March 2008 when Sichuan Jinshida first came under control of our Controlling Shareholder. As the Controlling Shareholder obtained the control over Sichuan Jinshida on 14 March 2008 and there were no transactions between 1 January 2008 and 13 March 2008 impacting our financial information, our financial information is presented from 14 March 2008.
- (2) Our administrative expenses for the eleven months ended 30 November 2010 included expenses in relation to the Global Offering.

Summary Consolidated Statements of Financial Position

	As at 31 December		As at 30 November
	2008	2009	2010
	(RMB'000)		
Non-current assets	40,389	50,455	112,326
Current assets	1,071	6,092	98,555
Current liabilities	24,208	44,675	83,162
Net current assets/(liabilities)	(23,137)	(38,583)	15,393
Total assets less current liabilities	17,252	11,872	127,719
Non-current liabilities	4,524	4,513	350
Net assets.	12,728	7,359	127,369
Total equity	12,728	7,359	127,369

Summary Consolidated Statements of Cash Flows

	Period from 14 March 2008 to 31 December	Year ended 31 December	Eleven months ended 30 November	
	2008	2009	2009	2010
	(RMB'000)			
Cash and cash equivalents at beginning of the year/period . . .	972	739	739	5,670
Net cash flows used in operating activities	(1,588)	(1,966)	(1,802)	(19,178)
Net cash flows used in investing activities	(6,440)	(12,489)	(10,661)	(64,412)
Net cash flows from financing activities	7,795	19,386	11,847	167,209
Net increase/(decrease) in cash and cash equivalents.	(233)	4,931	(616)	83,619
Net foreign exchange difference . .	—	—	—	(2,548)
Cash and cash equivalents at end of the year/period.	739	5,670	123	86,741

SUMMARY

Our Directors are of the view that all information that is necessary for the prospective investors to make an informed assessment of our financial position has been included in this Prospectus. Our Directors also confirm that they have performed sufficient due diligence on our Group to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial and trading positions or prospects since 30 November 2010 and there has been no events since 30 November 2010 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this Prospectus.

LOSS ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2010

The following loss estimate is based on the bases set out in "Appendix III — Loss Estimate" to this Prospectus.

Estimated consolidated loss attributable to	HK\$25.6 million
owners of our Company ⁽¹⁾	(RMB22.0 million)
Pro forma estimated loss per Share ⁽²⁾	HK\$0.013 (RMB0.011)

Notes:

- (1) The bases on which the estimated consolidated loss attributable to our owners for the year ended 31 December 2010 has been prepared are set out in Appendix III to this Prospectus.
- (2) The calculation of the pro forma estimated loss per Share on a fully diluted basis is based on the estimated consolidated loss attributable to our owners for the year ended 31 December 2010 of RMB22.0 million, assuming the Global Offering was completed on 1 January 2010 and a total of 2,000,000,000 Shares were in issue and outstanding during the entire year. It does not take into account any Shares which may be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 58,000,000 New Shares (subject to adjustment) in Hong Kong as described under "Structure of the Global Offering — The Hong Kong Public Offering"; and
- the International Offering of 522,000,000 Shares (subject to adjustment and the Over-allotment Option), of which 442,000,000 Shares are to be offered by the Company and 80,000,000 Shares are to be offered by the Selling Shareholder in the United States with QIBs in reliance on Rule 144A or other exemptions and outside the United States in reliance on Regulation S.

Citi is the Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager of the Global Offering.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve

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private placements of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective professional, institutional and other investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to adjustment as described in the section headed “Structure of the Global Offering — Pricing and Allocation.”

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of <u>HK\$2.25 per Share</u>	Based on an Offer Price of <u>HK\$3.35 per Share</u>
Market capitalization of our Shares ⁽¹⁾	HK\$4,500 million	HK\$6,700 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽²⁾	HK\$0.590	HK\$0.855

Notes:

- (1) All statistics in this table are based on the assumption that options granted under the Pre-IPO Share Option Scheme are not exercised. The calculation of market capitalization is based on 2,000,000,000 Shares expected to be issued and outstanding following the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II and based on 2,000,000,000 Shares expected to be issued and outstanding following the Global Offering.

DIVIDEND POLICY

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings.

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We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business, primarily through production ramp-up and selective acquisitions. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$1,287 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK\$2.80 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 70%, or HK\$901 million, is expected to be used from 2011 through 2014 to finance the construction of the main production facilities of the Zhangjiaba Mine and marble slab processing facilities, procure mining and processing equipment, and acquire land use rights. See “Business — Future Plans for Ramping-Up Mining and Processing Capacities”;
- approximately 20%, or HK\$257 million, is expected to be used from 2011 through 2015 to establish distribution channels and networks to sell our marble products and to build our brands. See “Business — Business Strategies — Establish a strong customer base and strengthen customer relationships”; and
- approximately 10%, or HK\$129 million, is expected to be used from 2012 through 2015 primarily to acquire and develop additional marble reserves, including the payment of considerations for the acquired exploration and mining rights and the financing of construction and development of the acquired reserves. See “Business — Business Strategies — Expand our marble resources through further expansion and selective acquisitions”.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to increase the amount of net proceeds allocated for the acquisition and development of additional marble reserves. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to decrease the amount of net proceeds allocated for general corporate purposes and the acquisition and development of additional marble reserves.

The Selling Shareholder will be selling a portion of its Shares in the Global Offering. The net proceeds of the Global Offering to the Selling Shareholder (after deducting underwriting commissions payable by the Selling Shareholder in connection with the Global Offering and assuming an Offer Price of HK\$2.80 per Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$216 million, assuming the Over-allotment Option is not exercised. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering or pursuant to the exercise of the Over-allotment Option.

SUMMARY

RISK FACTORS

These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in China; and (iv) risks relating to the Shares and the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial condition and results of operations.

Risks Relating to Our Business

- As a developing mining company with a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned.
- Our business operation depends on a single mining project.
- We derive revenue from a limited number of products.
- The quality of our products is subject to uncertainties.
- Our business is exposed to uncertainties in relation to our ramp-up plan.
- We face risks and uncertainties associated with our mining and processing operations.
- Failure to compete effectively with our competitors may adversely affect our business and prospects.
- Our business and product quality are affected by the performance of our third-party contractors.
- Our business depends on the availability of reliable and adequate transportation capacity for our products.
- Our mining project and ramp-up plan are capital intensive.
- If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.
- We may not be able to achieve the level of profitability as expected.
- Our future growth may depend, in part, on our ability to acquire other marble mines or businesses in our industry.
- We may have difficulty managing our growth effectively.
- Failure to retain our management team and other key personnel could harm our business.
- We may not be able to renew the approvals required to temporarily use the land within some of our mine area and facilities.
- If our rights to lease land from the land owners are subject to a dispute, or if their legality or validity is challenged, our operations could be disrupted.
- Our failure to obtain, retain and renew government approvals, permits and licenses required for our mining activities could materially and adversely affect our business, financial condition and results of operations.
- The occurrence of natural disasters could have a material adverse effect on our operations.

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- Our operations are exposed to risks relating to occupational hazards and production safety.
- Our current insurance cannot adequately cover all losses and liabilities arising from our operations.
- Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.
- We may incur impairment losses related to our mining rights and related assets, which may adversely affect our results of operations.
- Our marble resources and reserves are estimates based on a number of assumptions, and we may produce less than our current estimates.

Risks Relating to Our Industry

- Fluctuations in the market price for our beige marble products could materially and adversely affect our business, financial condition and results of operations.
- We are affected by the level of demand in the real estate development industry, which may experience a significant downturn.
- A decline in public sector construction and reductions in governmental funding could adversely affect our business and results of operations.
- Changes in legal requirements and governmental policies concerning environmental protection and other areas of laws could impact our business.
- Changes to the PRC laws, regulations and governmental policies for the mining industry may restrain our performance and subject us to potential liabilities.

Risks Relating to Conducting Business in China

- Adverse changes in political, social and economic policies of the PRC Government could have a material adverse effect on the overall economic growth of China.
- The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you and us.
- Government control of currency conversion and fluctuation in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.
- Changes in the PRC laws, regulations and policies governing our mining activities could adversely affect our business, financial condition and results of operations.
- Enforcement of judgments from non-PRC courts against us or our Directors or officers who live in China could be difficult.
- Compliance with the *PRC Labor Contract Law* may increase our labor costs.
- Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

SUMMARY

- We rely mainly on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we have, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.
- Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.
- The *EIT* Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our EIT rate.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.
- Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.
- We may be unable to transfer the net proceeds from the Global Offering to China.
- PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering.
- We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Risks Relating to the Shares and the Global Offering

- There has been no public market for our Shares and the market price of our Shares may be volatile and there is no assurance of an active trading market in our Shares.
- Future issuances or sales, or perceived issuances or sales, of substantial amounts of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares and the Company's ability to raise capital in the future.
- The market price of the Shares when trading begins could be lower than the Offer Price.
- Future financing may cause a dilution in your shareholding or place restrictions on our operations.
- You may face difficulties in protecting your interests under Cayman Islands laws or PRC laws.
- The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders.
- Investors should not place undue reliance on facts, forecasts and other statistics in this Prospectus relating to the economy and our industry obtained from official resources.

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- This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Global Offering.

DEFINITIONS

In this Prospectus, the following terms have the following meanings unless the context otherwise requires. Certain technical terms are explained in the section headed “Glossary” in this Prospectus.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a specified person;
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them relating to the Hong Kong Public Offering;
“Application Lists”	the application lists for the Hong Kong Public Offering;
“Articles” or “Articles of Association”	the articles of association of the Company, conditionally adopted on 24 January 2011, and as amended from time to time;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board” or “Board of Directors”	the board of Directors of the Company;
“Business Day”	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business;
“BVI”	British Virgin Islands;
“CAGR”	compound annual growth rate;
“Capitalization Issue”	the allotment and issue of 1,499,999,999 Shares to Wongs Investment to be made upon capitalization of certain sums standing to the credit of the share premium account of the Company referred to in the paragraph headed “Statutory and General Information — A. Further Information about the Company — 3. Written resolutions of the sole Shareholder passed on 24 January 2011” in Appendix VII to this Prospectus;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“Citi”	Citigroup Global Markets Asia Limited;

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“CMMC”	Chinese Market Monitoring Center (中國市場監測中心);
“Companies Law”	Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Company” or “the Company”	China Kingstone Mining Holdings Limited (中國金石礦業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 29 March 2010;
“Competent Person’s Report”	the competent person’s report, dated 7 March 2011, prepared by Behre Dolbear;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Controlling Shareholder(s)”	Mr. Huang and Wongs Investment;
“Corporate Reorganization”	the reorganization arrangements implemented by our Company in preparation for the Listing which is more particularly described in the section headed “Statutory and General Information — A. Further information about the Company — 4. Corporate Reorganization” in Appendix VII to this Prospectus;
“CSMA”	China Stone Material Association (中國石材協會), a non-profit industry association, details of which are disclosed in the section headed “Industry Overview — Sources of Information — CSMA” in this Prospectus;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會);
“Deed of Indemnity”	a deed of indemnity dated 4 March 2011 entered into between our Controlling Shareholders and the Company for itself and as trustee for its subsidiaries, under which our Controlling Shareholders have given certain indemnities in favour of our Company containing, among others, the indemnities referred to in the paragraph headed “Other Information — Estate duty, tax and other indemnity” in Appendix VII to this Prospectus;
“Deed of Non-competition”	a deed of non-competition dated 4 March 2011 entered into by our Controlling Shareholders in favor of the Company, details of which are disclosed in the section headed “Relationship with Controlling Shareholders” in this Prospectus;
“Director(s)”	director(s) of the Company;
“EIT”	enterprise income tax;
“GAC”	General Administration of Customs of PRC (中華人民共和國海關總署);

DEFINITIONS

“GDP”	gross domestic product;
“Global Offering”	the Hong Kong Public Offering and the International Offering;
“GREEN application form(s)”	the application form(s) to be completed by White Form eIPO Service Provider designated by the Company;
“Guangzhou Kingstone”	Kingstone (Guangzhou) Stone Industry Co., Ltd. (金石(廣州)石業有限公司), a limited liability company established under the laws of the PRC on 26 May 2010 and an indirectly wholly owned subsidiary of the Company;
“Hatch”	an experienced consultant in the mining industry, engaged to provide the Hatch Report for use in whole or in part in this Prospectus;
“Hatch Report”	the industry report “Marble and Beige Marble Industry Report”, dated 10 January 2011, prepared by Hatch;
“HK\$”, “HK dollars” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC;
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong Kingstone”	Kingstone (HK) Group Limited (金石(香港)集團有限公司), a company incorporated under the laws of Hong Kong on 14 April 2010 and an indirectly wholly owned subsidiary of the Company;
“Hong Kong Offer Shares”	the 58,000,000 New Shares initially being offered for subscription at the Offer Price in the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus);
“Hong Kong Public Offering”	the offering by the Company of initially 58,000,000 New Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus) for cash at the Offer Price and on the terms and conditions described in this Prospectus and the Application Forms;
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Underwriters” in this Prospectus;

DEFINITIONS

“Hong Kong Underwriting Agreement”	the underwriting agreement dated 4 March 2011 relating to the Hong Kong Public Offering entered into between, among others, the Company, the Sole Global Coordinator and the Hong Kong Underwriters;
“IFRS”	International Financial Reporting Standards;
“IMM”	Internazionale Marmi e Macchine Carrara S.p.A.;
“Independent Technical Consultant” or “Behre Dolbear”	Behre Dolbear Asia, Inc., a wholly owned subsidiary of Behre Dolbear & Company, Inc., and an Independent Third Party that specializes in performing studies and providing consulting services worldwide regarding the minerals industry;
“Independent Third Party(ies)”	a company or companies that is or are not connected person(s);
“International Offer Shares”	the 442,000,000 New Shares initially being offered at the Offer Price pursuant to the International Offering, to be issued by the Company together and 80,000,000 Sale Shares offered by the Selling Shareholder for sale, when relevant, together with any additional Shares to be sold pursuant to the Over-allotment Option;
“International Offering”	the offering of the International Offer Shares by the Company to professional and institutional investors and other investors as further described in the section headed “Structure of the Global Offering” in this Prospectus;
“International Underwriters”	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement;
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into among the Company, Mr. Huang, Wongs Investment, the Sole Global Coordinator and the International Underwriters on or around 11 March 2011;
“Jiucheng Mining”	Guangzhou Jiucheng Mining Co., Ltd. (廣州久成礦業有限公司), a limited liability company established under the laws of the PRC on 19 May 2007;
“Kingstone Industrial”	Kingstone Industrial Investment Limited (金石實業投資有限公司), a company incorporated under the laws of the BVI with limited liability on 7 April 2010 and a directly wholly owned subsidiary of the Company;
“Latest Practicable Date”	28 February 2011, being the latest practicable date for ascertaining certain information in this Prospectus prior to the publication of this Prospectus;
“Lead Manager”	Citi;

DEFINITIONS

“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“Macau”	the Macau Special Administrative Region of the PRC;
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 19 August 2010, as amended from time to time;
“MEP”	Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部);
“MLR”	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部);
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部);
“Mr. Huang”	Huang Xian You (黃賢優), one of our Controlling Shareholders;
“MS China 3”	MS China 3 Limited, an affiliate of Morgan Stanley;
“NBSC”	National Bureau of Statistics of China (中華人民共和國國家統計局);
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展與改革委員會);
“New Shares”	the 500,000,000 new Shares being initially offered by the Company for subscription at the Offer Price under the Global Offering;
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC;
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering;
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares sold pursuant to the exercise of the Over-allotment Option;

DEFINITIONS

“Over-allotment Option”	the option expected to be granted by the Selling Shareholder under the International Underwriting Agreement to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 87,000,000 additional Sale Shares, representing 15% of the initial number of Offer Shares, at the Offer Price, to, among other things, cover over allocations (if any) in the International Offering, details of which are further described in the section headed “Structure of the Global Offering — The International Offering” in this Prospectus;
“PBOC”	The People’s Bank of China (中國人民銀行);
“PRC” or “China”	People’s Republic of China and, for the purpose of this Prospectus, excludes Hong Kong, Macau and Taiwan;
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time;
“PRC Government”	the central government of the PRC including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“Pre-IPO Share Option Scheme”	the existing share option scheme for employees of our Company approved and adopted by the Company pursuant to a resolution passed by our sole Shareholder on 24 January 2011, the principal terms of which are summarized under the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VII to this Prospectus;
“Price Determination Date”	the date, which is expected to be on or around 11 March 2011, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 16 March 2011;
“Prospectus”	this Prospectus in connection with the Hong Kong Public Offering;
“QIBs”	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act;
“Regulation S”	Regulation S under the U.S. Securities Act;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“Rule 144A”	Rule 144A under the U.S. Securities Act;
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);

DEFINITIONS

“Sale Shares”	the 80,000,000 Shares being offered for sale by the Selling Shareholder at the Offer Price under the International Offering and any additional Shares which may be sold pursuant to the exercise of the Over-allotment Option;
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
“SAWS”	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);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Selling Shareholder”	Wongs Investment;
“Share(s)”	shares in the share capital of the Company with a nominal or par value of HK\$0.1 each;
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 24 January 2011, the principal terms of which are summarized in the section headed “Statutory and General Information — E. Share Option Scheme” in Appendix VII to this Prospectus;
“Shareholder(s)”	holder(s) of the Share(s);
“Sichuan Jinshida”	Sichuan Jiangyou Jinshida Stone Industry Co., Ltd. (四川江油金時達石業有限公司), a limited company established under the laws of the PRC on 20 September 2005 and an indirectly wholly owned subsidiary of the Company;
“Sole Global Coordinator”, “Sole Bookrunner”, “Sole Sponsor” and “Stabilizing Manager”	Citi;
“State Council”	the State Council of the PRC (中華人民共和國國務院);
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into on or about 11 March 2011 between the Stabilizing Manager and Wongs Investment pursuant to which Wongs Investment may lend up to 87,000,000 Shares to the Stabilizing Manager on terms set out therein;
“Stock Exchange” and “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Track Record Period”	period comprising the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010;
“Underwriters”	the Hong Kong Underwriters and the International Underwriters;
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“United States” or “U.S.”	the United States of America;
“USGS”	the United States Geological Survey, a fact-finding research organization of the United States government which engages in four major science disciplines concerning biology, geography, geology and hydrology;
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time;
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States;
“VAT”	value added tax;
“we”, “our Company”, “us” or “Group”	China Kingstone Mining Holdings Limited or its predecessors and, except where the context otherwise requires, all of its subsidiaries from time to time;
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO (www.eipo.com.hk);
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited;
“Wongs Investment”	Wongs Investment Development Holdings Group Limited, one of our Controlling Shareholders, a company incorporated under the laws of the BVI with limited liability on 15 March 2010, the entire share capital of which is owned by Mr. Huang;
“WTO”	World Trade Organization;
“Xining Guoxin”	Xining City Guoxin Investment Holdings Co., Ltd. (西寧市國新投資控股有限公司), a limited liability company established under the laws of the PRC on 18 March 1998, which is ultimately controlled by Mr. Huang; and
“Zhangjiaba Mine”	the Zhangjiaba (張家壩) mine, a marble mine located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province.

DEFINITIONS

The English names of the PRC nationals, entities, departments, facilities, certificates, titles and the like mentioned in this Prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese name shall prevail.

Unless otherwise specified, all references to any shareholdings in the Company assume no exercise of the Over-allotment Option.

GLOSSARY

This glossary contains definitions of certain terms used in this Prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

“block rate”	the percentage of the marble resources that can be mined out as marble stone blocks;
“CaCO ₃ ”	the chemical symbol for calcium carbonate;
“calcite”	calcium carbonate minerals;
“CaO”	the chemical symbol for calcium oxide;
“cracks”	small fractures in the stones;
“designed final pit”	a final open pit designed by the <i>Building Materials Institute</i> based on the <i>Northwestern Sichuan Brigade’s</i> marble resource model and an overall pit slope angle of 60°;
“dolomite”	a sedimentary carbonate rock and a mineral, both composed of Calcium magnesium carbonate CaMg(CO ₃) ₂ found in crystals, commercially referred to as marble;
“drilling”	a technique or process of making a circular hole in the ground with a drilling machine, which is typically used to obtain a cylindrical sample of ore;
“exploration”	activity to prove the location, volume and quality of a mine body;
“footwall”	the rock immediately underlying a mineral deposit;
“glossy”	visible light reflected off decorative surfacing marble slabs;
“granite”	a type of decorative granite stone, including various magmatic rocks and metamorphic rocks, with uniform granular structure, which is mainly composed of quartz, feldspar and small quantities of black minerals, and is of relatively hard texture;
“Gray Net”	a type of marble with a netted texture formed by some calcite veins and veinlets filling its fractures;
“hanging wall”	the rock immediately overlying a mineral deposit;
“indicated marble resource”	marble mineral resource that has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability;
“in-situ”	in its natural position;

GLOSSARY

“karst cave”	an area in which erosion has produced caverns;
“K ₂ O”	the chemical symbol for potassium oxide;
“km”	kilometers;
“km ² ”	square kilometer(s);
“limestone”	rocks of sedimentary origin that primarily are composed of calcium carbonate without or with limited magnesium. Certain crystalline limestone which is polishable is commercially classified as marble in the stone industry. Many decorative marbles are of this class;
“m”	meters;
“m ² ” or “sq.m.”	square meter(s);
“m ³ ”	cubic meter(s);
“marble”	rock geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized and much or all of the sedimentary and biologic textures are obliterated. Commercially in the stone industry, and as used in this Prospectus, marble also includes limestone and dolomite that is polishable. Many decorative marbles are of this class;
“marble block”	marble stones of certain specifications, which are processed from untrimmed quarry stone (stones of irregular shape directly separated from mines), and used for further processing into slabs;
“marble slabs”	marble stones of certain specifications, which are processed from cutting, burnishing and polishing the marble blocks;
“measured marble resource”	marble mineral resource that has been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity and where geoscientific data are reliably known;
“metamorphic rock”	a rock which has undergone profound physical and/or chemical change due to high pressure or heat;
“mine life”	the number of years that a mine is expected to continue operations based on the current mine plan;
“mining dilution”	the waste material that is taken in the process of mine extraction;
“mining loss”	that part of a mine reserve which is not recovered during the mining process;
“mining rights”	the rights to mine mineral resources and obtain mineral products in areas where mining activities are licensed;
“Mixed Beige”	a type of marble with the primary color of beige mixed with milk white or grayish white colors;

GLOSSARY

“mm”	millimeters;
“MSL”	mean sea level;
“open-pit mining”	mining of a deposit from a pit open to surface and usually carried out by stripping of overburden materials;
“proved and probable reserves”	reserves that have been based after application of mining recovery and dilution facts, on an <i>in-situ</i> identified resource which has been categorized as “indicated” and “measured” under the JORC Code;
“Pure Beige”	a type of marble with the primary color of pure beige;
“quarry stone”	stones separated from mines, which include marble stones;
“spalls”	small stone materials abandoned during quarrying or processing, or fractions or fragments separated from stone slabs;
“tailings”	the materials left over during the process that separates the valuable ore from the waste rocks; and
“Wood Grain”	a type of marble with alternating color bands similar to the wood grain.

FORWARD-LOOKING STATEMENTS

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- our future production levels;
- future developments, trends and conditions of the industry in which we conduct business;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our future operating and other costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- 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 Prospectus that are not historical fact.

This Prospectus contains certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “expect,” “estimate,” “may,” “ought to,” “should” or “will.” Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Purchasers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard include those identified in the “Risk Factors” section in this prospectus. Actual results may differ materially from information contained in forward-looking statements as a result of numerous factors, including, without limitation, those described in the “Risk Factors” section and the following:

- supply and demand changes in beige marble;
- changes in prices of marble;
- uncertainties relating to the quality of our marble mine and hence our products;
- our production capabilities;
- our plans and objectives for future operations and expansion;

FORWARD-LOOKING STATEMENTS

- our relationship with, and other conditions affecting, our customers;
- risks inherent to our mining and production;
- competition;
- the effects of changes in currency exchange rates;
- environmental laws and regulations;
- future legislation, including regulations and rules as well as changes in enforcement policies;
- changes in political, economic, legal and social conditions, including the government's specific policies with respects to the mining industry;
- economic growth, inflation, foreign exchanges and the availability of credit; and
- our liquidity and financial condition.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus 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 contained in this Prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Investing in the Offer Shares involves a high degree of risk. You should carefully consider all of the information set out in this Prospectus, including the risks and uncertainties described below in respect of, inter alia, our business and industry, when considering making an investment in the Offer Shares being offered in this Global Offering. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of the Offer Shares being offered in this Global Offering could decline and you could lose all or part of your investment.

These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in China; and (iv) risks relating to the Shares and the Global Offering.

RISKS RELATING TO OUR BUSINESS

As a developing mining company with a limited operating history, we cannot guarantee that we will generate revenue and grow our business as planned.

Our operating history is very limited. Sichuan Jinshida, our principal operating entity in the PRC, was established in 2005 and our business is still in an early stage of development. We commenced commercial production at our Zhangjiaba Mine in September 2010. During the Track Record Period, we focused on preparing the Zhangjiaba Mine for commercial production. As a result, we incurred a loss of RMB1.8 million, RMB5.4 million and RMB21.2 million for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively. In addition, we had negative operating cash flows during the Track Record Period. Our limited operating history makes the evaluation of our business and prediction of our future operating results and prospects difficult. We believe that period-to-period comparisons of our operating results may not be meaningful and the results for any period should not be relied upon as an indication of future performance.

In addition, we have encountered and may continue to encounter risks and uncertainties frequently experienced by companies in the early stages of mine development, including those relating to:

- our ability to manage large-scale mining operations and to maintain effective control over operating costs and expenses;
- our ability to ramp up our capacities according to our plan;
- the quality of our marble slabs and blocks;
- our ability to develop and maintain internal personnel, systems and procedures to ensure compliance with the extensive regulatory requirements applicable to mining industry in the PRC;
- our ability to respond to changes in our regulatory environment;
- our ability to manage the logistics, utility and supply needs of our expanded operations; and
- our ability to implement, monitor and enhance our internal control system.

RISK FACTORS

Our business operation depends on a single mining project.

As at the Latest Practicable Date, we had only one mining project, the Zhangjiaba Mine, which we expect to be our only operating mine in the near term and on which we will depend for substantially all of our operating revenue and cash flows in the near term. The Zhangjiaba Mine is still in its early stages of development, and its operations are subject to a number of operating risks and hazards as described elsewhere in the section headed “Risk Factors” in this Prospectus. If we fail to derive the expected economic benefits from the Zhangjiaba Mine due to any delay or difficulty in its development, the occurrence of any event that causes it to operate at less-than-optimal capacity or any other negative development as described elsewhere in this section, our business, financial condition and results of operations could be materially and adversely affected.

We derive revenue from a limited number of products.

Our principal products are marble slabs processed and blocks mined from our marble reserves. Our beige marble products are expected to be used primarily as decorative surfacing materials for high-end commercial and public buildings, such as hotels, office buildings, museums and memorial halls. As a result, our business and profitability is dependent on our end customers’ preference and demand for premium beige marble products. Although the market demand for beige marble products is currently high and the market price of premium beige marble products, including ours, is relatively high compared to products of other colors, an adverse change in market demand, customer preference or market prices for beige marble products could have a material adverse effect on our results of operations.

The quality of our products is subject to uncertainties.

The Zhangjiaba Mine is in an early stage of development. As a result, we cannot assure you that the color, texture, quality and other characteristics of the beige marble slabs processed and blocks mined from our Zhangjiaba Mine will be consistent with the samples currently available to us. In particular, although we have entered into seven legally binding long-term sales contracts, we only made a limited number of deliveries under these contracts as at the Latest Practicable Date. Any failure to meet the requirements of any of these customers due to inferior product quality may result in harm to our reputation and reduction in orders or termination of contracts, which in turn may materially and adversely affect our business and results of operations.

Our business is exposed to uncertainties in relation to our ramp-up plan.

We have a very limited operating history. We are currently investing in the ramp-up of our marble block mining capacity and marble slab processing facilities located near the Zhangjiaba Mine. Our ramp-up plan requires significant development and construction to bring our mine and processing facilities to the planned levels of production. It may take longer than we currently anticipate to complete our ramp-up plan and there may be unforeseen delays before our mining facilities and marble slab processing facilities are able to operate at our planned capacity. For example, the near surface portions of the marble deposits are significantly affected by weathering fractures and karst caves, and producing a relatively low marble block rate. We may not be able to achieve our production goals in the upper portion of the deposit because it is highly cracked and crossed by several karst caves, which limits block production. The block rate is expected to reach the estimated 38% when the third bench (starting from approximately 890 m above MSL) of the mine is opened up for extraction, which is expected to take up to 12 months. In addition, at least 20% of the blocks mined from the third bench will be medium or small blocks. We could also experience other difficulties in achieving our planned mining and

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processing capacities. See “Business — Our Mineral Resources and Mining Rights — Our Marble Reserves” and “Appendix V — Competent Person’s Report.” As a result, any delay in completing our ramp-up, cost overruns, failure to obtain the intended economic benefits from our ramp-up or other reasons may adversely and materially affect our business, financial condition and results of operations.

We face risks and uncertainties associated with our mining and processing operations.

Our mining and processing operations are subject to a number of operating risks and hazards, some of which are beyond our control. These operating risks and hazards include: (i) unexpected maintenance or technical problems; (ii) periodic interruptions for our mining operations due to inclement or hazardous weather conditions and natural disasters; (iii) industrial accidents; (iv) power or fuel supply interruptions; (v) critical equipment failures in our mining and processing operations; and (vi) unusual or unexpected variations in the mine and geological or mining conditions, such as instability of the slopes and subsidence of the working areas. These risks and hazards may result in personal injury, damage to, or destruction of, properties or production facilities, environmental damages, business interruptions and damage to our business reputation. In addition, the breakdown of machinery and equipment, difficulties or delays in obtaining replacement machinery and equipment, natural disasters, industrial accidents or other events could temporarily disrupt our operations.

Any disruption for a sustained period to the operations of our mine or processing plants or supporting infrastructure, or any change to the natural environment surrounding our mine, such as landslides, may have a material adverse effect on our business, financial condition and results of operations.

Failure to compete effectively with our competitors may adversely affect our business and prospects.

In the near term, we plan to focus on the domestic PRC beige marble market, which is highly fragmented and competitive. As our premium beige marble products are expected to be used primarily as decorative surfacing materials for high-end commercial and public buildings, such as hotels, office buildings, museums and memorial halls, we not only face the competition from domestic marble miners, but also, more importantly, the marble miners and suppliers from overseas. Such competition is driven by many factors, including marble mine quality, the ability to supply marble blocks in large quantity and with specified and consistent physical and appearance characteristics, brand recognition, transportation distance and delivery convenience and pricing. Some of our competitors may have greater financial, marketing, distribution and other resources and technological development capabilities than we do. In addition, beige marble resources are relatively plentiful in Sichuan, including areas surrounding the Zhangjiaba Mine, and certain other areas of China. If these resources are exploited, we will face additional competition from operators of these mines. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

Our business and product quality are affected by the performance of our third-party contractors.

We engage third-party contractors for marble slab processing during mine construction and other operations pursuant to service contracts. We currently do not operate any processing facilities and, therefore, we outsource the processing of our marble slabs to third parties. The quality of our marble slabs is affected by the processing quality of our third-party contractors. We may not be able to manage the quality of processing by third-party contractors effectively. As a result, our operations are affected by the performance of our third-party contractors. We may also be unable to successfully develop our

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own internal reliable processing capacities. If the quality of processing proves inconsistent among our third-party contractors and we are unable to ramp up our own processing capacities, our sales contracts may be terminated and orders may be reduced, which could result in harm to our reputation and price or volume reduction of our product sales, which may in turn materially and adversely affect our business and results of operations. In addition, because we do not have long-term cooperative relationships with each of our third-party contractors, any failure to retain our third-party contractors or seek replacements on favorable terms, or at all, may also have a material adverse effect on our business and results of operations.

Such third-party contractors are required to carry out their work in accordance with the design and schedule of the relevant assignments as well as with our safety and environmental protection standards, which are typically defined in the contracts we sign with them. Our specialized technical management personnel typically supervise the work performed by such third-party contractors and regularly inspect safety management. However, we cannot guarantee that we will be able to control at all times the safety and environmental protection standards of the work performed by such third-party contractors to the same extent as when the work is performed by our own employees. Any failure by these third-party contractors to meet our safety and environmental protection standards may result in our liability to third parties and have a material adverse effect on our business, results of operations, financial condition and reputation. In addition, any under-performance or non-performance by these third-party contractors could also affect our compliance with government rules and regulations relating to exploration, mining and workers' safety.

Our business depends on the availability of reliable and adequate transportation capacity for our products.

We anticipate that most of our customers in the near future will be located in China. Our ramp-up plan and associated higher sales volume could increase demand on both the paved highway and the provincial highway connecting our mine to our customers. If we are, or the local government is, unable to ramp up the capacity of these roadways in a timely manner, or these roadways are significantly damaged or cut off for an extended period of time, the delivery of our products would be significantly affected, and we may lose our customers and be in default of existing sales contracts. In addition, a portion of our products will be transported by national railway system to distant customers. Because the PRC national railway system operator allocates transportation capacity to users based on its assessment of available capacity and such capacity is generally limited, there can be no assurance that adequate railway transport capacity will be made available to our operations, or that we would not experience any material delay in transporting our marble products to our customers.

As transportation costs are generally a significant component of the costs of purchase for our customers, any fluctuation in transportation costs may have an adverse effect on the demand for our products. Any material increase in the transportation costs for products procured from our Zhangjiaba Mine would cause our customers to select suppliers closer to their operations and who are able to supply marble blocks or marble slabs with quality considerably similar to ours or to demand significant lower prices for our products. Any such adverse development could have a material adverse effect on our business, financial condition and results of operations.

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Our mining project and ramp-up plan are capital intensive.

We require capital to fund our expenditures associated with our Zhangjiaba Mine and our processing facilities. We currently fund our capital expenditures with capital contributions from our Controlling Shareholder and short-term and long-term bank borrowings. We expect the total capital expenditures to increase our marble block mining capacities at the Zhangjiaba Mine to be RMB366.7 million. During the Track Record Period, our capital expenditure in connection with our ramp-up plan of the marble block mining capacities at the Zhangjiaba Mine totaled RMB83.0 million. We expect the total capital expenditures for construction and equipment procurement for the processing facilities to be RMB421.7 million. During the Track Record Period, we incurred capital expenditure of RMB1.0 million in relation to the processing facilities. However, our estimated capital expenditures for the ramp-up plan and the construction of processing facilities may vary from actual capital expenditures due to our early stages of development. Estimates of project capital are rarely more accurate than $\pm 10\%$ and will be at least $\pm 15\%$ for projects in the development stages, according to the Competent Person's Report.

We expect the ramp-up of our Zhangjiaba Mine and the construction of our marble slab processing facilities to be financed by the proceeds from the Global Offering, capital contributions from our Controlling Shareholder with the proceeds from the issuance of the Exchangeable Note and our operating cash flows. There can be no assurance that we will generate sufficient cash flows for our intended ramp-up plan, or at all. In the event that we do not have such cash flows, we may be required to seek alternative financing.

Our ability to obtain additional financial resources on acceptable terms is subject to uncertainties with respect to, among others:

- investors' perception of the appetite for securities of companies engaged in the mining, production and processing of marble;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- the PRC government's approval and regulation of foreign and domestic investment in companies engaged in marble mining, production and processing;
- economic, political and other conditions in China and the rest of the world;
- the amount of capital that other Chinese entities may seek to raise in the foreign capital markets; and
- the PRC governmental policies relating to foreign currency borrowings.

If we fail to manage our liquidity situation carefully, our ability to expand and, in turn, our results of operations may be materially and adversely affected.

As at 31 December 2009, we had net current liabilities of RMB38.6 million primarily because our mine was in an early stage of development during the year. A net current liability position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. As at 30 November 2010, we had net current assets of RMB15.4 million. The increase was principally due to the receipt from Wongs Investment of the proceeds from the issuance of the Exchangeable Note with a principal amount of US\$15.0 million. Our current ratio, calculated as current assets divided by current liabilities, was 4.4%, 13.6% and 118.5% as at 31 December 2008, 31

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December 2009 and 30 November 2010, respectively. Our gearing ratio, calculated as total liabilities divided by total assets, was 69.3%, 87.0% and 39.6% as at 31 December 2008, 31 December 2009 and 30 November 2010, respectively. In addition, we had negative operating cash flows for the year ended 31 December 2009 and the eleven months ended 30 November 2010 as a result of our preparation for the commencement of commercial production. We have historically relied on funding from our Controlling Shareholder and bank borrowings guaranteed by third-party guarantee companies. In the future, we expect to increasingly rely on cash flows from operations to fund our capital expenditure needs. However, there can be no assurance that our business will generate sufficient cash flows from operations in the future to serve any future debts and make necessary capital expenditures. If we are unable to do so, we may be required to seek additional financing, dispose of certain assets or seek to refinance some or all of our future debts. We may also in the future seek to enter into borrowing facilities. If we are unable to repay any of our future debts when they fall due, our creditors may take action to recover such debts, which may have a material adverse effect on our business, financial condition and results of operations. If we are unable to raise additional funding or there is a delay in obtaining such funding, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to achieve the level of profitability as expected.

In 2010, we entered into long-term sales contracts with seven customers in China. These sales contracts provide for an aggregate sales volume of 1,025,000 m², 1,610,000 m² and 2,015,000 m² of marble slabs in 2011, 2012 and 2013, respectively. Our customers are obligated to purchase a minimum of 90% of the annual volume set out in the contracts and are required to pay a penalty of 20% or 30% of the shortfall sales value if they purchase less than 90% of the contracted volume. Our customers are not obligated to renew or extend the existing sales contracts with us. If our customers, for any reason, elect to pay the penalty in lieu of purchase the minimum volume, our profitability will be materially and adversely affected.

Because we have only commenced commercial production in September 2010, we cannot assure you that the quality of our products will meet the expectations of our customers. There also can be no assurance that we will be able to deliver the products pursuant to the long-term sales contracts without any significant delay, or at all. As a result, we may be required to pay the liquidated damage or other remedies due to any failure in due delivery of the products. The sales prices under these contracts are fixed subject to limited adjustments. We may not be able to obtain consents from our customers to adjust the sales prices based on market conditions and we cannot guarantee that our sales under these contracts will result in any profit. In addition, our number of customers is relatively limited, and there is no assurance that we will be able to successfully increase our number of customers or continue to have the similar amount of contracts or purchase commitments at comparable price. Furthermore, as estimates of operating costs are rarely more accurate than $\pm 10\%$ and will be at least $\pm 15\%$ for projects in the development stages according to the Competent Person's Report, our estimated operating costs for our mining and processing activities may vary from actual operating costs due to our early stages of development. Consequently, we could be adversely affected by lack of purchase orders or commitments from our existing or new customers, material modification, termination, cancellation or non-renewal of our existing sales contracts, any significant decrease in order volume or price, cost overrun or significant delay, any of which could result from a general economic downturn, the entry of new competitors into our primary market, the introduction by others of new or improved production technology, unanticipated

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shift in customers preference or any other factors affecting the demand for our products. Any of these adverse developments could have a material and adverse effect on our business, financial condition and results of operations.

Our future growth may depend, in part, on our ability to acquire other marble mines or businesses in our industry.

We expect to continue to grow our operations, in part, by acquiring additional mine reserves and strategic businesses in our industry. The continued success of our acquisition plan will depend on our ability to identify and acquire attractive mine reserves at a reasonable price, as well as to integrate acquired resources into our existing operations. Such acquisition plans may also be delayed or adversely affected by various factors, including the failure to obtain the relevant regulatory approvals, the inability to secure sufficient financing to fund our expansion, the occurrence of geotechnical difficulties and constraints on managerial personnel. We cannot assure you that our plans to expand or acquire additional reserves and resources or to make selective acquisitions or enter into joint ventures or other business arrangements will be successful.

We may have difficulty managing our growth effectively.

Our future expansion, whether through organic growth or acquisitions, requires us to maintain a stable workforce of qualified and skilled workers and efficiently allocate our resources. We must attract, recruit, train and retain qualified personnel effectively to guarantee a stable workforce. In addition, our future expansion may place significant strains on our managerial, operational, technical and financial resources. In order to better allocate our resources to manage our growth, we must hire, recruit and manage our workforce effectively and implement adequate internal controls in a timely manner. In the event that we fail to effectively manage our internal resources, such as our facilities and logistics, and to secure external sources of funding for future growth, we may encounter, among other things, delays in production and operational difficulties. The inability to manage our workforce, internal resources allocation and the associated enlarged scale of our operations effectively could have a material adverse effect on the output and quality of our products, our ability to attract and retain key personnel and our business or prospects.

Failure to retain our management team and other key personnel could harm our business.

We place substantial reliance on the experience and knowledge of our geological experts, technical personnel and management officers. We cannot prevent employees from terminating their respective contracts in accordance with the relevant agreed conditions. Finding suitable replacements for such key personnel could be difficult and time-consuming, and competition for such personnel with rich experience is intense. The loss of the services of one or more members of our key management personnel due to their departure or other reasons could materially and adversely affect our business, financial condition and results of operations.

Our success also depends on the ability of our management team to cooperate effectively as a group. Furthermore, our ability to recruit and train skilled operating and maintenance personnel is a key factor to the success of our business activities. If we fail to recruit, train and retain such personnel, our business, financial condition and results of operations could be materially and adversely affected.

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We may not be able to renew the approvals required to temporarily use the land within some of our mine area and facilities.

Our mine is located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province. The land within our permitted mining area is collectively owned by the villagers and is designated for agricultural use, including forestry land and other kinds of agricultural land. In order to carry out successful mining and exploration activities, our ability to obtain land use rights is of vital importance. We have obtained approvals to temporarily use an area of approximately 102,614.51 m² of land collectively owned by the villagers and begun taking measures to convert land designated for agricultural use into land for industrial use with respect to the land that is used or to be used in the near future by us. For the purpose of using such land, we had signed lease contracts with the relevant land owners, village committee and villagers. The validity periods of the temporary land use rights is two years and will expire between March and July 2012. We intend to apply to renew the existing short-term land use rights. We also intend to apply for short-term land use rights for the parcels of land as needed within the remaining 377,144.55 m² of land in the mining area covered by the applicable mining permit of our Zhangjiaba Mine from time to time according to our long-term mining plans. Uncertainties exist as to whether we can renew the existing temporary land use rights or obtain the new temporary land use rights. If we fail to renew the existing temporary land use rights or obtain the new temporary land use rights, we may be unable to utilize the full mineral resources and, as a result, our operations might be substantially affected.

If our rights to lease land from the land owners are subject to a dispute, or if their legality or validity is challenged, our operations could be disrupted.

PRC law provides for the registration of land ownership and land-use rights and for the issuance of certificates evidencing land ownership or the right to use land. However, the administrative system for registration of land ownership and land-use rights is not well-developed in rural areas where most of our mining areas are located. As a result, we are generally not able to verify through the land registry system the ownership or land-use rights of the parties from whom we have leased land. Despite our efforts to obtain representations from the land owners, Group 1 and 3 of Zhenjiang Village, that they own the land, possess land-use rights or have the right to sub-contract the land-use right, there is nevertheless a risk that they have not legally and validly granted the right to use the land to us. Moreover, there is a risk that the land owners will, in breach of the terms of the applicable leases, enter into leases with other third parties in respect of land-use rights which they have previously granted to us, or that they have entered into leases with third parties before entering into leases with us.

In addition, there is no specific legal provision in connection with internal voting and meeting procedures of entities like Group 1 or 3 of Zhenjiang Village. Although the leases between these groups and us have been approved by more than half of the attendants who consist of more than two thirds of the representative of villager families at relevant meeting, there is nevertheless a risk that these groups have not undertaken all required actions prior to entering into leases with us.

Our failure to obtain, retain and renew government approvals, permits and licenses required for our mining activities could materially and adversely affect our business, financial condition and results of operations.

Under the *Mineral Resources Law of the PRC* (中華人民共和國礦產資源法), all mineral resources in China are owned by the State. Mining companies, including our Company, are required to obtain certain government approvals, permits and licenses prior to undertaking any exploration, mining and

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relevant production activities. The exploration and mining permit is limited to a specific area and time period. Therefore, whether we can carry on mining activities depends on our ability to obtain mining permits and other approvals and permits from relevant PRC authorities and to renew such approvals and permits upon their expiration. The PRC Government's willingness to issue, renew and not revoke the mining permits materially affects our operation.

Under PRC laws and regulations, before a marble production company can commence production, it must obtain, among other things:

- approval or filing of the relevant project evaluation application from or with the NDRC or its local bureau;
- an environmental impact assessment report, the approval of such report and the approval of the examination and acceptance from MEP or its local bureau;
- a production safety permit from the SAWS or its local bureau; and
- a mining permit from the MLR or its local bureau.

At present, we hold a mining permit for the Zhangjiaba Mine covering a mining area of 0.44 km² with an elevation from 590 m to 938 m above MSL. The mining permit will expire in 2021 and is expected to be renewed upon expiration subject to certain statutory requirements and conditions. Although PRC rules and regulations do not specify the treatment for overpayments, we expect any overpayment to be applied towards future renewals, and if our permit is not renewed, we do not expect any overpaid premium to be refunded to us. We hold a production safety permit which allows us to produce decorative surfacing limestone (飾面用灰岩). The production safety permit will expire on 16 June 2012 and is expected to be renewed for three years, subject to completion of certain administrative examination and approval procedures. These permits and approvals, nevertheless, will expire from time to time. We intend to apply to the competent authorities for an extension upon the expiration of each of our permits, licenses and approvals. Our applications for renewals are subject to a certain degree of government discretion, and there is no guarantee that we will be able to obtain any extension of the permits in the future. In addition, in the event that we identify prospective mine resources, either in the Zhangjiaba Mine or any mines we acquire in the future, there is no assurance that mining permits can be successfully obtained. If we are unable to obtain any of such permits or renew any of current permits upon their expiration, our business and results of operations could be materially and adversely affected. It should also be noted that we may not fully and economically utilize the entire mine resources at the preliminary stage of our project due to strategic concerns.

The occurrence of natural disasters could have a material adverse effect on our operations.

Our mining and marble block processing operations are conducted outdoors. As a result, unfavorable weather conditions in the mining area could affect our operations and business. Inclement weather conditions, including heavy and sustained rainfall, cold weather, heavy fog and snow may cause us to reduce our mining activities and impede our transportation of stone blocks. Adverse weather conditions may also increase our costs and reduce our production output as a result of potential equipment and facility repair and maintenance, power outages, personnel evacuation and similar events. Any resulting damage to our projects or delays in our operation could materially and adversely affect our business and results of operations.

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Natural disasters, such as earthquakes, floods, and landslides, could also severely hamper our operations. We did not incur any expenses or suffered any losses during the Track Record Period as a result of any earthquake, flooding, mudslide or any other natural disasters occurred in Sichuan that have had a material adverse effect upon our business, financial condition and results of operations. However, we cannot assure you that such natural disasters will not, among other things, damage our facilities and the surrounding infrastructure, block the access to the Zhangjiaba Mine and result in a suspension of our operations for an unpredictable period of time.

Our operations are exposed to risks relating to occupational hazards and production safety.

As a mining company, we are subject to extensive laws, rules and regulations imposed by the PRC Government regarding production safety. In particular, our exploration and mining operations involve the handling and storage of certain dangerous articles. In addition, our operations involve the use of heavy machinery, which involves inherent risks that cannot be completely eliminated through prevention efforts. We or our third-party contractors may encounter accidents, maintenance or technical difficulties, mechanical failures or breakdowns during the exploration, mining and production processes. The occurrence of such accidents may disrupt or result in a suspension of our operations, increase production costs, result in liability to us and harm our reputation. Such incidents may also result in a breach of the conditions of our exploration and mining permits, or any other consent, approvals or authorizations obtained from the relevant authorities, which may result in fines and penalties or even possible revocation of our mining and exploration permits.

Our operations are also subject to manufacturing, operating and handling risks associated with the products we produce and the products we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances and wastes. We are exposed to hazards including discharges or releases of hazardous substances, exposure to dust and the operation of mobile equipment and manufacturing machinery. These risks can subject us to potentially significant liabilities relating to personal injury or death or property damage, and may result in civil or criminal penalties, which could hurt our productivity, profitability and/or reputation. On 25 December 2010, an accident resulting from a failed diamond wire saw deployed for marble cutting operations occurred at the Zhangjiaba Mine. The accident resulted in the death of an employee at the mining site. See “Business — Occupational Health and Safety” for more details.

We cannot assure you that accidents such as fires, equipment mishandling and mechanical failures which may result in property damage, severe personal injuries or even fatalities will not occur during the course of our operations. Should we fail to comply with any relevant laws, regulations or policies or should any accident occur as a result of any of the foregoing events, our business, reputation, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities. In order to ensure the safety of our employees and the employees of third-party contractors and to avoid any accidents, we have established a set of safety policies that require our employees to have a good understanding of rescue procedures and escape routes. Despite our endeavors to enhance workplace safety, there can be no assurance that accidents will not occur in the future.

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Our current insurance cannot adequately cover all losses and liabilities arising from our operations.

Consistent with the practice in mining industry, we have obtained insurance for personal injuries and our vehicles, both of which are compulsory in nature. This practice is in place to protect us from substantial expenditures, however, it does not fully cover us from other potential risks and losses. According to the relevant PRC laws and regulations, we will be liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our employees. Should any accidents happen due to negligence on the part of us or our employees, we could be confronted with civil litigation or criminal litigation and expect to incur substantial losses. In addition, we do not obtain any fire, earthquake insurance or property insurance with respect to our properties, facilities or inventory, except for insurance coverage on our vehicles. In the event that we incur substantial losses or liabilities but we are not insured against such losses or liabilities, or that our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Our customers from time to time could claim that our products do not meet contractual requirements, and users could claim to be harmed by use or misuse of our products. This could give rise to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. Product liability insurance coverage may not be available or adequate in all circumstances.

There is no assurance that safety measures, processes and policies we have in place for our operations will be sufficient to mitigate or reduce casualties or accidents and to investigate and address claims related to product liabilities. There is also no assurance that our insurance coverage will be sufficient to cover losses associated with material accidents or claims arising from product liabilities, patent infringement, environmental protection liabilities, distributor terminations, commercial contracts, antitrust or competition law, employment law and employee benefit issues, and other regulatory matters. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Immediately following completion of the Global Offering, our Controlling Shareholders will remain the controlling shareholders of the Company with substantial control over its issued share capital. We expect our Controlling Shareholders to remain passive investors. However, we cannot assure that they will not have significant influence over our business and affairs, including, but not limited to, decisions with respect to: (i) mergers or other business combinations; (ii) acquisition or disposition of assets; issuance of additional shares or other equity securities; (iii) timing and amount of dividend payments; and (vi) appointment of managers.

Our Controlling Shareholders may cause us to, or prevent us from, entering into certain transactions, the result of which might not be in, or may conflict with, the best interests of our other Shareholders. We cannot assure you that our Controlling Shareholders will vote on Shareholders' resolutions in a way that will benefit all of our Shareholders.

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We may incur impairment losses related to our mining rights and related assets, which may adversely affect our results of operations.

Based on our accounting policy, our mining rights are amortized over the estimated useful lives of the mine, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mine using the unit of production method, rather than on a straight line basis over the estimated mine life. The process of estimating quantities of reserves is inherently uncertain and complex and requires significant judgments and decisions based on available geological, engineering and economic data. If the value of our mining rights is over-estimated, the over-estimated amounts will be recognized as impairment losses, which in turn may have a material adverse effect on our result of operations.

The carrying amount of the property, plant and equipment, including mining infrastructure and mining rights, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires us to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. Any material decrease in the amount of our reserves may result in impairment on the carrying value of our mining rights and related assets, which may have a material adverse effect on our business, financial condition and results of operations.

Our marble resources and reserves are estimates based on a number of assumptions, and we may produce less than our current estimates.

The marble resource, reserve and the block rate estimates are based on a number of assumptions that have been made by the Independent Technical Consultant in accordance with the JORC Code. See “Appendix V — Competent Person’s Report” in this Prospectus. Resource and reserve estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration, drilling and analysis of marble samples, as well as the procedures adopted by and the experience of the person making the estimates.

Estimates of the resources, reserves and the block rate at our Zhangjiaba Mine may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resource, reserve and block rate estimates are based may prove to be inaccurate. Should we encounter mineralization different from that predicted by past drilling, sampling and similar examination, mineral resource and/or reserve estimates may have to be adjusted downward. In addition, if the block rate is required to be adjusted downward based on actual mining results, our marble reserve estimate will also need to be adjusted downward, which will lead to decreased mine life, and our production cost will increase if we were to maintain the same planned production volume. The occurrence of any of the foregoing could materially affect our development and mining plans, which could materially and adversely affect our business and results of operations.

In addition, the mineralogical and chemical composition, bulk density, hardness and water absorption, mechanical properties and radioactivities of marble ultimately mined may differ from those indicated by drilling results. There can be no assurance that the block rates derived from drilling and sampling will be duplicated under on-site conditions or in production scale operations. See “Business — Our Mineral Resources and Mining Rights — Our Marble Reserves.” In the event that the marble mined

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is of a lower quality than expected, the demand for, and realizable price of, our marble may decrease. Short-term factors relating to reserves may also materially and adversely affect our business and results of operations.

The inclusion of resource and reserve estimates should not be regarded as a representation that all these amounts can be economically exploited and nothing contained herein (including, without limitation, the estimates of mine lives) should be interpreted as assurance of the economic lives of our marble reserves and resources or the profitability of our future operations.

RISKS RELATING TO OUR INDUSTRY

Fluctuations in the market price for our beige marble products could materially and adversely affect our business, financial condition and results of operations.

Our principal products are marble slabs processed and blocks mined from our marble reserves. The prices of our marble blocks and marble slabs are determined mainly by the quality and color of the stone. Nevertheless, the popularity and reputation of the beige marble products also substantially affect the prices of our products. Our marble mine produces beige marble products, which is considered a classic color for marble. However the popularity of our products could lapse due to customers' changing preference, leading to the fall of the price of our products. In addition, imbalance in the supply of and demand for beige marble products in local, national and global markets could adversely affect the price of our products. Government policies, macro economic factors, global economic environment and other factors beyond our control could significantly result in an oversupply or decreased demand for marble products, which in turn would result in fluctuations in the market price. There can be no assurance that the market price of beige marble products will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability. A significant decline in the market prices of beige marble products could materially and adversely affect our business, financial condition and results of operations.

Virtually all of our revenue and our operating costs are denominated in Renminbi. If Renminbi continues to appreciate against U.S. dollars, our price advantage will gradually diminish. As a result, our customers in China may shift to imports of beige marble products from other countries.

We are affected by the level of demand in the real estate development industry, which may experience a significant downturn.

The demand for marble blocks and marble slabs is affected by the growth of the commercial and residential real estate development industries in China, which could in turn be affected by a number of factors, such as the strength of the commercial and residential property markets, the level of disposable income, consumer confidence, unemployment rate, interest rates, credit availability and volatility in the stock markets. Recently, to ensure the availability of affordable housing, the PRC Government has implemented a series of measures to discourage speculation in the property market in China. On 17 April 2010, the State Council issued the *Notice of the State Council Regarding Control of Excessively Prompt Increase in Property Prices in Certain Cities* (國務院關於堅決遏制部分城市房價過快上漲的通知) (the “Guo Fa [2010] No. 10”). According to *Guo Fa [2010] No. 10 and Notice on Further Implementation of the Guo Fa [2010] No. 10* (關於進一步貫徹落實國發[2010]10號文件的通知) issued by the Ministry of Supervision, MLR and Ministry of Housing and Urban-Rural Development on 30 September 2010 and the *Notice of General Office of the State Council on Issues of Further Regulation and Control of the Real Estate Market* (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的

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通知), the minimum down payment ratio for second houses was increased to 60%. The State Council also required the mortgage banks to strictly adhere to the policy of charging mortgage rates no less than 110% of the corresponding benchmark lending rate on purchases of second houses. In addition, on 8 March 2010, MLR issued the *Notice of the Ministry of Land and Resources Regarding Questions Relating to the Strengthening of Supply and Supervision of Land* (國土資源部關於加強房地產用地供應和監管有關問題的通知), which requires execution of land grant contracts within ten days from the land grant. According to such notice, 50% of the land grant fees are required to be paid within one month from execution of contract and the remaining land grant fees are required to be paid according to schedules stated in the contract and no later than one year. In addition, the real estate market in the PRC may also be negatively affected by the reform of real estate tax (房產稅) system in respect of levying real estate tax on individual owned real estate which is not used for business purpose, which has been implemented by certain local governmental authorities and may be implemented by the national governmental authorities. Furthermore, in order to implement the Notice of General Office of the State Council on Issues of Further Regulation and Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) and other relevant regulations, certain local governmental authorities have promulgated relevant regulations and policies, according to which the thresholds for property purchase have been enhanced in general. Recently, prudent monetary policy (穩健的貨幣政策) was implemented in the PRC and the credit policies may be adjusted accordingly. Specifically, the PBOC raised the reserve requirement ratio by 0.5% each time on 16 November 2010, 29 November 2010 and 20 January 2011. Meanwhile, the interest rate was raised twice, each of 0.25%, on 20 October 2010 and 26 December 2010. Such significant adjustments in monetary instruments may result in tightened liquidity, controlled money supply and credit and reduced capital available for property development and construction activities and may adversely affect the growth rate of the property market. Accordingly, any decrease in residential real estate development and construction activities in general (including a continued decrease in residential construction or a weakening of commercial construction) could result in a decrease in demand and associated decrease in sales volume or selling prices of our marble products, reduced profit margin and tightened liquidity available to us, any of which may have a material adverse effect on our business, financial condition and results of operations.

A decline in public sector construction and reductions in governmental funding could adversely affect our business and results of operations.

We expect a large part of our sales volume of our marble slabs will be made to contractors on publicly funded construction projects, such as museums, memorial halls, libraries, hospitals, airports and other government-operated buildings. If, as a result of a loss of government funding, or a protracted delay or a significant reduction in national or provincial budgets, spending on publicly funded construction were to be reduced significantly, our earnings and cash flows could be negatively affected. In addition, public infrastructure construction activities are directly related to the amount of government funding available for such projects. Any decrease in the amount of government funds available for such projects could have a material adverse effect on our business, financial condition and results of operations. Further, any delays in expenditure of stimulus funds designated for public work projects could have a material and adverse effect on us.

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Changes in legal requirements and governmental policies concerning environmental protection and other areas of laws could impact our business.

Our operations are affected by numerous national, provincial and local laws and regulations related to environmental protection, land use, occupational health, production safety and other matters that govern our operations. There are inherent risks of liabilities in our business operation, particularly environmental protection liabilities. Our operations also require numerous governmental approvals and permits, which could require us to make significant capital and maintenance expenditures to comply with relevant laws and regulations. These potential liabilities arising from any non-compliance could have an adverse impact on our operations and profitability.

Our revenues are dependent on the continued operations of our mine and marble slab processing facilities in Jiangyou, Sichuan Province. We are subject to various PRC environmental protection regulations relating to a broad range of environmental protection matters, such as land rehabilitation, air emissions, noise control, discharge of wastewater and pollution, waste disposal and radioactive element disposal control relating to our production activities. These environmental protection laws and regulations are complex and constantly evolving and are becoming more stringent. We are not always able to quantify the cost of complying with such laws and regulations. Any violation of the PRC environmental protection regulations could subject us to a substantial fine, damage our reputation, result in delays in production or result in a temporary or permanent closing of some or all of our production facilities. Additionally, if any one of our suppliers fails to comply with environmental protection regulations, we may need to seek alternative supplies of certain materials, which may not be available on favorable terms. We cannot assure you that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner. Changes in environmental protection regulations may require us or our suppliers to alter production processes, which could result in increased costs and could harm our financial condition and results of operations. In addition, environmental protection liability insurance is not mandatory in the PRC. Any significant environmental protection liability would harm our business, financial condition and results of operations. For further details on our environmental protection compliance, please refer to the section headed “Business — Environmental Protection and Land Rehabilitation” in this Prospectus.

We are also subject to future events, including changes in existing laws or regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of some of our products or business activities, which may result in additional compliance and other costs. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede the opening of new or expanding existing plants or facilities. We could be forced to invest in preventive or remedial action, like pollution control facilities, which could incur substantial costs. Such costs, liabilities or disruptions in operations could materially and adversely affect our business, financial condition and results of operations.

Changes to the PRC laws, regulations and governmental policies for the mining industry may restrain our performance and subject us to potential liabilities.

The PRC local, provincial and central authorities exercise a substantial degree of control over the mining industry in China. Our operations are governed by a wide range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, production of stone products, taxation, labor standards, foreign investment and operation management. Any changes to

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these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may incur additional compliance efforts and increase in our operating costs and thus adversely affect our business, financial condition and results of operations.

In addition, our operations are subject to PRC laws and regulations relating to occupational health and safety for the mining industry. For additional information regarding the Company's compliance with respect to occupational health and safety laws and regulations, see "Business — Occupational Health and Safety." Mining companies that fail to comply with the applicable safety laws and regulations may be subject to fines, penalties or even suspension of operations. At the same time, relevant government authorities regularly conduct safety inspections of the mines and facilities of mining companies. The timing and the outcome of such safety inspections, nevertheless, is hard to predict since their standards are somewhat obscure. Failure to pass the safety inspections may harm our corporate image, reputation and the credibility of our management, and thus have material adverse effect on our financial condition and results of operations.

There is no assurance that we will be able to fully comply with any new PRC laws, regulations, policies, standards and requirements applicable to the stone mining industry or any changes in existing laws, regulations, policies, standards and requirements economically or at all. Furthermore, any such new PRC laws, regulations, policies, standards and requirements or any such changes in existing laws, regulations, policies, standards and requirements may also constrain our future expansion or ramp-up plans and adversely affect our profitability.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Adverse changes in political, social and economic policies of the PRC Government could have a material adverse effect on the overall economic growth of China.

We conduct substantially all of our business operations in China. As discussed before, China's economic growth can affect construction industry, which in turn will affect our business. Therefore, our results of operations are sensitive to the economic, political and legal environment in China, and China's overall GDP growth. The Chinese economy differs from the economies of most developed countries in many respects, including that it:

- has a high level of government involvement;
- is in the early stages of development of a market-oriented economy;
- has experienced rapid growth;
- has a tightly controlled foreign exchange policy; and
- is characterized by inefficient allocation of resources.

While the Chinese economy has undergone significant growth during the past 30 years, the growth has been uneven across different regions and among various economic sectors. A substantial portion of productive assets in China, including mines, remain state-owned and the PRC Government exercises a high degree of control over these assets. In addition, the PRC Government continues to play a significant role in regulating industrial development by imposing industrial policies and regulating allocation of resources by means of setting monetary policy and providing preferential treatment to particular industries or companies.

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Financial market in China could also be unpredictable. The PBOC's statutory deposit ratio and lending guideline imposed on commercial banks may restrain loan market and materially affect our liquidity and access to capital.

Our results of operations and financial condition could also be adversely affected by governmental control over capital investment or changes in environmental protection, health, labor and tax regulations applicable to us.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to you and us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, prior court decisions may be cited for reference but have limited value as precedents, or at all. Since 1979, PRC legal system evolves rapidly and a lot of laws and regulations governing economic matters in general such as foreign investment, corporate organization and governance, commerce, taxation and trade are promulgated by competent authorities. Some of these laws and regulations are relatively new, so the volume of published cases in relation to these laws and regulations are limited. In addition, the interpretations of many laws, regulations and rules are not always consistent and uniform and the enforcement of these laws, regulations and rules involves uncertainties. These uncertainties could limit the legal protections available to us and other foreign investors. Furthermore, any litigation in China may be protracted, resulting in substantial costs and diversion of our resources and management attention. As Chinese legal system continues to evolve, we cannot predict the future development in PRC legal system, including promulgation of new laws, changes to existing laws or the interpretation and enforcement thereof.

Government control of currency conversion and fluctuation in the exchange rate between the Renminbi and other currencies could negatively affect our financial condition, operations and our ability to pay dividends.

Virtually all of our revenue is denominated and settled in Renminbi. The PRC Government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the SAFE or its local counterparts provided that we satisfy certain procedural requirements. However, capital account transactions must be approved by or registered with the SAFE or its local branch. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Since a significant amount of our future cash flows from operations will be denominated in Renminbi, any fluctuation in exchange rate between RMB and other currencies may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies. In addition, if the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders, which would adversely affect the value of your investment.

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Changes in the PRC laws, regulations and policies governing our mining activities could adversely affect our business, financial condition and results of operations.

Our operations in China are subject to various laws, regulations and policies. These laws, regulations and policies affect many aspects of our operations, including industry-specific taxes and fees, business qualifications, capital investment and environmental protection and safety standards. We may face significant constraints on our ability to implement our business strategies, to develop or expand our business operations or to maximize profitability due to unfavorable changes. Our business may also be affected by policies proposed by the PRC Government with regard to mine resources. For example, under the regime of scientific approach of development, exploitation of resources shall be conducted on a sustainable basis. These kinds of proposals have a de facto influence in China and may have an impact on our future operations. Besides factors arising from our industry, the macroeconomic control measures implemented by the PRC Government may also have an impact on the demand and supply conditions applicable to our products and affect our business accordingly.

Enforcement of judgments from non-PRC courts against us or our Directors or officers who live in China could be difficult.

The legal framework to which we and our operating subsidiaries are subject is materially different from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority shareholders. However, in 2005, the *PRC Company Law* (中華人民共和國公司法) was amended to allow shareholders to commence an action against the directors, officers or any third party on behalf of a company under certain limited conditions.

In addition, China does not enter into treaties providing for the reciprocal recognition and enforcement of civil judgments of courts with certain countries such as the United States, the United Kingdom, and Japan, and therefore enforcement in China of civil judgments of a court in these jurisdictions may be difficult or impossible.

Compliance with the PRC Labor Contract Law may increase our labor costs.

The *PRC Labor Contract Law* (中華人民共和國勞動合同法) became effective on 1 January 2008. Compliance with the requirements under the *PRC Labor Contract Law*, in particular the requirements to make severance payments and to conclude non-fixed term employment contracts, may increase our labor costs.

Pursuant to the *PRC Labor Contract Law*, we have been required to enter into non-fixed term employment contracts with employees who have worked for us for more than ten years or, unless otherwise provided in the *PRC Labor Contract Law*, for whom a fixed term employment contract has been concluded for two consecutive terms. We may not be able to efficiently terminate non-fixed term employment contracts under the *PRC Labor Contract Law* without cause. We are also required to make severance payments to fixed term contract employees when the term of their employment contracts expire, unless such employee voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the employer are the same as or better than those stipulated in the current contract. The amount of severance payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer, except in circumstances where the employee's monthly wage is three or more times greater than the average monthly wage in the relevant district or locality, in which case the calculation of the severance payment will be based on a

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monthly wage equal to three times the average monthly wage multiplied by a maximum of twelve years. A minimum wage requirement has also been incorporated into the *PRC Labor Contract Law*. Liabilities such as damages or fines may be imposed for any material breach of the *PRC Labor Contract Law*.

Restrictions on foreign investment in the PRC mining industry could materially and adversely affect our business and results of operations.

In China, foreign companies have been, and are currently, required to operate within a framework that differs from that imposed on domestic PRC companies. For example, the *Guidance Catalogue for Foreign Investment Industries* (外商投資產業指導目錄) clearly specifies the encouraged and restricted industries for foreign investment. The PRC Government, however, has been opening up opportunities for foreign investment in certain categories of mining projects and this process is expected to continue, especially following China's accession into the WTO. However, if the PRC Government reverses this trend, or imposes greater restrictions on foreign investment in China, or seeks to nationalize our operations in China, our business and results of operations could be materially and adversely affected. For a description of the laws and regulations applicable to foreign invested mining companies, see "Regulatory Overview."

We rely mainly on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we have, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

The Company is a holding company incorporated in Cayman Islands under the Companies Law and we rely mainly on dividends from our subsidiaries in China for our cash requirement. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our subsidiaries in China are required to set aside certain amount of after-tax profits each year, if any, to fund certain statutory reserves. These reserves, however, are not allowed to be distributed as cash dividends. Furthermore, if our subsidiaries in China incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other payments to us. The inability of our subsidiaries to distribute dividends or other payments to us could materially and adversely affect the results of our operations.

Any outbreak of widespread contagious diseases may have a material adverse effect on our business operations, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable diseases (such as severe acute respiratory syndrome, avian influenza or H₁N₁ influenza) in China could materially and adversely affect the overall business sentiments and environment in China, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall GDP growth of China. As our revenue is currently derived from our operations in China, any labor shortages could materially and adversely affect our business and the business of our customers. In addition, if any of our employees are affected by any severe communicable diseases, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease.

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The EIT Law may affect tax exemptions on dividends received by us and by our Shareholders and may increase our EIT rate.

According to the *Enterprise Income Tax Law* (the “EIT Law”) passed in 2007 and its implementation rules passed on 28 November 2007 (the “Implementation Rules”), the withholding tax exemption under previous tax laws for dividends distributed by foreign invested enterprises (“FIEs”) to their foreign shareholder(s) will no longer be available under the EIT Law, which generally subjects any dividends distributed by FIEs, such as Guangzhou Kingstone, to up to 10% withholding tax. However, according to the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (the “Arrangement”) (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), if the beneficiary of dividends is a Hong Kong tax resident which holds directly at least 25% equity interests in a tax resident enterprise in China, the dividends distributed by the tax resident enterprise in the mainland to its Hong Kong shareholder shall be subject to taxes in China at a rate not higher than 5%. Therefore, the dividends distributed by Guangzhou Kingstone to Hong Kong Kingstone may be subject to such Arrangement and therefore be subject to a withholding tax in China at a rate not higher than 5%. According to the Arrangement, the withholding tax paid in China for such dividends can be credited against Hong Kong taxes, if any, payable by Hong Kong Kingstone.

According to the *Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties* (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (the “Notice 81”) promulgated on 20 February 2009, to apply the dividend provision in relevant tax treaties, including the Arrangement, certain requirements shall be satisfied, among which: (i) the taxpayer shall be the beneficial owner of relevant dividends; and (ii) for corporate recipients that enjoy the tax treatment under the relevant tax treaties as direct owners of a certain proportion of the share capital of a PRC enterprise (usually such certain proportion shall be 25% or 10%, and under the Arrangement, it is 25%), such corporate recipients must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. Furthermore, the SAT promulgated the *Notice on How to Understand and Recognize the Beneficial Owner in Tax Treaties* (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) on 27 October 2009, which defines the “beneficial owner” as individuals, enterprises or other organizations normally engaged in substantive operations and sets forth certain adverse factors on the recognition of such “beneficial owner.” On 24 August 2009, the State Administration of Taxation issued the *Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation)* (非居民享受稅收協定待遇管理辦法(試行)) (the “Administrative Measures”), which became effective on 1 October 2009 and requires that the non-resident enterprises obtain the approval for enjoying the treatments under tax treaties from the competent tax authorities. No assurance can be given that we can satisfy all the requirements set forth by above laws and regulations and obtain necessary approvals to enjoy the preferential treatment under the Arrangement.

Under the EIT Law and the Implementation Rules, enterprises established under the laws of foreign jurisdictions other than the PRC may nevertheless be considered as PRC tax-resident enterprises for tax purposes (the “TRE”) if these enterprises have their “de facto management organization” within the PRC. Under the Implementation Rules, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

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The Company and Hong Kong Kingstone are currently not treated as TREs under the EIT Law. Since Hong Kong Kingstone's management is based in China and all members of the Company's management board reside in China, there is a risk that Hong Kong Kingstone and the Company are regarded as TREs. As a consequence thereof, Hong Kong Kingstone and/or the Company would be subject to EIT in China at a rate of 25% on their worldwide income, except that dividend income paid from one qualified TRE to another due to direct investments is exempted income under the EIT Law.

In addition, should both Hong Kong Kingstone and the Company be considered as TREs, then shareholders which are not TREs and which receive dividends distributed by the Company for earnings derived and sourced within China would be subject to a PRC income tax applicable to such dividends and the Company would be obliged under the EIT Law to withhold PRC income tax on dividends payable to such non-TRE shareholders. A lower withholding tax rate may apply if a non-TRE investor (non-individual) or a non-tax resident individual is from a jurisdiction that has entered into an income tax treaty or agreement with China that allows a lower withholding. Similarly, if both Hong Kong Kingstone and the Company are considered TREs, any gain realized on the transfer of Shares in the Company by non-TRE investors or non-tax resident individuals may be also subject to PRC income tax if such gain is regarded as income derived from sources within China, unless the applicable income tax treaty provides otherwise.

If any of the aforementioned risks materializes, the value of an investment in the Shares of the Company may be materially and adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

On 21 October 2005, the SAFE issued the *Notice of the SAFE on Issues Relating to the Administration of Foreign Exchange on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investment* (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("the SAFE Circular No. 75") which came into force on 1 November 2005, requiring PRC residents, including both legal persons and natural persons, who establish offshore companies and inject assets or equity interests in their PRC entities into offshore companies, to register with competent local SAFE branch before establishing or controlling any company outside China, referred to as an "offshore special purpose company." Under the SAFE Circular No. 75, Mr. Huang, who is a PRC domestic resident and has established control over us, is required to register with the local SAFE branch his ownership in us. It is also required by the SAFE Circular No. 75 that any PRC resident that is the shareholder of an offshore special purpose company shall amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, share exchange, merger, division, long-term investment with equity investment or creditor's right investment and other material capital alteration without involving round-trip investment. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by the SAFE to its local branches, in the event that PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to the offshore special purpose company. Failure to comply with the SAFE registration and amendment

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requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. Our current beneficial owner, Mr. Huang, who is a PRC resident has registered with the local SAFE branch as required under the SAFE Circular No. 75 and is applying for amendment of registration with SAFE Sichuan Branch for Guangzhou Kingstone's acquisition of Sichuan Jinshida and the investment by MS China 3. The failure of these beneficial owner to amend his SAFE registrations in a timely manner pursuant to the SAFE notice or the failure of our future beneficial owner who is a PRC resident to comply with the registration procedures set forth in the SAFE notice may subject such beneficial owner to fines and legal sanctions and may also result in restrictions on our PRC subsidiaries' ability to distribute profits to us and to remit funds into or out of China or otherwise materially and adversely affect our business.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the *Administrative Measures on Individual Foreign Exchange* (個人外匯管理辦法), the *Implementation Rules of the Administration Measure for Individual Foreign Exchange* (個人外匯管理辦法實施細則) (the "Individual Foreign Exchange Rules"), issued on 5 January 2007 by the SAFE and the *Operating Rules on the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Employee Stock Ownership Plans and Share Option Schemes of Overseas Listed Companies* (境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程) issued on 28 March 2007 by the SAFE (the "Circular 78"), PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval from the SAFE or its local branches and complete certain other procedures related to the share option or other share incentive plan. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator and a custodian bank, as well as to open foreign currency accounts to handle transactions relating to the share option or other share incentive plan. In order to comply with the requirements of the Individual Foreign Exchange Rules and the Circular 78, we will require our domestic employees to obtain relevant approval from the SAFE or its local branches when they participate in the Share Option Scheme. We and our PRC citizen employees who have been granted share options, or PRC option holders, will be subject to these rules upon Listing of our Shares. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders may be subject to fines and sanctions.

We may be unable to transfer the net proceeds from the Global Offering to China.

Pursuant to Article 4 of the SAFE Circular No. 75 and other relevant laws and regulations of the PRC, we may transfer the net proceeds from the Global Offering to China in accordance with the use of proceeds set forth in the "Future Plans and Use of Proceeds" section in this Prospectus or the use of capital plan stipulated in the business plan letter submitted to the relevant foreign exchange authority. In the event that we are unable to transfer the net proceeds of the Global Offering into China in a timely manner according to relevant laws and regulations, we have to suspend some planned expansion projects, including but not limited to the expansion of mining boundaries, the increase of mining facilities, strategic acquisition of other mine reserves and businesses and construction of new production lines. Because these projects are important to our business growth, there is a risk that suspension of such projects may have a material adverse effect on our business, financial condition and results of operations.

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PRC regulations pertaining to loans and direct capital investments by offshore parent companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering.

In utilizing the proceeds of the Global Offering to finance our business, the Company, as a holding company, or Hong Kong Kingstone may make loans or additional capital contributions to Guangzhou Kingstone, the PRC subsidiary of the Company which qualifies as a FIE under PRC law, which may further finance the operation or expansion of Sichuan Jinshida. Any loans by an offshore parent company to a FIE established by it are subject to registration requirements and must be within the margin between the FIE's total investment amount and registered capital. In addition, if the Company or Hong Kong Kingstone finances the operating entities of the Group in China through additional capital contributions to Guangzhou Kingstone, the amount of these capital contributions must be approved by and registered with the competent government authorities. There can be no assurance that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Company or Hong Kong Kingstone to Guangzhou Kingstone in China. If we fail to receive such registrations or approvals, our ability to use the proceeds of the Global Offering and our ability to fund and expand the operational business in China could be adversely affected, which could have material adverse effects on our business, financial condition and results of operations.

On 29 August 2008, the SAFE promulgated Circular 142 (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), a notice regulating the conversion by a FIE of its foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. Circular 142 prohibits the use of Renminbi converted from foreign capital by FIEs to make equity investments in PRC domestic companies in China, unless the equity investment is within the approved business scope of the FIE and has been approved by the SAFE, or has been "otherwise provided for." In addition, the SAFE recently increased its oversight of the flow and use of the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of Circular 142 will result in severe penalties, such as significant fines. We may therefore not be able to use the proceeds of the Global Offering to acquire Chinese companies.

If we fail to receive the necessary registrations or approvals, our ability to use the proceeds of the Global Offering and our ability to fund and expand the operating business in China could be adversely affected, which could have material adverse effects on our business, financial condition and results of operations.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the *Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or SAT Circular 698, issued by the SAT on 10 December 2009 with retroactive effect from 1 January 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an "Indirect Transfer", and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and

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was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 in the future and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

There has been no public market for our Shares and the market price of our Shares may be volatile and there is no assurance of an active trading market in our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range of our Shares will be determined by negotiations between the Sole Global Coordinator on behalf of the Underwriters and us. The initial Offer Price may bear no relationship to market price of our Shares following completion of the Global Offering. We have applied for the Listing and permission to trade our Shares on the Stock Exchange. The Listing on the Stock Exchange, however, cannot assure the development of an active trading market of our Shares, or if it does develop, that it will be stable and sustainable following completion of the Global Offering.

Furthermore, the market price for our Shares may be volatile and subject to wide fluctuations in response to the factors including the following:

- variations in our revenue, earnings and cash flows;
- unexpected business interruptions resulting from natural disasters, accidents or power shortages;
- potential litigation or administrative investigations;
- fluctuations of exchange rates between RMB and U.S. dollar or other foreign currencies;
- addition or departure of our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and in the global economy;
- fluctuations in stock market prices and volume;

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- changes in financial estimates by securities research analysts; and
- the overall performance of construction industry in China.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares and the Company's ability to raise capital in the future.

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market by the Company's substantial shareholders, or the perception that such sales may occur. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to it, and the Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

The market price of the Shares when trading begins could be lower than the Offer Price.

The initial price to the public of the Shares sold in the Global Offering will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the pricing date. Investors may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during that period.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We believe that our current cash and cash equivalents, anticipated cash flows from operations and the proceeds from this offering will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments relating to our existing operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in the Company may be reduced, and such new securities may confer rights and privileges that take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consents prior to the payment of dividends;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flows to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

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You may face difficulties in protecting your interests under Cayman Islands laws or PRC laws.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

In addition, we conduct substantially all of our operations in China through our wholly owned subsidiaries in China. Most of our officers also reside in China. As a result, it may be difficult or impossible for you to bring an action against us or these individuals in China. Even if you are successful in bringing an action outside of Cayman Islands or China, the PRC laws may still render you unable to enforce a judgment against our assets or the assets of our Directors and officers. China does not have treaties providing for the reciprocal enforcement of civil judgments of courts with Japan, the United Kingdom, the United States and certain other western countries.

The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders.

Issuance of Shares for the purpose of satisfying any award made under the Pre-IPO Share Option Scheme will increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of our Shareholders, the earnings per Share and net asset value per Share. The value of the options granted under the Pre-IPO Share Option Scheme will be recognized as an expense and amortized on a straight line basis over a period since the date of the grant to the end of the vesting period. We have also adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options, if exercised in full, will represent approximately 2% of the issued share capital of the Company immediately following completion of the Global Offering. The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share. Details of the Pre-IPO Share Option Scheme and the Share Option Scheme and the options granted thereunder are set out in the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in Appendix VII to this Prospectus.

Investors should not place undue reliance on facts, forecasts and other statistics in this Prospectus relating to the economy and our industry obtained from official resources.

Facts, forecasts and other statistics in this Prospectus relating to the economy and the mining industry on an international, regional and specific country basis have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our

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respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this Prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

This Prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

Due to the direct or indirect influence of the above risks, uncertainties and assumptions, our forward-looking events and prospective development discussed in this Prospectus 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 contained in this Prospectus are qualified by reference to this cautionary statement.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Global Offering.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this Prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, such as the profit forecast information. You should rely solely upon the information contained in this Prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the Global Offering.

Prospective investors in the Global Offering are reminded that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this Prospectus and the Application Forms. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus and the Application Forms.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

WAIVER PURSUANT TO RULES 8.05B(1) AND 18.04 OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rules 18.04 and 8.05 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least five years in exploration and/or extraction activities. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05(1)(a) and 8.05(1)(b) of the Listing Rules in accordance with the reasoning under Rules 18.04 and 8.05B(1) of the Listing Rules.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Company has applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our Company's core business operations are based, managed and conducted in the PRC, our Company's management is best able to attend to its functions by being based in the PRC. The Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) the Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as the Company's principal communication channel with the Stock Exchange and will ensure that the Company complies with the Listing Rules at all times. The two authorized representatives are Ms. Chen Tao, an executive Director, and Mr. Lou Sai Tong, the company secretary. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail, and are authorized to communicate on behalf of the Company with the Stock Exchange;
- (b) in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed Guotai Junan Capital Limited to act as compliance adviser for a period commencing on the Listing Date and ending on the date on which the Company distributes the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to provide the Company with advices on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing and, where the Company's authorized representatives are unavailable, act as an additional channel of communication between the Stock Exchange and the Company at least for the period commencing from the Listing Date and ending on the date that the Company publishes its first full financial year results pursuant to Rule 3A.19 of the Listing Rules;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (c) both the authorized representatives have means of contacting our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. The Company has implemented a policy whereby (i) each Director will provide his or her mobile phone number, residential phone number, fax number and e-mail address to the authorized representatives; (ii) each executive Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is traveling; and (iii) all Directors will provide his or her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and e-mail addresses to the Stock Exchange; and
- (d) all Directors who are not ordinarily residents in Hong Kong have confirmed that they possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES ORDINANCE

According to Paragraph 27 of Part I of the Third Schedule to the Companies Ordinance, we are required to include in this Prospectus a statement as to our gross trading income or our sales turnover during each of the three financial years immediately preceding the issue of this Prospectus.

According to Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance, we are required to include in this Prospectus a report by the auditors of our Company with respect to (i) the profits and losses of the Company and (ii) the assets and liabilities of the Company for each of the three financial years immediately preceding the issue of this Prospectus.

Pursuant to Rule 4.04(1) of the Listing Rules, we are required to include in this Prospectus the Accountants' Report covering our consolidated results in respect of each of the three financial years immediately preceding the issue of this Prospectus or such shorter period as may be acceptable to the Stock Exchange.

The Accountants' Report of our Company containing the consolidated results of us for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, has been prepared and is set forth in Appendix I to this Prospectus. However, as this Prospectus has been issued on 7 March 2011 and the Listing Date will be 18 March 2011, both within a short period of time after 31 December 2010, the Accountants' Report has not been prepared for the full year ended 31 December 2010 as it would be unduly burdensome for us to produce financial statements for the year ended 31 December 2010 in this Prospectus within a very short period of time given the additional work and expenses involved. The Company expects to publish the preliminary results on or around 29 March 2011 in respect of the financial year ended 31 December 2010.

The SFC is satisfied that compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would be unduly burdensome for us. The SFC has granted to us a certificate of exemption under section 342A of the Companies Ordinance from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance on the condition that particulars of the exemption are set out in this Prospectus and that this Prospectus is issued on or before 7 March 2010.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

The Stock Exchange has also granted to us waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the ground that it would be unduly burdensome for our Company to do so and the Listing Date will be within three months after 31 December 2010.

Our Directors are of the view that all information that is necessary for the prospective investors to make an informed assessment of our financial position has been included in this Prospectus. Our Directors also confirm that they have performed sufficient due diligence on our Group to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial and trading positions or prospects since 30 November 2010 and there has been no events since 30 November 2010 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Prospectus or this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Global Coordinator, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus and in the relevant Application Forms.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 58,000,000 Hong Kong Offer Shares and the International Offering of initially 522,000,000 International Offer Shares, subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" in this Prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option.

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Details of the terms of the Hong Kong Public Offering are described in the section headed "Structure of the Global Offering" in this Prospectus and on the Application Forms.

The Global Offering is sponsored by and lead managed by Citi. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about 11 March 2011, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Sole Global Coordinator (on behalf of the Underwriters) by 16 March 2011, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. For further information relating to the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this Prospectus.

RESTRICTIONS ON THE USE OF THIS PROSPECTUS

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this Prospectus and the related Application Forms and on the terms and subject to the conditions contained in this Prospectus and the Application Forms.

Each person acquiring Hong Kong Offer Shares will be required to confirm, or by his/her acquisition of Hong Kong Offer Shares will be deemed to confirm, that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Stock Exchange

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this Prospectus (including the Offer Shares and any additional Shares which may be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option and any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). Dealings in our Shares on the Stock Exchange are expected to commence on 18 March 2011.

Except as otherwise disclosed in this Prospectus, no part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Share Register and Hong Kong Stamp Duty

All of the Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our share register to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar, Butterfield Fulcrum Group (Cayman) Limited in the Cayman Islands.

All Shares issued or sold in the Global Offering are expected to be registered on our register of members to be maintained in Hong Kong. Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Eligibility for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

Professional Tax Advice Recommended

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to the Offer Shares.

We, the Sole Sponsor, the Underwriters, the Selling Shareholder, any of their respective directors, agents or advisers or any other persons or party involved in the Global Offering do not accept responsibility for any tax effects on or liabilities resulting from the subscription, purchase, holding or disposing of, dealing in or the exercise of any rights in relation to the Offer Shares.

Procedure for Application for Hong Kong Offer Shares

The procedure for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this Prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Stabilization and Over-allotment Option are set out in “Structure of the Global Offering — Over-allotment and Stabilization” in this Prospectus.

EXCHANGE RATE

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars and certain U.S. dollars amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

into HK dollars was made at the rate of RMB0.8598 to HK\$1.00, the exchange rate prevailing on 30 November 2010, set by the PBOC for foreign exchange transactions and translation of U.S. dollars into Hong Kong dollars was made at the rate of US\$1.00 to HK\$7.7649. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Chen Tao (陳濤)	Room 1503 No 8, Lantingjie Huangzhuangnan Road Baiyun District Guangzhou the PRC	Chinese
Mr. Lin Yuhua (林玉華)	Room 201, Door 3, Yard 6 Third Lane of Nanhuqu Chaoyang District Beijing the PRC	Chinese
Mr. Liao Yuanshi (廖原時)	No 602, Unit 2, Building 28 Xianghuaqi, Houshayu Shunyi District Beijing the PRC	Chinese
Mr. Xiong Wenjun (熊文俊)	A4-6B New World Yishan Garden Shatoujiao Yantian District Shenzhen the PRC	Chinese
Non-executive Director		
Mr. He Ji (何霽)	Flat A, 25/F Cherry Crest, 3 Kui In Fong Sheung Wan Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Deng Huiqing (鄧惠青)	Room 202, Door 4, Building 11 Yihui Jiayuan, Zhanghuanan Road Haidian District Beijing the PRC	Chinese
Mr. Liu Yuquan (劉玉泉)	Room C, Floor 27, Building 1 The Zenith No. 3, Wan Chai Road Hong Kong	Chinese
Mr. Chu Ho Hwa, Howard (朱賀華)	Flat A, 28/F, Block 2 Garden Terrace 8A Old Peak Road Mid-levels Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

OTHER PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Global Coordinator,
Bookrunner, Sponsor and Lead Manager**

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower
Citibank Plaza, 3 Garden Road
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong and United States law:
Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
the PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

**Legal advisers to the Sole Global
Coordinator, Sole Sponsor and
the Underwriters**

As to Hong Kong and United States law:
Skadden, Arps, Slate, Meagher & Flom
42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang
Beijing
the PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditors and reporting accountants	Ernst & Young <i>Certified Public Accountants</i> 18th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
Independent Industry Consultant	Hatch Room 1108–09, Tower W1, Oriental Plaza No. 1 East Chang An Ave Dong Cheng District Beijing the PRC
Independent Technical Consultant	Behre Dolbear Asia, Inc. 999 Eighteenth Street Suite 1500 Denver, CO 80202 USA
Receiving bankers	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor ICBC Tower 3 Garden Road Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 15th Floor Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

Registered office	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	288 Shicheng Road Jinpeng Modern Town, Jiangyou City Sichuan Province the PRC
Principal place of business in Hong Kong	43rd Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company's website	<u>www.kingstonemining.com</u> (information contained in this website does not form part of this Prospectus)
Authorized representatives	Ms. Chen Tao (陳濤) Room 1503 No. 8, Lantingjie Huangzhuangnan Road Baiyun District Guangzhou the PRC Mr. Lou Sai Tong (盧世東) House 2, 22 Tsing Tai Road Siu Lam, N.T. Hong Kong
Audit committee	Mr. Chu Ho Hwa, Howard (朱賀華) (<i>chairman</i>) Mr. Deng Huiqing (鄧惠青) Mr. Liu Yuquan (劉玉泉)
Remuneration committee	Ms. Chen Tao (陳濤) (<i>chairman</i>) Mr. Liu Yuquan (劉玉泉) Mr. Deng Huiqing (鄧惠青)
Nomination committee	Ms. Chen Tao (陳濤) (<i>chairman</i>) Mr. Liu Yuquan (劉玉泉) Mr. Deng Huiqing (鄧惠青)

CORPORATE INFORMATION

Company secretary	Mr. Lou Sai Tong (盧世東) <i>FAIA, HKICPA</i> House 2, 22 Tsing Tai Road Siu Lam, N.T. Hong Kong
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street P.O. Box 609 Grand Cayman, KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Agricultural Bank of China Jiangyou City, Jiangyou Branch No. 243 Monument Road, Jiangyou City Sichuan Province the PRC Industrial and Commercial Bank of China Guangzhou Huacheng Branch 2/F, International Financial Plaza No. 8 Huaxia Road, Zhujiang New Town Guangzhou City Guangdong Province the PRC
Compliance adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

Investors should note that Hatch, an experienced consultant in the mining industry, has been engaged to prepare a marble and beige marble industry report, for use in whole or in part in this Prospectus. Hatch prepared its report based on Hatch's in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Hatch contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Hatch has assumed that the information and data on which it relies are complete and accurate.

Hatch has provided part of the statistical and graphical information contained in this Industry Overview. Hatch has advised that: (i) some information in the Hatch's database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other mining data collection agencies may differ from the information in Hatch's database.

We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. The Company, the Sole Global Coordinator, Bookrunner, Sponsor, Lead Manager, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside China. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

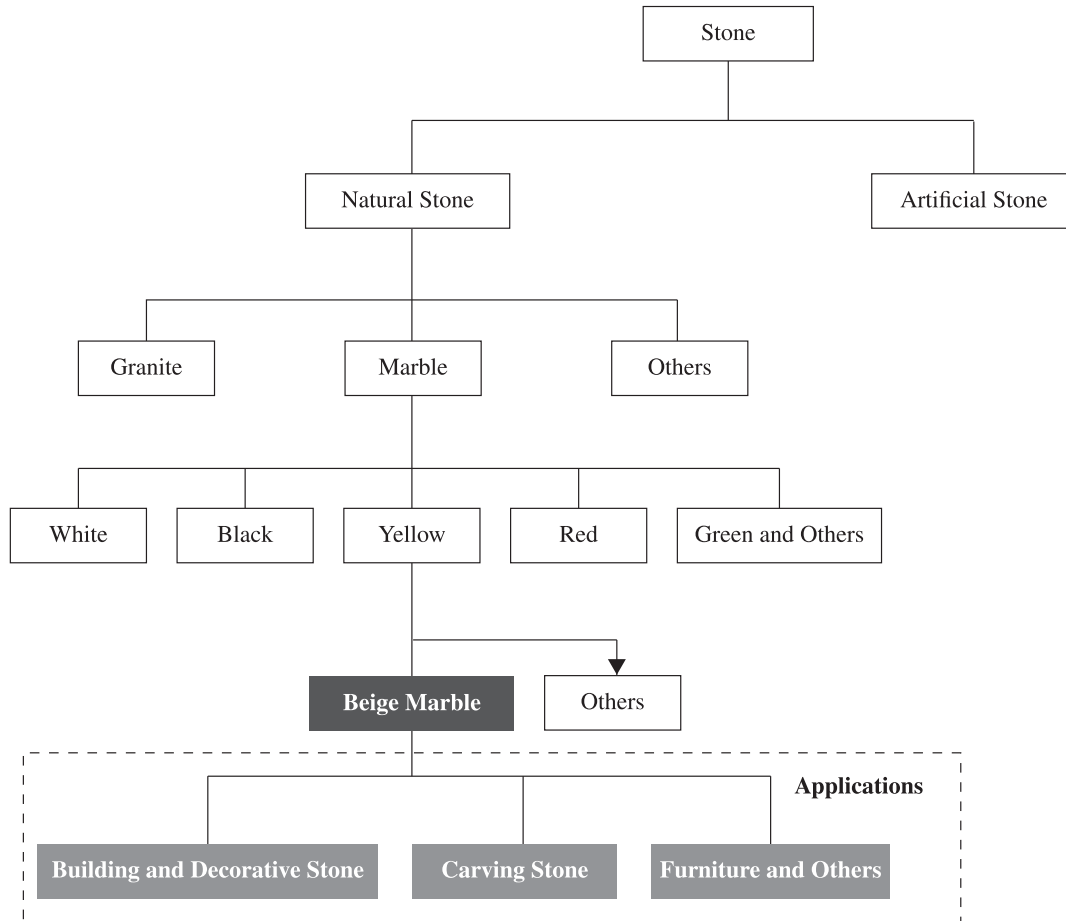
INTRODUCTION TO MARBLE

Stone or rock is a naturally occurring solid aggregate of minerals, which also forms the earth's outer solid layer. Stone is generally of three types, namely, igneous, sedimentary and metamorphic. Stone products that are used commercially include natural stone products and artificial stone products. The principal natural stone products types consist of granite and marble.

INDUSTRY OVERVIEW

The following chart sets forth the different types of stones:

Types of Stones



Source: Hatch

Marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized and much or all of the sedimentary and biologic textures are obliterated. Commercially in the stone industry, and as used in this Prospectus, marble is any crystalline rock composed predominantly of calcite, dolomite or serpentine that is polishable. Marble is composed mostly of calcium carbonate (CaCO_3) and is irregularly colored due to the composition of mineral impurities. Generally speaking, marble is softer than granite. Marble is an important branch of natural stone.

Marble can be found in a variety of color series, including white, yellow, red, black and green. In general, yellow and white are the most popular color series for natural marble. Beige marble, an important member of the yellow series, is one of the most popular marble products in the world due to its pleasing color and texture.

Marble is of tender texture, graceful style and found in a variety of colors. It is the ideal decorative material for luxury buildings, and is also the traditional material for artistic carvings. Marble can be processed into various shapes and slabs, which can be used as panels for walls and floors, columns of buildings and monumental objects, such as tablets, towers and sculptures. It can also be

INDUSTRY OVERVIEW

carved into practical craftworks, such as stationery, lamps, lanterns and utensils. The tailing shredded marble and crushed marble can be further used to make artificial stone products, cement and calcium carbonate powder.

OVERVIEW OF THE MARBLE INDUSTRY

Global Stone and Marble Industry

Resources and distribution

According to *U.S. Geological Survey* (USGS), stone resources of the world are sufficient to cater to foreseeable needs. Nevertheless, resources can be limited on a local level or occasionally on a regional level due to the lack of a particular type of stone. Marble resources are mainly located in Italy, China, Turkey, Philippines, France, Brazil, USA, India, Morocco, Austria, Russia, Japan, Portugal and Greece. Italy has abundant resources of high quality marble, positioning the nation as a key marble producer and exporter in the world. Turkey is located at the world's richest natural stone Alps area. There are a mass of marble resources from Anatolia to the Thrace region.

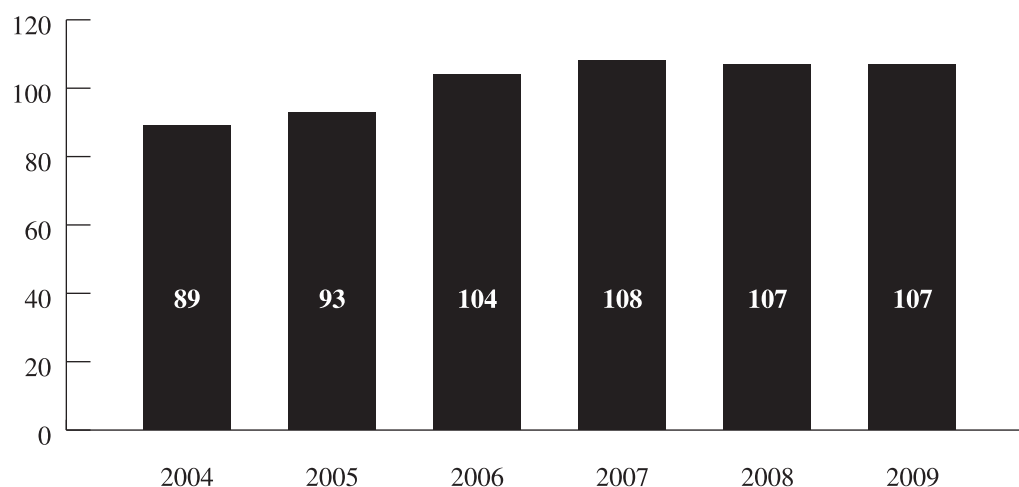
According to the Hatch Report, beige marble resources are rich in Egypt, Turkey, Iran, Spain, Italy, Greece, Portugal, India and Pakistan. China is short of beige marble resources.

Stone and marble production

According to the Hatch Report, global quarry stone output has steadily increased from 89 million tonnes in 2004 to 107 million tonnes in 2009, representing a CAGR of 3.6%. Based on the standard specification of slab, which is 20 mm in thickness and 2.7g per cubic centimeter in density, the production in 2009 equals to 1.98 billion square meters.

The following graph sets forth the world quarry stone output from 2004 to 2009:

World Quarry Stone Output 2004–2009 (Unit: million tonnes)



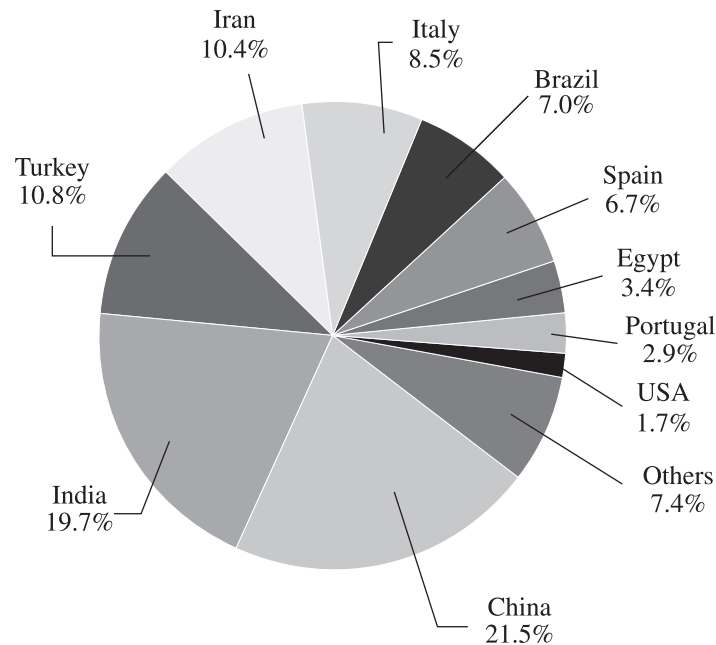
Source: IMM

INDUSTRY OVERVIEW

The world's top ten natural quarry stone producers include China, India, Iran, Turkey, Italy, Spain, Brazil, Egypt, Portugal and Greece. The output of the top ten quarry stone producing countries collectively accounted for 92.6% of world quarry stone output in 2009.

The following graph sets forth the top ten quarry stone output by country in 2009:

Top Ten Quarry Stone Output by Countries in 2009



Source: IMM, Hatch

In terms of marble slab production, Italy, China, Spain, Portugal, Greece, Turkey, Philippines, France, Brazil, USA and India are major countries.

Italy has rich and widely spread marble deposits with good texture. It is one of the major resources and producers of marble and holds a significant share of the international marble trade.

According to estimates from IMM and CSMA, China accounted for around 6% of the world's total marble production in 2009.

Beige marble production

Beige marble slabs are mainly produced in Iran, Egypt, China, Italy and Spain. Due to lack of resources, China mainly relies on imports of beige marble raw materials for the processing of beige marble products. The products from each of the above-mentioned countries are different from one another, carrying different characteristics. In general, the beige marble slabs produced in Iran, Egypt and Spain are mainly targeted at the export market, while those produced in Italy and China are consumed partly in their domestic markets and partly exported into the foreign markets.

INDUSTRY OVERVIEW

The following table sets forth the main beige marble slabs producing countries and their brands:

Main Beige Marble Slabs Producing Countries and Brands

Origin	Brand
Iran	Royal Batticino (莎安娜)
Egypt	New Beige (埃及米黃), Sunny Yellow (金線米黃), Sunny Beige (金碧米黃)
China ^{Note}	Cream Jade (米黃玉), Portor Gold (金鑲玉), Jinying Beige (金影米黃)
Italy	Botticino Classico (舊米黃), Bianco Teseo (義大利米黃), Bianco Perlino (銀線米黃)
Spain	Cream Marfil (西班牙米黃), Perlato Svevo (金花米黃)
Turkey	Bianco Botticino (白沙米黃), Cremare Beige (蘇丹米黃)
Portugal	Bianco Botticino (白沙米黃)
Indonesia	Citatah Beige (新雅米黃), Beige A1&A2 (富貴米黃)
France	Frans Beige (法國米黃)
Philippines	K-Beige Caramella (菲律賓米黃)
Oman and ME	Amasya Beige (阿曼米黃)

Source: Chinese Market Monitoring Center (CMMC, 中國市場監測中心), Hatch

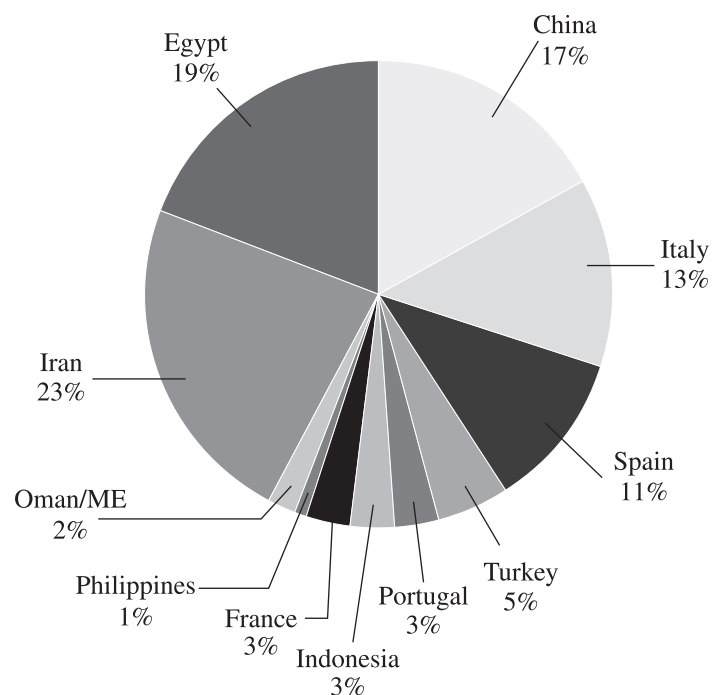
Note: As China mainly imports beige marble raw materials for the processing of beige marble slabs, the Chinese beige marble brands, including the ones listed in this table, only account for a small percentage of the slabs processed in China.

According to the Hatch Report, Iran, Egypt, China, Italy, Spain and Turkey are top six beige marble slab producers in 2009.

INDUSTRY OVERVIEW

The following table sets forth the global beige marble slab output by country in 2009:

Global Beige Marble Slab Output by Country in 2009



Source: CMMC

Marble consumption

In the last decade, the world's largest marble consumption regions were those developed countries and regions such as the USA, Europe, South Korea and Japan. In addition, with the fast development of China's economy, China has also become one of the biggest marble consuming countries.

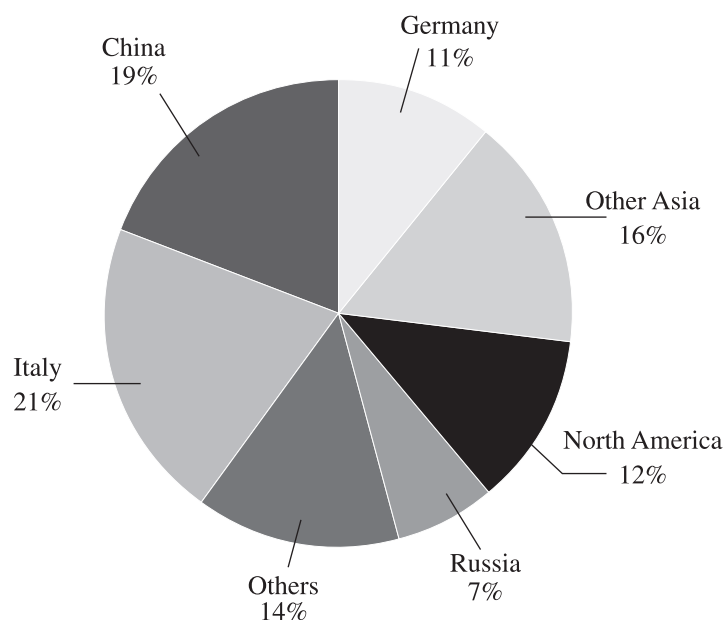
INDUSTRY OVERVIEW

Beige marble consumption

According to the Hatch Report, Italy, China and Germany are the top three beige marble consuming countries.

The following table sets forth the global beige marble consumption by country in 2009:

Global Beige Marble Consumption by Country in 2009



Source: CMMC

CMMC summarized the main characteristics of global beige marble market as follows:

- *Color preference.* The most popular color in the global marble market is beige, followed by black, white, blue, green, pink, red, golden and grey.
- *Preference for finished products.* The most common beige marble products are thin slabs and tiles, which are used as building materials for floors and walls. Other popular applications include window sill, deck plate, staircase, sculpture (statue), column, fountain, fireplace and mosaic.
- *Preference for processing.* Antique surface, rubbed surface and honed surface are the most popular processes adopted in the beige marble market.

Marble trade

Marble is traded worldwide. Global marble (including raw materials and products) trade has increased to 15 million tonnes in 2009 from 11 million tonnes in 2005, with a CAGR of 8%. Worldwide marble raw material trade is approximately 10 million tonnes, and marble product trade reached 6 million tonnes in 2009.

In terms of marble raw material exports, Turkey, Egypt, Croatia, Italy and Spain were the top five exporters, whose exports collectively accounted for 72.7% of world's total marble raw material exports in 2009.

INDUSTRY OVERVIEW

The following table sets forth the global marble raw material exports by country or region from 2005 to 2009:

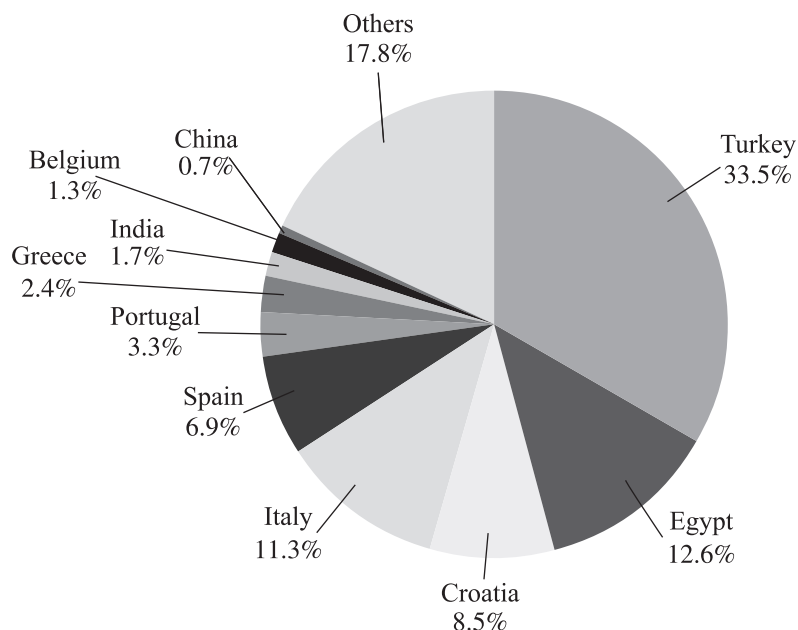
Global Marble Raw Material Exports by Country or Region 2005–2009
(Unit: thousand tonnes)

Country	2005	%	2006	%	2007	%	2008	%	2009	%
World Total	6,788	100.0	7,714	100.0	8,166	100.0	10,894	100.0	9,552	100.0
Turkey	1,586	23.4	2,140	27.7	2,675	32.8	3,080	28.3	3,199	33.5
Egypt	337	5.0	375	4.9	439	5.4	2,102	19.3	1,200	12.6
Italy	789	11.6	890	11.5	982	12.0	1,007	9.2	1,075	11.3
Croatia	938	13.8	1,102	14.3	955	11.7	1,220	11.2	811	8.5
Spain	1,014	14.9	813	10.5	954	11.7	904	8.3	657	6.9
Portugal	170	2.5	250	3.2	287	3.5	295	2.7	313	3.3
Greece	231	3.4	282	3.7	243	3.0	240	2.2	233	2.4
India	161	2.4	196	2.5	218	2.7	203	1.9	166	1.7
Austria	71	1.0	81	1.1	108	1.3	156	1.4	164	1.7
Belgium	181	2.7	156	2.0	248	3.0	199	1.8	128	1.3
China	66	1.0	86	1.1	96	1.2	69	0.6	68	0.7
Others	1,244	18.3	1,343	17.4	961	11.8	1,419	13.0	1,538	16.1

Source: Hatch

The following graph sets forth the breakdown of marble raw material exports by country or region in 2009:

Breakdown of Marble Raw Material Exports by Country or Region in 2009



Source: Hatch

INDUSTRY OVERVIEW

China is the largest marble raw materials importing country in the world. China's marble raw material imports accounted for more than half of the world's marble raw material imports.

The following table sets forth the global marble raw material imports by country or region from 2005 to 2009:

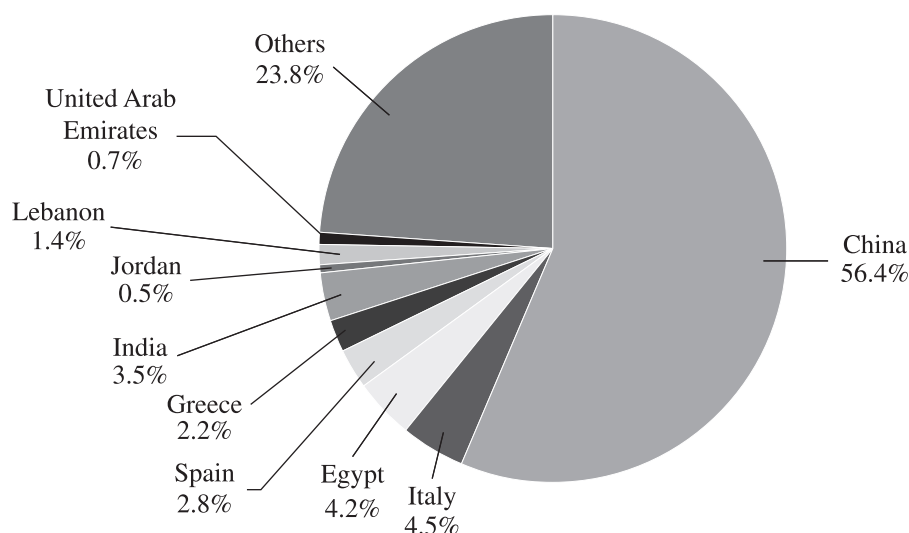
Global Marble Raw Material Imports by Country or Region 2005–2009 (Unit: thousand tonnes)

Country	2005	%	2006	%	2007	%	2008	%	2009	%
World Total	6,095	100.0	8,799	100.0	8,419	100.0	10,254	100.0	9,096	100.0
China	2,415	39.6	3,398	38.6	4,482	53.2	5,093	49.7	5,133	56.4
Italy	478	7.8	604	6.9	692	8.2	664	6.5	405	4.5
Egypt	43	0.7	20	0.2	15	0.2	479	4.7	385	4.2
India	110	1.8	155	1.8	175	2.1	250	2.4	318	3.5
Spain	226	3.7	238	2.7	249	3.0	314	3.1	251	2.8
Greece	237	3.9	260	3.0	308	3.7	251	2.4	197	2.2
Lebanon	95	1.6	89	1.0	97	1.2	115	1.1	130	1.4
United Arab Emirates . . .	87	1.4	57	0.6	95	1.1	110	1.1	68	0.7
Switzerland	119	2.0	107	1.2	112	1.3	104	1.0	105	1.2
Tunisia	78	1.3	71	0.8	77	0.9	101	1.0	102	1.1
Jordan	168	2.8	162	1.8	188	2.2	179	1.7	42	0.5
Others	2,039	33.5	3,638	41.3	1,929	22.9	2,594	25.3	1,961	21.6

Source: Hatch

The following graph sets forth the breakdown of marble raw material imports by country or region in 2009:

Breakdown of Marble Raw Material Imports by Country or Region in 2009



Source: Hatch

In 2009, world marble product exports totaled 6.0 million tonnes. Turkey, China and Italy were the top three marble products exporting countries in the world, and marble product exports for each of the above three countries exceeded 0.8 million tonnes in 2009, collectively accounting for 65.8% of total world marble product exports.

INDUSTRY OVERVIEW

Historically, Turkey was the largest marble product exporting country. In 2009, China became the largest marble product exporting country in the world.

The following table sets forth the global marble product exports by country or region from 2005 to 2009:

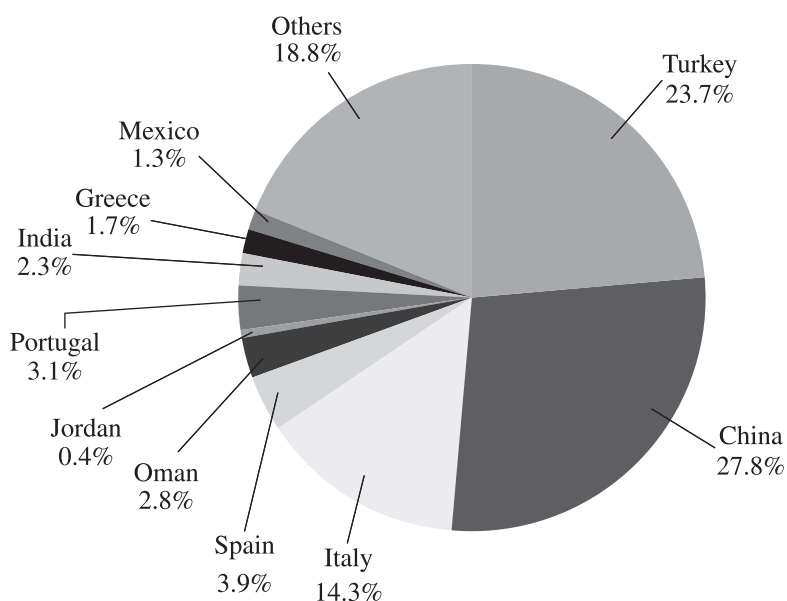
Global Marble Product Exports by Country or Region 2005–2009 (Unit: thousand tonnes)

Country	2005	%	2006	%	2007	%	2008	%	2009	%
World Total	5,579	100.0	6,444	100.0	7,226	100.0	6,641	100.0	6,018	100.0
China	747	13.4	1,103	17.1	1,464	20.3	1,471	22.2	1,672	27.8
Turkey	1,255	22.5	1,427	22.1	1,571	21.7	1,567	23.6	1,424	23.7
Italy	1,004	18.0	1,052	16.3	1,120	15.5	1,056	15.9	862	14.3
Spain	263	4.7	304	4.7	342	4.7	295	4.4	234	3.9
Portugal	243	4.4	249	3.9	259	3.6	207	3.1	187	3.1
Oman	91	1.6	97	1.5	73	1.0	266	4.0	169	2.8
India	113	2.0	129	2.0	158	2.2	140	2.1	136	2.3
Greece	111	2.0	113	1.8	106	1.5	113	1.7	100	1.7
Mexico	132	2.4	150	2.3	140	1.9	111	1.7	77	1.3
Indonesia	69	1.2	108	1.7	109	1.5	100	1.5	74	1.2
Jordan	221	4.0	195	3.0	197	2.7	217	3.3	24	0.4
Other	1,330	23.8	1,517	23.6	1,687	23.3	1,098	18.0	1,059	17.6

Source: Hatch

The following graph sets forth the breakdown of marble product exports by country or region in 2009:

Breakdown of Marble Product Exports by Country or Region in 2009



Source: Hatch

INDUSTRY OVERVIEW

The USA is the largest marble product importing country. Its marble product imports reached 1.5 million tonnes in 2009, accounting for 26.7% of total world marble product imports. In addition, South Korea, UAE, Belgium and UK are also large marble products importing countries. Chinese marble product imports, at 34 thousand tonnes in 2009, are relatively low compared to other countries.

The following table sets forth the global marble product imports by country or region from 2005 to 2009:

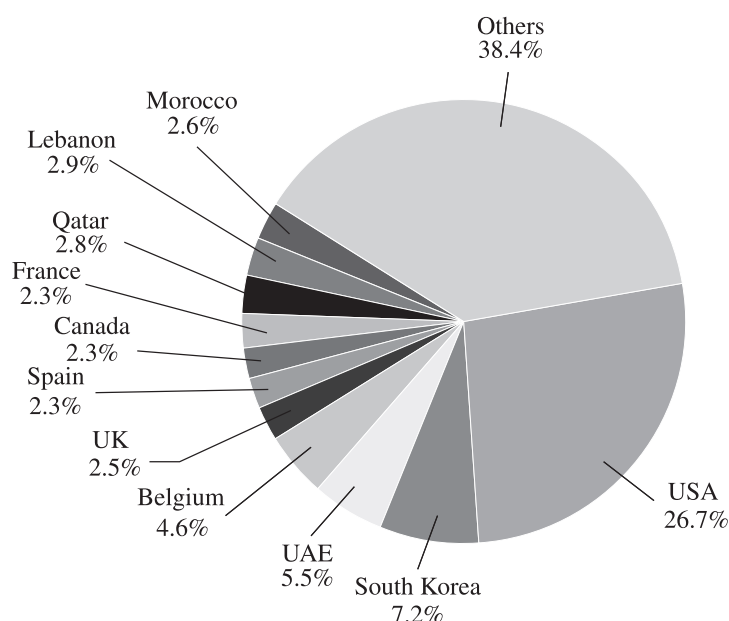
Global Marble Product Imports by Country or Region 2005–2009 (Unit: thousand tonnes)

Country	2005	%	2006	%	2007	%	2008	%	2009	%
World Total	5,352	100.0	6,662	100.0	7,117	100.0	6,729	100.0	5,681	100.0
USA	2,087	39.0	2,129	32.0	2,247	31.6	2,341	34.8	1,514	26.7
South Korea	255	4.8	274	4.1	376	5.3	425	6.3	407	7.2
United Arab Emirates. . .	193	3.6	—	—	277	3.9	331	4.9	312	5.5
Belgium	220	4.1	267	4.0	299	4.2	283	4.2	262	4.6
Lebanon.	58	1.1	70	1.1	91	1.3	116	1.7	164	2.9
Qatar	69	1.3	892	13.4	304	4.3	131	1.9	157	2.8
Morocco	74	1.4	86	1.3	103	1.4	116	1.7	146	2.6
United Kingdom	110	2.1	136	2.0	166	2.3	158	2.3	143	2.5
Spain	159	3.0	187	2.8	218	3.1	150	2.2	133	2.3
Canada	101	1.9	127	1.9	123	1.7	143	2.1	132	2.3
France	100	1.9	144	2.2	150	2.1	141	2.1	131	2.3
Russian Federation	100	1.9	119	1.8	126	1.8	121	1.8	78	1.4
China	52	1.0	54	0.8	42	0.6	45	0.7	34	0.6
Others	1,774	33.1	2,117	31.8	2,595	36.5	2,228	33.1	2,068	36.4

Source: Hatch

The following graph sets forth the breakdown of marble product imports by country or region in 2009:

Breakdown of Marble Product Imports by Country or Region in 2009



Source: Hatch

Marble Industry of China

Resources and distribution

China ranks number one in terms of world's stone resources. Granite resources take the dominant position in stone resources in China. According to the Hatch Report, there were 672 types of marbles in China found in a variety of colors and textures as at 2007, such as red, black, white, green, blue, as well as multicolored. Marble resources in China reached 3,979 million m³ by the end of 2005, mainly concentrated in Yunnan, Sichuan, Guangxi, Jiangsu and Beijing. Its prospective resources are estimated to be over 20 billion m³.

Stone and marble production

According to the Hatch Report, China is the world's biggest country in terms of stone quarry production, stone products processing, stone consumption and stone trade.

According to the Hatch Report, China's stone slab production by above-designated-size stone enterprises increased from 152 million square meters in 2005 to 295 million square meters in 2009, representing a CAGR of 18.0%. Above-designated-size enterprises refer to enterprises with sales revenue of RMB5.0 million or more per annum. The production capacity of above-designated-size enterprises account for approximately 50% of the national capacity.

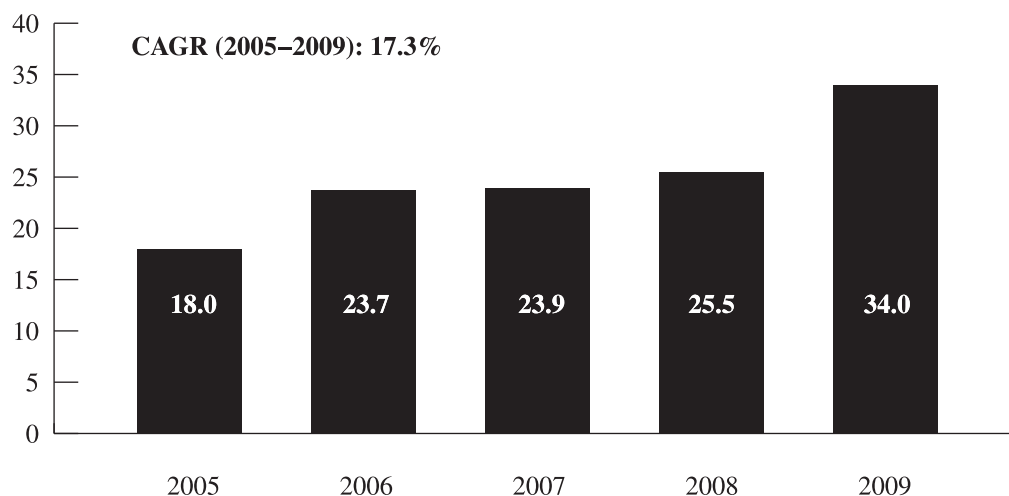
In recent years, China's marble slab production accounted for approximately 11% of the total stone slab output. In 2009, the marble slab output by above-designated-size stone enterprises in China was 33.97 million m², representing an increase of 33.3% from 2008. The CAGR of marble slab output was 17.3% between 2005 and 2009.

China's total marble slab production is estimated to be twice as many as that of the above-designated-size enterprises. Thus China's total marble slab production is estimated to be approximately 65 million m² in 2009.

INDUSTRY OVERVIEW

The following graph sets forth the marble slab output by Chinese above-designated-sized stone enterprises from 2005 to 2009:

Marble Slab Output of Chinese Above-designated-size Stone Enterprises 2005–2009
(Unit: million sq.m.)



Source: Hatch

Fujian, Henan, Jiangxi, Guangdong and Hubei are the top five marble slab producing provinces in China. The following graph sets forth the marble slab output of above-designated-size stone enterprises in 2008:

Marble Slab Output of Above-designated-size Stone Enterprises in 2008

Region or Province	Marble Slab Output		Proportion to National Total 2008
	2007	2008	
	(Unit: million sq.m.)		
Fujian	6.07	6.52	25.6%
— Nan'an in Fujian	5.77	6.26	
Henan	4.22	3.58	14.1%
— Nanzhao in Henan	2.38	2.44	
Jiangxi	2.42	3.41	13.4%
— Wuning in Jiangxi	1.15	2.27	
Guangdong	1.91	2.72	10.7%
Hubei	1.72	2.04	8.0%
— Tongshan in Hubei	1.72	1.89	
Shandong	1.82	1.84	7.2%
Sub-total	18.16	20.11	79.0%

Source: Hatch

INDUSTRY OVERVIEW

Marble consumption

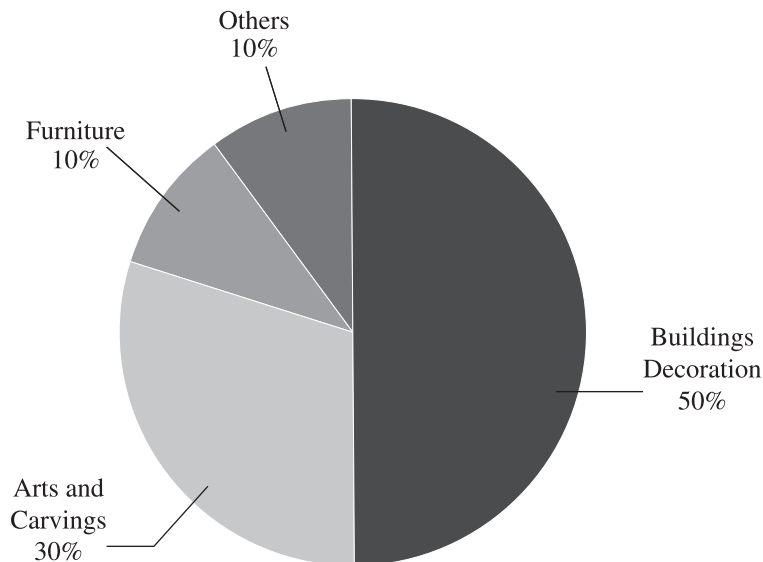
There are mainly two widely-used types of stone in China — marble and granite. According to the Hatch Report, marble accounted for more than half of China's total stone consumption.

Marble has beautiful colors and textures, with high anti-pressure capability and good physical and chemical properties. In the last decade, marble decorative slabs were applied in large quantity in decorative building materials industry in China, not only in luxury public buildings but also in residential buildings. Marble can also be adopted in manufacturing exquisite things, such as furniture, lamps and lanterns, smoking sets and artistic carvings.

According to the Hatch Report, decorative building materials industry is the largest marble consuming sector, accounting for approximately 50% of the total marble consumption. Arts and carvings, of which monumental stone and stone carvings are the most common products, are the second largest application with 30% of the total consumption.

The following graph sets forth the Chinese marble consumption breakdown in 2009:

Chinese Marble Consumption Breakdown (By Tonnage) in 2009



Source: CSMA, Hatch

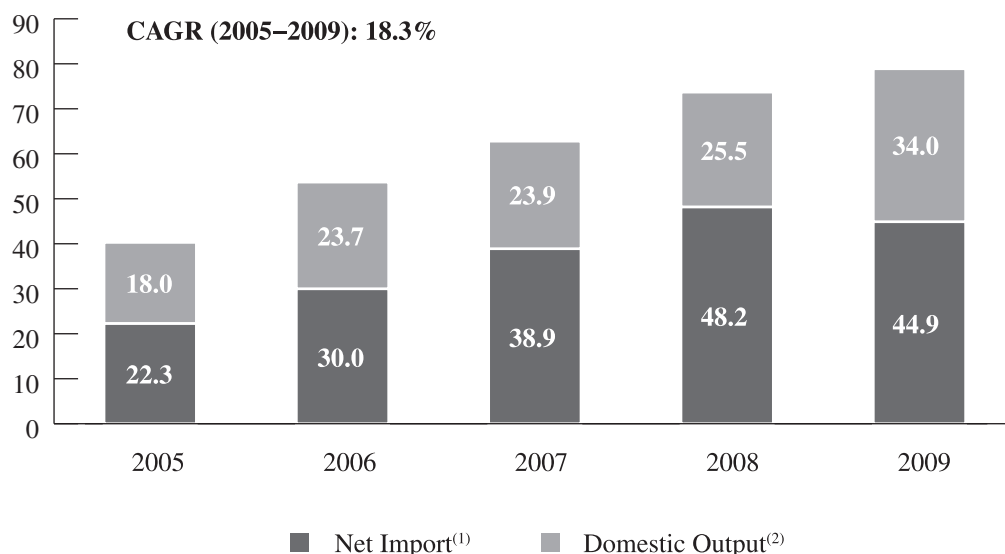
According to the Hatch Report, beige marble consumption ranks first in terms of consumption breakdown by color. White and black series marble, such as Chinese White Jade, Snowflake White and Serpanggiante Black (黑木紋), are abundant in quantity and also considered as popular colors in China.

The net import of marble products and marble raw materials in China reached 44.86 million m² in 2009, and marble slab production by above-designated-size enterprises reached 33.97 million m². Therefore, the apparent marble consumption was 78.83 million m², representing a 7% increase from 2008 and a CAGR of 18.3% from 2005 to 2009.

INDUSTRY OVERVIEW

The following graph sets forth the Chinese marble apparent consumption from 2005 to 2009:

Chinese Marble Apparent Consumption 2005–2009 (Unit: million sq.m.)



Source: NBSC, China Customs, CSMA

Notes:

- (1) The unit of net import volume has been converted from “tonne” to “square meter” based on density of 2.7 tonnes/cubic meter, 2 cm of slab thickness and 80% as yield from raw materials to products.
- (2) The domestic production only represents the marble slab production of above-designated-size enterprises.

Due to data unavailability, the above apparent consumption does not include marble product production other than marble slab production and only includes marble production by above-designated-size enterprises, which accounted for approximately 50% of the total marble production. Therefore, the actual marble consumption is estimated to be larger than the apparent consumption.

Marble trade

China is both the world’s largest stone raw material importer and the world’s largest stone product exporter. China imported 8.11 million tonnes of stones (including stone raw materials and stone products) with a value of USD1.45 billion in 2009. The exports were 21.23 million tonnes with a total value of USD3.61 billion.

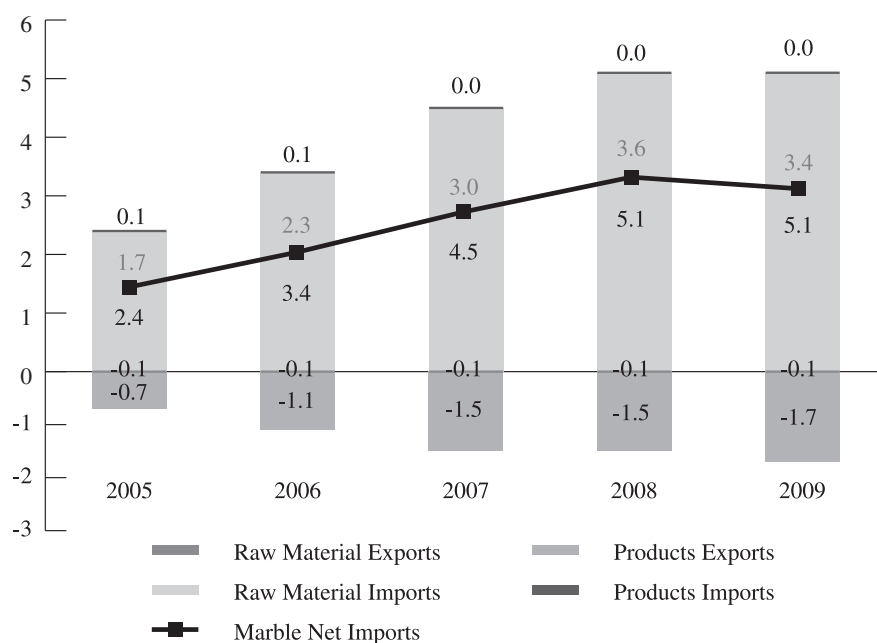
China is a net importer of marble raw materials and a net exporter of marble products. It has been in surplus in marble trade value as stone enterprises mainly import marble raw materials for processing, and then export the value-added marble products.

China’s imports of marble raw materials continued to rise over the past five years. The import volume increased from 2.41 million tonnes in 2005 to 5.13 million tonnes in 2009, representing a CAGR of 20.7%. Chinese marble product exports volume increased from 0.73 million tonnes in 2005 to 1.66 million tonnes in 2009, representing a CAGR of 23.0%.

INDUSTRY OVERVIEW

The following graph sets forth the Chinese marble trade from 2005 to 2009:

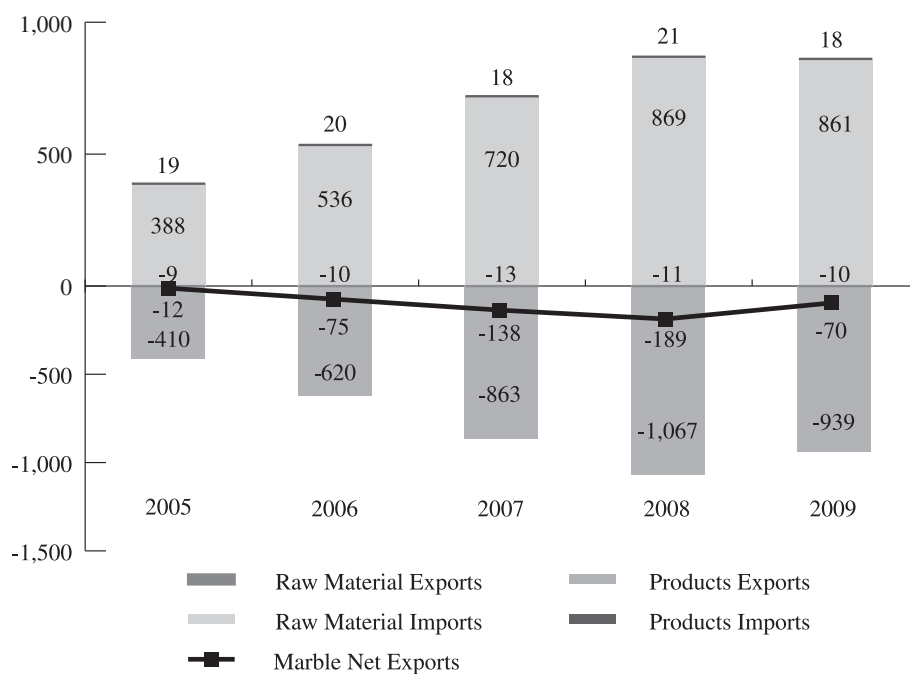
Chinese Marble Trade 2005–2009 (Unit: million tonnes)



Source: CSMA, Hatch

The following graph sets forth the Chinese marble trade value from 2005 to 2009:

Chinese Marble Trade Value 2005–2009 (Unit: USD million)



Source: CSMA, Hatch

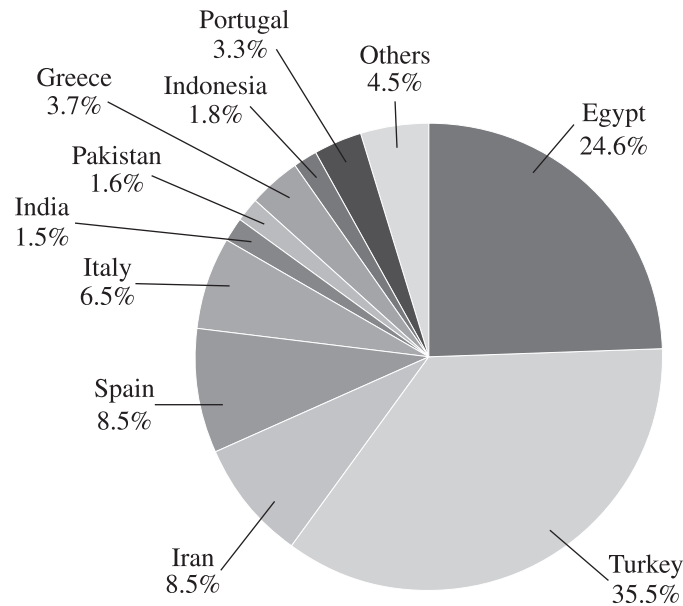
INDUSTRY OVERVIEW

In 2009, China exported 1.66 million tonnes of marble (including marble raw materials and marble products), an 13.8% increase from 2008. However, impacted by the global economic crisis, the total value of marble exports dropped by 12.0% year on year due to the decrease of export unit prices.

Turkey, Egypt, Iran, Spain and Italy are the main origins of Chinese marble imports.

The following graph sets forth the Chinese marble raw material imports by country in 2009:

Chinese Marble Raw Material Imports by Country in 2009 (By Tonnage)



Source: CSMA, Hatch

Turkey is the largest marble raw material supplier to China. In 2009, Turkey exported 1.82 million tonnes of marble raw materials to China, which accounted for 35.5% of the national total raw material imports. Egypt is the second largest marble raw material supplier to China with 1.26 million tonnes in 2009. Turkey and Egypt collectively represented 60% of China's marble raw material imports.

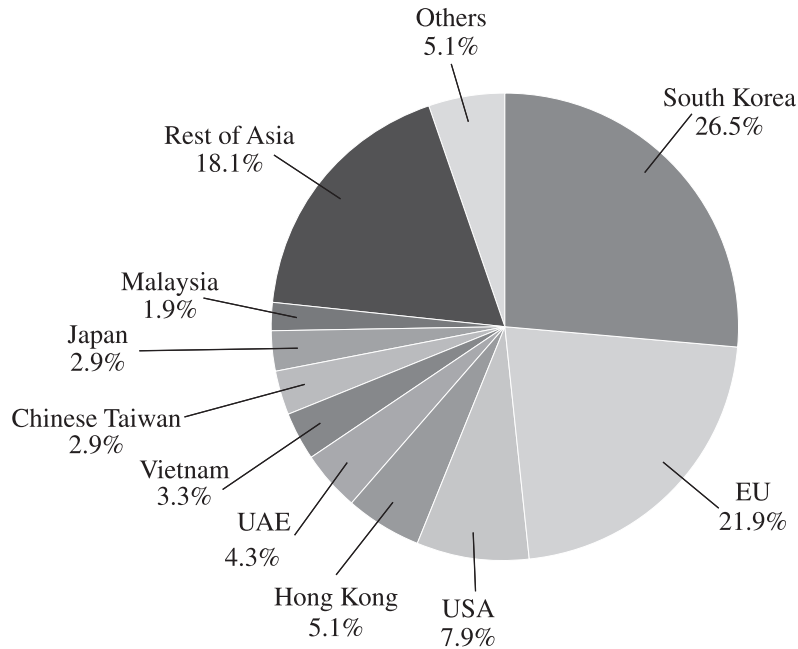
China imports significantly less marble products compared to marble raw materials. In 2009, China imported only 33 thousand tonnes of marble products. Spain, Italy, Oman and Chinese Taiwan were the main exporters to China, which accounted for 38.3%, 20.6%, 14.7% and 8.8% respectively of total Chinese marble product imports in 2009.

China exports marble to around 170 countries. It mainly exports marble products. In 2009, China's marble exports reached 1.66 million tonnes with a value of USD939 million. South Korea, EU, USA ranked top three of the 170 exporting destinations, collectively accounting for 56.3% of the China's marble exports in 2009. South Korea is the largest marble importer from China. It imported 441 thousand tonnes or 26.5% of Chinese marble product exports in 2009.

INDUSTRY OVERVIEW

The following graph sets forth the Chinese marble product exports by country in 2009:

Chinese Marble Product Exports by Country in 2009 (By Tonnage)



Source: CSMA, Hatch

China exports much less marble raw materials than marble products. In 2009, China exported 68 thousand tonnes of marble raw materials. Chinese Taiwan, Hong Kong, India, Thailand, and Indonesia were the main destinations for Chinese marble raw material exports which collectively accounted for 80% of the total marble raw material exports in 2009.

Competition

The Chinese stone industry is highly fragmented. According to the Hatch Report, there are approximately 30,000 stone enterprises in China, of which about 6,000 are stone quarry enterprises. According to CSMA, the largest marble mining capacity of a stone quarry enterprise was 100,000 m³ per year as at August 2010. Due to the low concentration of Chinese stone industry, highly intensive competition among the players is inevitable. There are only several large stone companies in China. A large majority of Chinese stone enterprises are of small-and-medium sized.

According to the Hatch Report, there are about 100 stone enterprises with sales revenue above RMB100.0 million.

INDUSTRY OVERVIEW

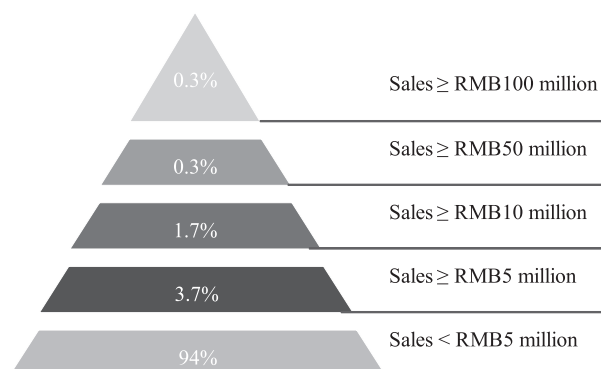
The following table sets forth the size and number of Chinese stone enterprises:

Size and Number of Chinese Stone Enterprises

Sales Revenue (RMB/year)	Number of Enterprises
≥100 million	~100
50–100 million	~100
10–50 million	~500
5–10 million	~1,100
<5 million	>20,000

Source: CSMA, Hatch

The following chart sets forth a breakdown of the Chinese stone enterprises in terms of size:



Source: Hatch

According to Hatch, the biggest current slab production capacity of the major Chinese stone enterprises is approximately 3 million m² per annum, including marble and other stone slabs. The following table sets forth the stone production capacity of major Chinese stone enterprises:

Company	Stone Production Capacity (million m ²)
Best Cheer Stone Group	3.00
Fujian Hongfa Group Co., Ltd.	3.00
Xishi Group Development Co., Ltd.	2.60
Kangli Stone Group ^{Note}	1.40
Dongguan Freetrue Marble Co., Ltd.	1.20
Fujian Huahui	1.00
Shandong Guanlu Building Material Industry Group	0.80

Note: Marble only

INDUSTRY OVERVIEW

Beige Marble Industry of China

Beige marble resources

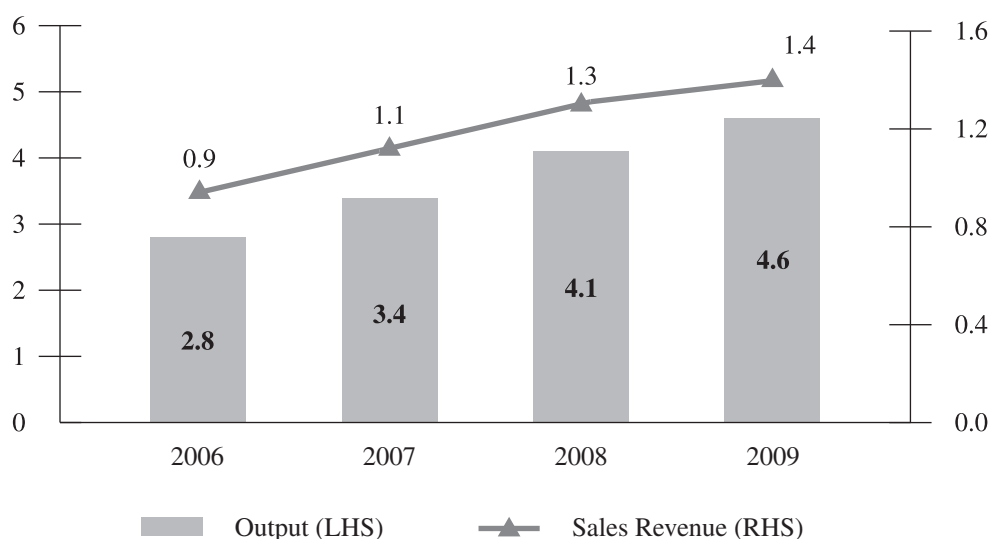
According to the Hatch Report, China has a shortage of beige marble resources, especially high-quality beige marbles. Yunnan, Guizhou, Hubei, Jiangxi, Henan and Inner Mongolia are the provinces known for beige marble resources. In 2005, China began to develop a large beige marble deposit in Beichuan Qiang Autonomous County (北川羌族自治县) of Sichuan. With large reserves, various types, fine texture, bright color and neat surface, beige marble resources in Beichuan are among the best in China.

Beige marble production

Quarry beige marble is mainly shipped from Yunnan, Guizhou and overseas to Guangdong, Fujian, Shandong and Shanghai to further process into beige marble slabs. There are many beige marble processing companies in China and many of them sell finished products under their own brand names.

The following table sets forth the beige marble slab output and sales revenue by the Chinese above-designated-size stone enterprise from 2006 to 2009:

Beige Marble Slab Output and Sales Revenue by the Chinese Above-designated-size Stone Enterprises in 2006–2009 (Unit: million sq.m., RMB billion)

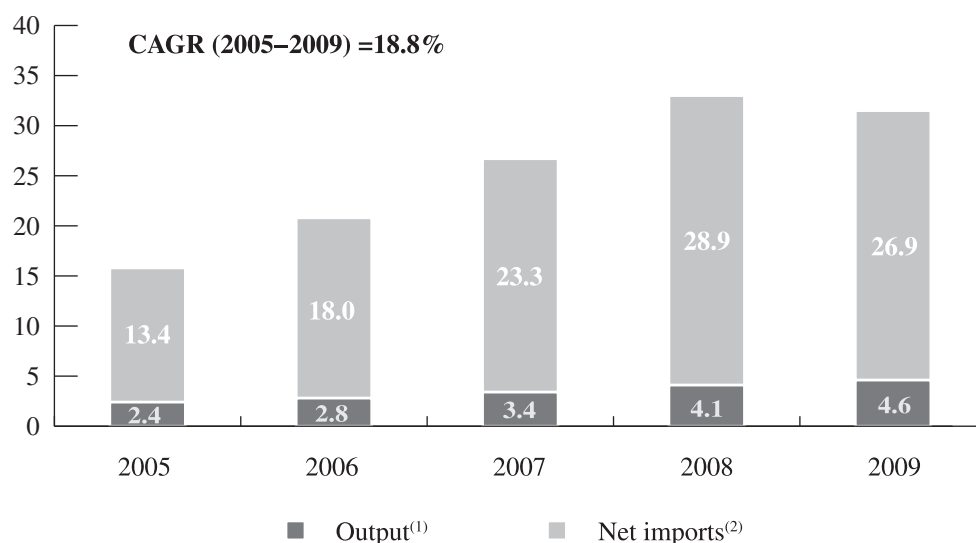


Source: CMMC

Beige marble consumption

As China is short of beige marble resources, its beige marble consumption is mainly sustained by imports. Key suppliers include Egypt, Turkey, Iran, Spain, Italy and Portugal. The following table sets forth the apparent beige marble consumption from 2005 to 2009:

Chinese Apparent Beige Marble Consumption 2005–2009 (Unit: million sq.m.)



Source: Hatch

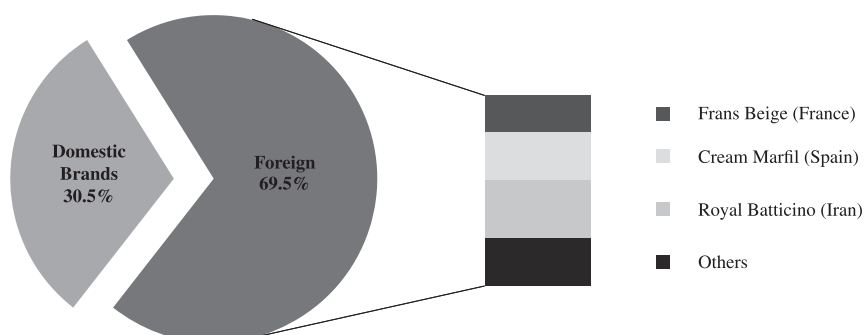
Notes:

- (1) The output only represents the beige marble slab production by above-designated-size enterprises.
- (2) It is estimated that about 60% of marble imports were beige marble. Net imports = (Net marble raw materials imports x 80% + Net marble product imports) x 60%; 80% is the yield from marble raw materials to marble products.

In the domestic market, the Hatch Report states that around 70% of the beige marble product consumption is dominated by foreign brands.

The following graph sets forth the estimated Chinese beige marble consumption breakdown by brand:

Chinese Beige Marble Consumption Breakdown by Brand

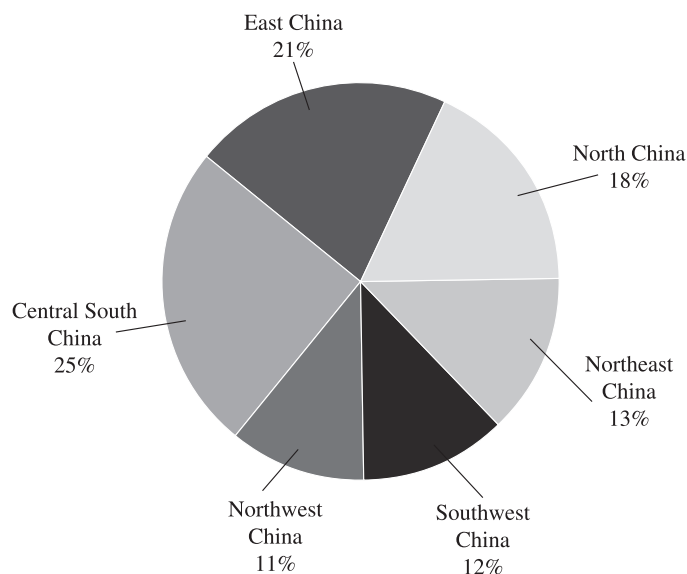


Source: CMMC

INDUSTRY OVERVIEW

In China, beige marble is gradually becoming one of the main decorative materials for high-quality buildings. The following table sets forth the breakdown of Chinese beige marble consumption by region in 2009:

Breakdown of Chinese Beige Marble Consumption by Region in 2009



Source: CMMC

Beige marble trade

Beige marble trade cannot be separately identified from general marble trade. According to the Hatch Report, around 60% of marble imports are beige marble products. Chinese quarry beige marble is mainly imported from Turkey, Egypt, Iran, Spain and Italy.

Beige marble competition

As China is short of beige marble resources, there are few large sized enterprises focusing on beige marble production. Therefore, competition among large beige marble companies is not observed.

Marble Prices

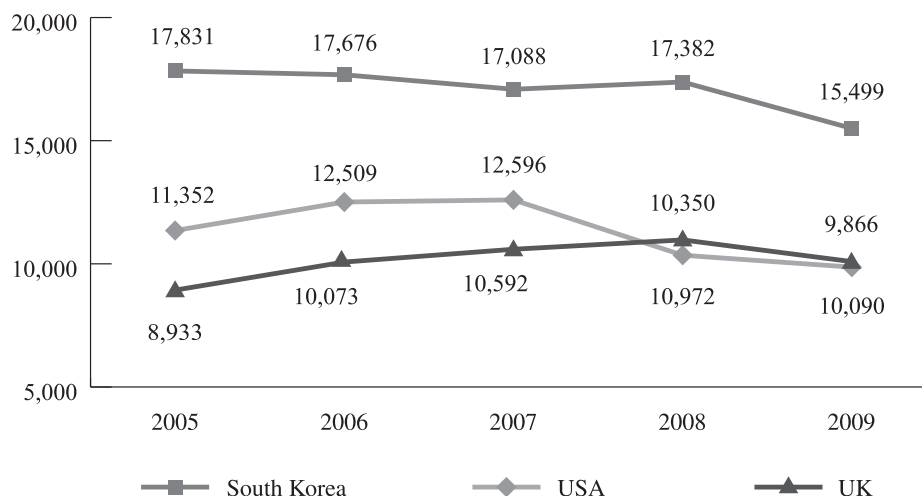
International marble prices

Marble prices are relatively stable throughout the world. The United States, the UK and South Korea are important markets for marble imports and consumption according to the Hatch Report. Marble prices in the above three countries are key indicators of international marble prices.

INDUSTRY OVERVIEW

The following chart sets forth the annual average price of imported marble products in the United States, the UK and South Korea from 2005 to 2009:

**Annual Average Price of Imported Marble Products
in the United States, the UK and South Korea 2005–2009 (Unit: RMB/m³)**



Source: Hatch

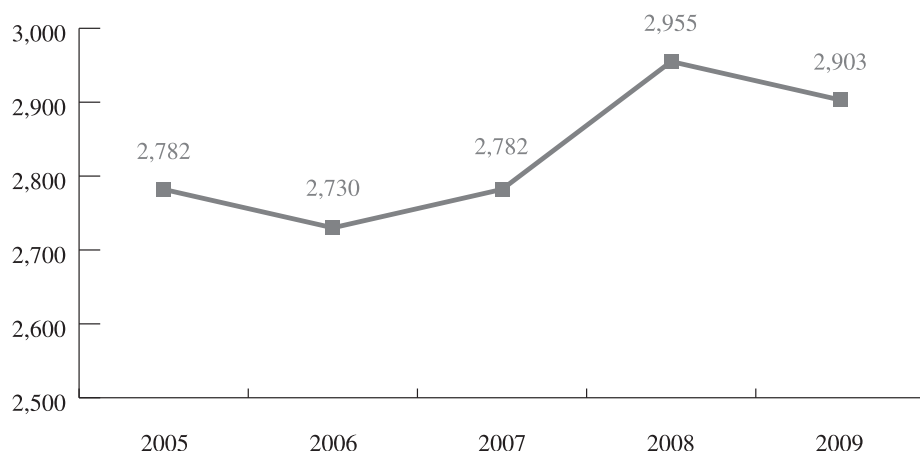
Chinese marble prices

Chinese marble prices vary from different type, color, figure, texture, production area, and especially the level of porosity. For example, the price of a standard 20 mm thick marble slab in Hubei and Guangxi is RMB60 to RMB70 per m². However, the price of the Chinese White Jade, a famous marble product is around RMB200 to RMB300 per m². Prices for stone products are generally stable compared to those of other major construction materials, such as steel. The average Chinese local marble product price has maintained more or less at RMB150 per m² since 2005.

INDUSTRY OVERVIEW

Average annual price of imported marble raw materials remained in the range of USD158 to USD171 per tonne during 2005 to 2009. The following table sets forth the average annual price of imported marble raw materials in China:

Average Annual Price of Imported Marble Raw Materials in China (Unit: RMB/m³)

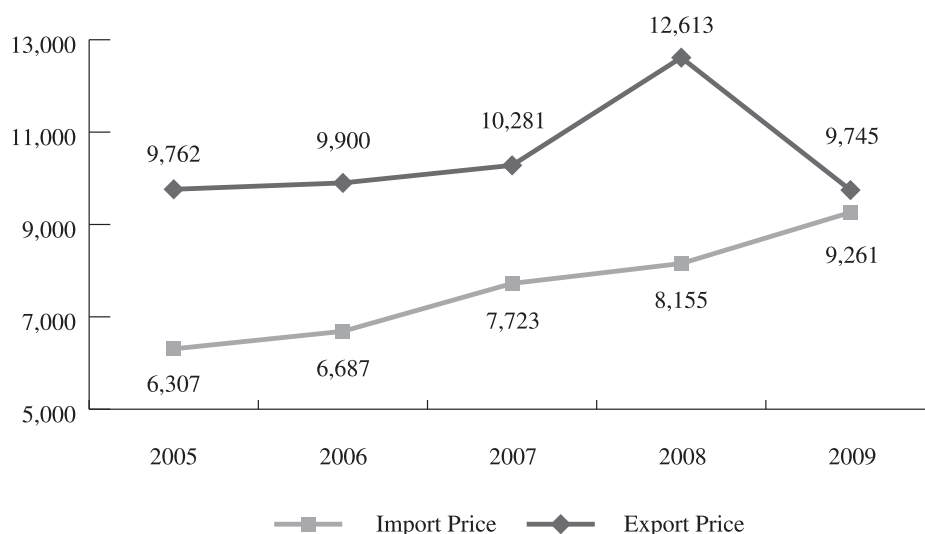


Source: Hatch

The average annual prices of internationally traded marble products kept on increasing between 2005 to 2008. Average prices of Chinese exported marble products were higher than those of imported marble products. In 2008, export prices reached USD730 per tonne before falling back in 2009 due to the global economic crisis.

The following table sets forth the average annual prices of imported and exported marble products in China:

Average Annual Prices of Imported and Exported Marble Products in China (Unit: RMB/m³)



Source: Hatch

INDUSTRY OVERVIEW

The prices of imported marble products are lower than those of exports mainly because China mainly imports primary processed marble products instead of further processed marble products and the exports are usually with special color and texture which are priced higher.

Benefited from the fast development of the Chinese construction industry, China's marble demand is expected to maintain steady growth in the next several years. It is forecasted in the Hatch Report that Chinese marble prices will generally remain stable in the next five years and, with the depletion of resources, the prices of some rare precious beige marble types have the potential to increase in the near future.

Beige marble prices

According to the Hatch Report, the local beige marble slab (600 mm x 600 mm x 20 mm) was priced at a relatively stable price at RMB150 per m² during the period from 2005 to 2009. However, the prices of well-known foreign branded beige marbles were much higher. According to Hatch, the selling price of Iran's Royal Batticino was as high as RMB1,300 per m². The following tables set forth the market prices of foreign and domestic brand beige marble currently available in the PRC market in 2009:

Market Prices of Foreign Brand Beige Marble in 2009

Origin	Types	Price ^{Note} (RMB/m ²)
Spain	Cream Marfil	950
France	Frans Beige	1,200
Iran	Royal Batticino	1,300

Source: Hatch

Note: Prices are quoted for standard 20 mm thick slab.

Market Prices of Domestic Brand Beige Marble in 2009

Company Name	Price ^{Note} (RMB/m ²)
Yin Feng Stone	110
Shenzhen Dong Sen Stone	140
Wuning County Yunfu Xin Da Xin Stone Materials	120
Jiangxi Hongde Stone	135
Guang Lei (Lai Yang City) Stone Material Co. Ltd	160
Shanghai Zhongye (Fujian Huacheng) Stone Materials	150
Guangxi Longtaitong Stone	115
Yunfu Xin Hui Yuan Shi Cai	140
Shanghai Dishanxiumei Rail Manufacturing Co., Ltd	185
Yixing Jieda Stone Co., Ltd.	110

Source: Hatch

Note: Prices are quoted for standard 20 mm thick slab.

INDUSTRY OVERVIEW

It is forecasted in the Hatch Report that beige marble prices will generally remain stable in the next five years. With the depletion of resources, prices of some rare precious beige marble types may have the potential to increase in the near future.

INDUSTRY POLICIES AND CODES

Beige marble is one of the main marble colors. From the viewpoints of industry administration and development, the wide range of laws and policies issued by the PRC covers the entire marble industry or relates to the entire stone industry. The following section and the section headed “Regulatory Overview” will introduce in detail the laws and policies on beige marble, marble and the stone industry.

On 7 November 2006, *China Promotion Committee for Top Brand Strategy* (CMP, 中國名牌戰略推進委員會) issued the *List of China Top Brand Products to be Promoted on Priority under 11th Five Year Plan*, (中國名牌產品「十一五」重點培育指導目錄). Stone materials for decorative purposes (裝飾石材) are on the list and support will be given to those Chinese stone enterprises which produce stone materials for decorative purposes to help them establish their own intellectual property right and top brand.

Since the coming of the new century, demand for stone products has been on continuous rise and there existed many wildcat miners. Before 2006, the problem that stone industry faced was that many of the small-scaled enterprises were not in alliance. To tighten the control of mining rights and important mineral resources, to improve the rule of payment for mining rights, and to regulate the mining order of mineral resources and to crack down on wildcat miners, MLR, in conjunction with relevant authorities, promulgated several laws and policies. After years of endeavor, the stone mining industry in China has been fundamentally improved and the overall level of stone mining industry in China has been raised substantially.

To further solve the problem of small scale, obsolete technology and equipment, unreasonable arrangement of mine development and disorder of mining activities, the NDRC published and approved the *Technical Code for Quarry of Decorative Stone* (裝飾石材露天礦山技術規範) on 16 June 2008, which took effect as at 1 December 2008. The *Technical Code for Quarry of Decorative Stone* was prepared by CSMA after analysis of the existing stone resource developments in order to solve the problem of small scale, obsolete technology and equipment, unreasonable arrangement of mine development and disorder of mining activities. The Code aims to expand the mine scale, improve quarry output and quality, and improve competitiveness of the stone mining industry.

In December 2009, CSMA prepared *Tentative Provisions on Up-to-Standard Evaluation of Decorative Stone Mines* (裝飾石材礦山達標考評試行辦法) to push the standardized construction and production of stone quarries in China, improve the overall level of stone mining industry, and assist the campaign for qualified production by stone quarries across the country. The Provisions list in detail the evaluation and scoring methods. Certificates and tablets will be issued to the qualified quarries by CSMA, accompanied by promotions in relevant media.

The *Specification for Natural Marble for Building Slab* (天然大理石建築板材), with status lifted from industry code to state code (GB/T19766-2005), was officially published by the *Standardization Administration of China* (中國標準化管理委員會) on 18 May 2005, and took effect as at 1 December 2005, which stipulated the classification, technical requirements, test methods, inspection rules, marking, packaging, handling and storage of natural marble slab (天然大理石板材) for building purpose.

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On 5 December 2008, the *Standardization Administration of China* approved the establishment of the *National Technical Commission of Stone Standardization* (全國石材標準化技術委員會) of *Standardization Administration of China* (SAC/TC460), which consisted of three sub-commissions: *Sub-commission of Codes and Applied Technology* (SAC/TC460/SC1, 管理規範和應用技術及規範分技術委員會), *Sub-commission of Products and Auxiliary materials* (SAC/TC460/SC2, 產品及輔助材料分技術委員會) and *Sub-commission of Special Machines* (SAC/TC460/SC3, 專用機械分技術委員會). The establishment of Artificial Stone Group was in progress. The purpose of the establishment of the *National Technical Commission of Stone Standardization* is to address the urgent need to prepare the codes and to set up the relatively-complete system of standards for China's stone industry.

Currently, there are 48 effective codes relevant to stone materials, 23 of which are state codes, 24 building industry codes and 1 code for import and export inspection & quarantine. There are 33 codes being prepared, 16 of which are state codes and 17 building industry codes; 23 of which are new codes and 10 are revised codes. It is planned that 20 codes will be prepared for artificial stone (terminology and test methods) and 7 state codes will be revised for stone material test methods.

At present, five industrial codes are to be completed and submitted for approval: “Code for Design of Decorative Stone Material Factory”; “Code of Environment of Decorative Stone Material Production”; “Code for Design and Use of Decorative Stone Products”; “Technical Code for Dump Yard of Decorative Stone Quarry”; and “Code for Work Safety in Decorative Stone Material Production.”

SOURCES OF INFORMATION

Hatch Report

Hatch, an experienced consultant in the mining industry, has been engaged to provide the Hatch Report for use in whole or in part in this Prospectus.

Hatch's Investment & Business Planning (IBP) Practice works with financial institutions, equity funds, accounting firms and legal counsels in an advisory role on due diligence projects, distressed asset assignments, asset appraisal/business valuation, business plan reviews, long term-viability analyses and operation improvement studies. Hatch retains foreign professionals in all major engineering disciplines as well as specialists in project and construction management. Hatch's IBP Practice has specific related experience in:

- technical and business reviews of mining and metal companies for financial institutions and investors worldwide, including China;
- detailed engineering operations, process and environmental expertise in the production of metals with hands-on operating experience;
- capital project evaluation and monitoring in the mining and metal industry;
- financial and cost accounting experience with miners and metal producers, including operating cost evaluation, benchmarking expertise and expertise in financial and cash flow analysis to support project approval, lending and debt restructuring; and
- mining and metal industry competitive analysis with Hatch database of proprietary project and operating data.

INDUSTRY OVERVIEW

The research and writing of the Hatch Report was a desktop exercise carried out by experienced Hatch professionals who have extensive knowledge of the mining sector. Hatch utilizes its in-house database, independent third-party reports and publicly available data from reputable industry organizations to prepare the Hatch Report. Where necessary, Hatch's researchers contact companies operating in the industry to gather and synthesize information about the market, prices and other relevant information.

In preparation of this Hatch Report, Hatch has assumed the completeness and accuracy of the information and data that Hatch has relied on. Hatch has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

Hatch operates at strict international standards of moral, legal and professional conduct. Hatch guards its reputation for independence and confidentiality with great care. Hatch has more than 15 years of project experience in the PRC and has successfully undertaken assignments on over 150 projects with a capital value in excess of US\$3.0 billion.

This Prospectus contains information extracted from the Hatch Report in sections such as "Summary," "Risk Factors," "Industry Overview," "Business" and "Financial Information."

We have paid Hatch a total of RMB370,000 in fees for the preparation of the Hatch Report. We believe these fees are reasonable for the preparation of an industry report by an independent third-party consultant.

CSMA

CSMA is a national non-profit industrial association in China formed by stone material enterprises and related social organizations of the trade and organizations. CSMA was established in 1983 and has more than 300 direct members and over 1,500 indirect members engaging in the stone exploitation, processing, maintenance, trade and distribution, scientific research and testing. CSMA mainly serves as a channel of communication for enterprises and organizations in stone industry. Major functions of CSMA include i) assisting government authorities in drafting policies relating to the stone industry; ii) providing technical and market consultancy advices to its members; iii) strengthening the contacts with international stone organizations; and iv) organizing trade exhibitions and fairs. *STONE*, a magazine sponsored by CSMA is the sole professional stone industrial magazine published nationwide in the PRC. CSMA's operation is guided and supervised by the *State-owned Assets Supervision and Administration Commission of the State Council* of the PRC.

Mr. Deng Huiqing, one of our independent non-executive Directors, has been serving as the deputy secretary general and standing deputy director and as the standing deputy secretary general on different committees of the CSMA since April 2002.

In August 2010, CSMA functioned as the sponsor which organized and gathered a panel of 17 industry experts for the purpose of assessment of our marble products. Mr. Deng Huiqing acted as the convener of this expert panel and was one of the experts on the panel. In this expert panel meeting, each of the 17 experts individually assessed our marble products, formed his or her opinion on the marble

INDUSTRY OVERVIEW

products, and unanimously adopted the expert opinion collectively issued by such industry experts. We did not pay any fees to CSMA or to any member of the expert panel for the purpose of this expert panel meeting or for the issuance of the relevant certificate.

CSMA also sponsors and organises similar panel review for other marble and stone companies from time to time and on as-required basis. We have not engaged in any business dealings with the CSMA. We do not rely on the association with or ratings from CSMA for our business operations.

PRC LAWS RELATING TO INVESTMENT IN STONE INDUSTRY

Under the *Tentative Regulation to Promote the Adjustment of Industrial Structure* (促進產業結構調整暫行規定) issued on 2 December 2005 and *Guiding Catalogue of Industrial Structure for Adjustment (Version 2005)* (產業結構調整指導目錄(2005年本)), the production of high-purity, ultra-fine and performance-improved fine processed mineral materials required by high-technology and clean-technology industries, and the development of technology and fabrication of equipment for such mineral materials, as well as annual production capacity above 200,000 m³ of quarry stone or 300,000 m³ of ultra-thin composite stone material are listed as encouraged industries, for which the PRC Government will increase its support.

The *Catalogue for the Guidance of Foreign Investment Industries* (外商投資產業指導目錄) issued on 31 October 2007, effective on 1 December 2007, provides that foreign enterprises are encouraged to invest in non-metallic minerals stone industry to fine process and produce ultra-fine, grinding, high-purity, refined or performance-improved products.

PRC LAWS RELATING TO THE INDUSTRY

Pursuant to the *Mineral Resource Law of the PRC* (中華人民共和國礦產資源法) promulgated on 19 March 1986, effective on 1 October 1986 and amended on 29 August 1996 and the *Rules for the Implementation of the Mineral Resources Law* (中華人民共和國礦產資源法實施細則) promulgated and effective on 26 March 1994, (i) mineral resources are owned by the State with the State Council exercising ownership over such resources on behalf of the State; (ii) the department in charge of geology and mineral resources under the State Council is authorized by the State Council to supervise and administer the exploration and exploitation of mineral resources nationwide. The department in charge of geology and mineral resources, of each province, autonomous region or municipality directly under the Central Government is responsible for the supervision and administration of the exploration and exploitation of mineral resources within its respective administrative regions; and (iii) an enterprise that intends to explore and exploit mineral resources shall apply for each exploration and mining rights separately according to the relevant PRC laws, regulations and policies, and is required to undergo the registration process for each of the exploration and mining rights, unless the mining enterprise which intends to conduct exploration operations for its own production within the defined mining areas has previously obtained mining rights.

Under the *Rules for the Implementation of the Mineral Resources Law*, a holder of a mining permit (採礦許可證) has the right to and is also obligated to conduct mining activities in the area and within the time period designated in the mining permit. A holder of a mining permit has certain additional rights including, among others, rights to (i) set up necessary production and living facilities within the designated area and (ii) acquire the land use rights necessary for the production. A holder of mining permit has certain additional obligations including, among others, obligations to (i) conduct reasonable exploitation, and protect and fully utilize mineral resources; (ii) pay resources tax and resources compensation levy; (iii) comply with the laws and regulations relating to occupational safety, soil and water conservation, reclamation and environmental protection; and (iv) submit mineral resource reserve and utilization reports to relevant government authorities as required.

The *Procedures for the Registration of Mining of Mineral Resources* (礦產資源開採登記管理辦法) (“State Council Circular No. 241”) was promulgated by the *State Council* and became effective on 12 February 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within

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the duration of the mining permit term if there is any change in the scope of the mining area, the main-exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining permit, the holder of a mining permit shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining permit. If the holder of a mining permit fails to apply for an extension prior to the expiration of the term, the mining permit shall terminate automatically.

In the *Notice on Comprehensively Starting the Consolidation and Regulation of Mineral Resource Developments* (關於全面整頓和規範礦產資源開發秩序的通知) promulgated on 18 August 2005, the State Council requires all provincial governments to comply with the notice and organize relevant authorities to investigate and rectify various illegal exploration and mining of mineral resources in their respective regions.

In the *Notice on Further Standardizing the Administration of Granting the Mineral Rights* (關於進一步規範礦業權出讓管理的通知) promulgated on 24 January 2006, the mines were categorized, on basis of the natural existing conditions of mineral resources and extent of past geological investigation, into three classes, with different grant procedures, and the administrative rules on invitation for bid were perfected. According to the notice, marble and granite (大理岩和花崗岩) are categorized in the second class and their exploration rights are granted by open invitation for bid, while limestone (for building purposes) (石灰岩(建築石料用)) is categorized in the third class and its mining rights are granted directly by open invitation for bid, without passing through the bidding process for exploration rights.

The *Comments on Consolidation of Mineral Resource Developments* (對礦產資源開發進行整合的意見) was issued on 31 December 2006 with the main objective to substantially rectify, by consolidate small-scaled mines, the problems arising out of the existence of numerous small-scaled mining enterprises, and to make mine development more reasonable, enhance the composition of mining enterprises, significantly improve mine safety, ecology and the environment, thereby improving mineral resources' contribution to sustainable development of the economy and society.

The *Notice on Looking aback Campaign for Consolidation and Regulation of Mineral Resource Developments* (關於開展整頓和規範礦產資源開發秩序「回頭看」行動的通知) was issued on 27 February 2008. The purpose of the campaign was to investigate and address illegal exploration and mining, with focus on exploration and mining without license, and mining beyond strata or boundary.

To administer the assessment of exploration rights and mining rights, and to ensure the healthy development of the assessment industry, the *Tentative Provisions on Administration of Mining Industry Right Assessment* (礦業權評估管理辦法(試行)) was issued on 23 August 2008.

PRC LAWS RELATING TO ENVIRONMENTAL PROTECTION

The PRC laws and regulations on environmental protection include the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) promulgated and effective on 26 December 1989; the *Air Pollution Prevention of the PRC* (中華人民共和國大氣污染防治法) revised on 29 April 2000 and effective on 1 September 2000; the *Law of the PRC on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法) revised on 28 February 2008 and effective on 1 June 2008 and the related implementing regulations (中華人民共和國水污染防治法實施細則) promulgated and effective on 20 March 2000; the *Rules on the Administration concerning Environmental Protection of Construction Projects* (建設項目環境保護管理條例) promulgated and effective on 29 November 1998

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and the *Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects* (建設項目竣工環境保護驗收管理辦法) promulgated on 27 December 2001 and effective on 1 February 2002.

Pursuant to the laws and regulations stated above, an enterprise that discharges and dispenses toxic and hazardous materials including waste water, solid waste and waste gases, shall comply with the applicable national and local standards, as well as report to and register with the applicable environmental protection authority. Failure to comply can result in a warning, an order, or a penalty against the enterprise. Before commencing a construction project, an environmental impact assessment report must be submitted by an enterprise to the relevant environmental protection authority for approval. An acceptance inspection by the relevant environmental protection authority is required before the completed project can commence its operations.

PRC LAWS RELATING TO GEOLOGICAL ENVIRONMENT PROTECTION

Pursuant to the *Provisions on the Protection of the Geologic Environment of Mines* (礦山地質環境保護規定) promulgated on 2 March 2009 and effective on 1 May 2009, (i) when an applicant for mining rights applies for the mining permit, the applicant shall compile a plan for the protection and restoration of the mine's geological environment and submit the plan to the competent land and resources authority for approval; (ii) when a mine's geological environment is destroyed due to mineral mining, the holder of a mining permit shall be responsible for restoration, the cost of the restoration is included in the production cost; and (iii) the holder of a mining permit shall pay the security deposit for the restoration of the geological environment of mines. The standard and measures for the payment of the security deposit for the restoration of the geological environment of mines is implemented in compliance with relevant provisions formulated by each province, autonomous region or municipality.

Pursuant to the *Sichuan Province's Regulations on the Administration of Geological Environment* (四川省地質環境管理條例) promulgated and effective on 14 August 1999, and amended on 27 March 2009 (i) it is mandatory to go through the evaluation in respect of the effect on the geological environment for mineral mining; and (ii) the holder of a mining permit shall pay the security deposit for the restoration of the geological environment of mines. Pursuant to the *Sichuan Interim Regulations on the Management of Security Deposits for the Restoration of the Geological Environment of Mines* (四川省礦山地質環境恢復治理保證金管理暫行辦法) promulgated on 20 March 2008 and effective on 1 May 2008, (i) a holder of mining permit shall pay a security deposit to guarantee performance of its obligations to restore the geological environment of the relevant mines; (ii) the amount of the first installment of the security deposit shall not be less than 20% of the total amount, provided that the effective term of the relevant mining permit is for 11 to 20 years (inclusive) and the remainder of the security deposit shall be paid once a year in an amount that in each case shall not be less than 20% of the remaining amount of the security deposit provided further that the remaining amount of the security deposit shall be fully paid at least one year prior to the expiration of the relevant mining permit; (iii) the entire amount of security deposit collected shall be placed in a special account; (iv) prior to the closure of a mine, the holder of the relevant mining permit shall complete the restoration of the geological environment of the mine, apply for an inspection of the mine and submit a report regarding the restoration of the mine; and (v) the security deposit together with interest shall be refunded if the inspection is satisfactory, otherwise, the relevant land and resources authority shall organize the restoration using the security deposit and the relevant mine owner shall be liable for any shortfall if the security deposit is insufficient.

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PRC LAWS RELATING TO PRODUCTION SAFETY

Pursuant to the *Production Safety Law of the PRC* (中華人民共和國安全生產法) promulgated on 29 June 2002 and effective on 1 November 2002 and the *Law of the PRC on Safety in Mines* (中華人民共和國礦山安全法) and its related implementation rules promulgated on 7 November 1992 and 30 October 1996 and effective on 1 May 1993 and 30 October 1996, respectively, (i) safety facilities in mine construction projects must be designed, constructed and put into operation at the same time as the commencement of the principal parts of the projects; (ii) the design of a mine shall comply with the safety rules and technological standards of the mining industry and shall be approved by the relevant authorities; and (iii) such mines may start production or operations only after they have passed the safety check and approval process as required by the relevant PRC laws and administrative regulations.

The *Regulation on Work Safety Licenses* (安全生產許可證條例) was promulgated and became effective on 13 January 2004. The *Measures for the Implementation of Work Safety Licenses for Non-coal Mine Enterprises* (非煤礦礦山企業安全生產許可證實施辦法) was promulgated on 17 May 2004, amended on 30 April 2009 and became effective on 8 June 2009. Pursuant to such regulation and measures, (i) the work safety licensing system is applicable to any enterprise engaging in non-coal mining and such enterprise may not produce any products without obtaining a work safety license; (ii) prior to producing any products, the non-coal mining enterprise shall apply for a work safety license, which is valid for three years; (iii) the work safety bureau at or above provincial level are in charge of issuing the work safety license for non-coal mining enterprise; and (iv) if a work safety license needs to be extended, the enterprise must apply for an extension with the administrative authority who issued the original license three months prior to the expiration of the original license.

PRC LAWS RELATING TO STONE TRADING

The *Notice on Adjustment to Catalogue of Import & Export Goods subject to Inspection and Quarantine by Import & Export Inspection & Quarantine Authority* (關於調整《出入境檢驗檢疫機構實施檢驗檢疫的進出境商品目錄(2009年)》的公告) published in December 2008, effective on 1 January 2009, removed marble (大理石), travertine (石灰華) and related products from the list of goods subject to compulsory inspection, and as a result radioactivity inspection is no longer required for marble (大理石), travertine (石灰華) and related products.

PRC LAWS RELATING TO TAXATION AND FEE

According to the EIT Law which took effect as at 1 January 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign-invested enterprises.

Pursuant to the *Interim Regulations of the PRC on Resource Tax* (中華人民共和國資源稅暫行條例) promulgated on 25 December 1993 and effective on 1 January 1994, any enterprise engaged in the exploitation of mineral products within the PRC is subject to pay a resource tax.

According to the *Notice on Adjusting Resource Tax Applicable to Limestone, Marble and Granite* (財政部、國家稅務總局關於調整石灰石、大理石和花崗石資源稅適用稅額的通知) effective from 1 July 2003, statutory resource tax rate for limestone (石灰石) ranges from RMB0.5 to RMB3.0 per m³ and statutory resource tax rate for marble ranges from RMB3.0 to RMB10.0 per m³. Local governmental authorities are authorized to determine the specific resource tax rate within the foresaid range payable by any mining right holder. Based on such statutory authorization, pursuant to a confirmation letter issued by the *State Tax Bureau of Jiangyou City* (江油市國家稅務局) on 14 February 2011, the specific

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resource tax rate payable by holders of marble (大理石) mining rights in Jiangyou is RMB10 per m³. Pursuant to the Provisions on the Administration of the *Collection of Mineral Resources Compensation* (礦產資源補償費徵收管理規定) promulgated on 27 February 1994, effective on 1 April 1994 and amended on 3 July 1997, mineral resources compensation shall be paid by the holder of the mining permit if such holder decides to exploit mineral resources within the PRC territory, unless such PRC laws or administrative regulations provide otherwise.

The resource compensation tax is levied at 2% of total revenue and VAT of 17% is included in the sale price of marble blocks, marble slabs and other by-products produced from the Zhangjiaba Mine. We are also subject to city-maintenance-and-construction tax at 7% of VAT, an education levy at 3% of VAT and an additional local education fee at 1% of VAT.

Under the *Notice on Adjustment to Rate of Tax Rebate Applicable to Some Goods and Addition to Catalogue of Goods Forbidden for Processing Trade* (關於調整部分商品出口退稅率和增補加工貿易禁止類商品目錄的通知) promulgated on 14 September 2006, raw stone material, quarry stone, primarily processed stone material no longer enjoy any export tax rebate, as at 15 September 2006 and shall be added into the catalogue of goods forbidden for processing trade, while the 13% export tax rebate applicable to stone products with high added value, such as gravestone, stone carving and engraving remain in effect.

The *Notice on Decreased Rate of Tax Rebate for Export of Some Goods* (關於調低部分商品出口退稅率的通知) promulgated on 19 June 2007 stipulated that the rate of tax rebate for some deeply-processed stone products will be decreased as at 1 July 2007, i.e., the rate of tax rebate applicable to stone products under HS code 68022120 (Travertine Graves & Construction Stone Products (經簡單切銷或鋸開的石灰華及製品)), HS code 68029190 (processed marble, travertine and wax stone products not listed (其他已加工大理石及蠟石及製品(包括已加工石灰華及製品))), HS code 68029290 (processed limestone products not listed (其他已加工石灰石及製品)), HS code 68029390 (processed granite products not listed) and HS code 68029990 (processed stone products not listed) will be decreased from 13% to 5%.

The *Notice on Raising the Rate of VAT Rebate Applicable to Export of Commodities such as Labour-intensive Products* (關於提高勞動密集型產品等商品增值稅出口退稅率的通知) promulgated on 17 November 2008 stipulated that the rate of export tax rebate for deep-processed stone products with HS code 68022120 (Travertine Graves & Construction Stone Products (經簡單切銷或鋸開的石灰華及製品)), HS code 68029190 (processed marble, travertine and wax stone products not listed (其他已加工大理石及蠟石及製品(包括已加工石灰華及製品))), HS code 68029290 (processed limestone products not listed (其他已加工石灰華及製品)), HS code 68029390 (processed granite products not listed (其他已加工花崗岩及製品)) and HS code 68029990 (processed stone products not listed (其他已加工石灰石及製品)) have increased from 5% to 9%, effective on 1 December 2008.

The *Notice on Execution Plan of Customs Tariff 2011* (關於2011年關稅實施方案的通知) promulgated on 2 December 2010, effective on 1 January 2011, stipulated that zero import tax (tentative) continue to apply to all quarry marble (原狀或粗加修正的大理石等) (goods under HS code 25151100, 25151200, 25152000), quarry granite and sandstone (原狀或粗加修正的花崗岩、砂岩等) (goods under HS code 25161100, 25161200, 25162000).

PRC LAWS RELATING TO LAND

Pursuant to the *Land Administration Law of the PRC* (中華人民共和國土地管理法) promulgated on 25 June 1986 and effective on 1 January 1987 and amended on 28 August 2004, all land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban

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areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with law if required for public interest.

On 12 April 1988, the *Constitution of the PRC* (中國人民共和國憲法) was amended by the NPC to allow the transfer of land use rights for value.

Pursuant to the *Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Urban Land* (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) promulgated and effective on 19 May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights against payment of a grant premium. All local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not reclaim lawfully granted land use rights prior to expiration of the term of grant. If public interest requires repossession by the state under special circumstances during the term of grant, compensation will be paid by the state. A land grantee may lawfully transfer, mortgage or lease its land use rights to a third-party for the remainder of the term of grant. Upon expiration of the term of grant, renewal is possibly subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings erected on the land will revert to the state without compensation.

Pursuant to the *Interim Regulations of the PRC on Grant and Transfer of the Right to Use State-owned Urban Land*, after land use rights relating to a particular area of land have been granted by the state, unless any restriction is imposed, the party to whom such land use rights have been granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the state. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the land grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas of the PRC have different conditions which must have been fulfilled before the respective land use rights can be transferred, leased or mortgaged. All transfers, mortgages and leases of land use rights must be registered with the relevant local land bureaus at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the state are deemed to be incorporated as part of the terms and conditions of such transfer.

Pursuant to the *PRC Law on Administration of Urban Real Estate* (中華人民共和國城市房地產管理法) promulgated on 5 July 1994 and effective on 1 January 1995 and amended on 30 August 2007, real property that has not been registered and a title certificate for which has not been obtained in accordance with the law cannot be transferred. If land use rights are acquired by means of grant, the following conditions must have been met before the land use rights may be transferred: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use rights certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) where the investment or development belongs to house construction projects, more than 25% of the total amount of investment

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or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for the use of the land for industrial or other construction purposes have been confirmed.

Pursuant to the *Land Administration Law of the PRC*, land collectively owned by rural residents is contracted to and operated by the members of respective collective economic entities for uses such as plantation, forestry, livestock husbandry or fishery production. The land use rights of collectively owned land must not be granted, assigned or leased to any party for any non-agricultural uses.

In the case of temporary use of state-owned land or land collectively-owned by farmers for construction projects or by geological survey teams, approval shall be obtained from the land administrative department of the government at or above the county level. Land users shall sign contracts with relevant land administrative department or rural economic collective organizations or village committees for the temporary use of land, depending on the ownership of land and shall pay land compensation fees as stipulated in the contracts for the temporary use of land. The term for the temporary use of land shall generally not exceed two years.

PRC LAWS RELATING TO PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

Pursuant to the *Prevention and Control of Occupational Diseases Law of the PRC* (中華人民共和國職業病防治法) promulgated on 27 October 2001 and effective on 1 May 2002, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, submit to the health administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities may be put into formal operation and use only after they have passed the inspection by the public health administration department.

Pursuant to the *Prevention and Control of Occupational Diseases Law of the PRC*, an employing unit shall: (i) establish and improve the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees.

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PRC LAWS RELATING TO LABOR

Pursuant to the *PRC Labor Law* (中華人民共和國勞動法) promulgated on 5 July 1994 and effective on 1 January 1995 and the *PRC Labor Contract Law* (中華人民共和國勞動合同法) promulgated on 29 June 2007 and effective on 1 January 2008, if an employment relationship is established between an entity and its employees, written labor contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the *Interim Regulations on the Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例) promulgated and effective on 22 January 1999 and the *Interim Measures concerning the Administration of the Registration of Social Insurance* (社會保險登記管理暫行辦法) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan.

Pursuant to the *Regulations on Occupational Injury Insurance* (工傷保險條例) promulgated on 27 April 2003 and effective on 1 January 2004, as amended on 20 December 2010, and the *Interim Measures concerning the Maternity Insurance for Enterprise Employees* (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees.

Pursuant to the *Regulations on the Administration of Housing Fund* (住房公積金管理條例) promulgated and effective on 3 April 1999, as amended on 24 March 2002, PRC companies must register with the applicable housing fund management center and establish a special housing fund account in an entrusted bank. Each of the PRC companies and their employees are required to contribute to the housing fund and their respective deposits shall not be less than 5% of an individual employee's monthly average wage during the preceding year.

PRC LAWS RELATING TO FOREIGN EXCHANGE

Pursuant to the *Regulations on Foreign Exchange Control of the PRC* (中華人民共和國外匯管理條例) promulgated on 29 January 1996, effective on 1 April 1996 and amended on 5 August 2008, payments made in foreign currencies for international transactions, such as the sale or purchase of goods, are not subject to PRC governmental control or restrictions. Certain organizations in the PRC, including foreign-invested enterprises, may purchase, sell and/or remit foreign currencies at certain banks authorized to conduct foreign exchange business upon providing valid commercial documents to such banks. However, approvals are required for the relevant capital account transactions, such as an overseas investment by a domestic company.

PRC LAWS RELATING TO QUALITY

The revised *Product Quality Law of the PRC* (中華人民共和國產品質量法) was promulgated on 8 July 2000 and became effective on 1 September 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. Producers and sellers shall establish internal quality

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management systems, implement strict job quality specifications and corresponding quality evaluation procedures. The State encourages the enterprises to ensure that the quality of their products achieve and surpass the industrial, national and international standards.

As advised by the PRC legal adviser, Commerce & Finance, except as disclosed in the section headed “Business” to the Prospectus, the PRC subsidiaries of our Company have complied with PRC laws and regulations in all material aspects and have obtained all the material permits and licenses for their business operations.

HISTORY AND DEVELOPMENT

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law on 29 March 2010.

The Company's subsidiaries include Kingstone Industrial, Hong Kong Kingstone, Guangzhou Kingstone and Sichuan Jinshida, all being wholly owned subsidiaries. Kingstone Industrial and Hong Kong Kingstone, incorporated on 7 April 2010 and 14 April 2010, respectively, are both investment holding companies and were established for the purpose of holding the Company's interests in Guangzhou Kingstone which in turn holds the equity interests in Sichuan Jinshida. Sichuan Jinshida is the principal operating entity within our Company, and is engaged in the business of exploitation of marble stones, processing of marble stones and sales of marble blocks and marble slabs.

Sichuan Jinshida was established as a limited liability company in the PRC on 20 September 2005 by eight original shareholders (Mr. Leng Dingming, Mr. Zhou Saiyu, Ms. Chen Mei, Ms. Wang Man, Mr. Leng Jun, Mr. Huang Ping, Mr. Yang Xuedong, Mr. Liu Qichuan), all being Independent Third Parties, holding 48%, 34%, 10%, 3%, 2%, 1%, 1%, 1% of the equity interests in Sichuan Jinshida, respectively. The initial registered capital of Sichuan Jinshida was RMB1.08 million.

In April 2006, the eight original shareholders transferred 30% of their respective equity interests in Sichuan Jinshida to Mr. Zhang Daxing, and in the same month, each of Mr. Zhou Saiyu and Mr. Leng Dingming transferred 1.4% of the equity interests in Sichuan Jinshida to Mr. Chen Yi and Ms. Li Ning, respectively. On 21 July 2006, the registered capital of Sichuan Jinshida was increased from RMB1.08 million to RMB3.0 million on pro-rata basis among the then shareholders.

In July 2007 the registered capital of Sichuan Jinshida was increased from RMB3.0 million to RMB4.0 million on pro-rata basis among the then shareholders, and in the same month, Mr. Liu Qichuan, Mr. Yang Xuedong, Mr. Leng Dingming, Ms. Li Ning, Ms. Wang Man, Mr. Leng Jun and Mr. Huang Ping transferred all of their respective remaining equity interests in Sichuan Jinshida to Mr. Zhang Daxing. After these transfers, the equity interest in Sichuan Jinshida was owned as to 69.2% by Mr. Zhang Daxing, 22.4% by Mr. Zhou Saiyu, 7.0% by Ms. Chen Mei and 1.4% by Mr. Chen Yi. On 1 August 2007, Mr. Huang through Jiucheng Mining acquired 30.2%, 12.4%, 7% and 1.4% of the equity interests in Sichuan Jinshida from Mr. Zhang Daxing, Mr. Zhou Saiyu, Ms. Chen Mei and Mr. Chen Yi for considerations of RMB2.67 million, RMB1.09 million, RMB0.62 million and RMB0.12 million, respectively, all of which were determined based on arm's-length negotiations by reference to the then prevailing market price of limestone and the mining reserve stated in the mining certificate. On the same day, Mr. Zhang Daxing transferred 5%, 5% and 4% of the equity interests in Sichuan Jinshida to Mr. Wu Saijun, Mr. Liu Xingyu and Mr. Zhang Min, respectively. Mr. Zhang Daxing, Mr. Zhou Saiyu, Mr. Chen Yi, Ms. Chen Mei, Mr. Wu Saijun, Mr. Liu Xingyu and Mr. Zhang Min are Independent Third

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Parties. Jiucheng Mining held the equity interests in Sichuan Jinshida in trust for Mr. Huang. Please see the notes to the table below on pages 111 and 112. After these acquisitions, the recorded shareholding structure of Sichuan Jinshida was as follows:

Name	Percentage of shareholding in Sichuan Jinshida (%)
Jiucheng Mining ^{(1) and (6)}	51.0
Mr. Zhang Daxing	25.0
Mr. Zhou Saiyu	10.0
Mr. Wu Saijun	5.0
Mr. Liu Xingyu	5.0
Mr. Zhang Min	4.0
Total	<u>100.0</u>

As a condition for the above acquisition, it was agreed that Jiucheng Mining and Mr. Zhang Daxing had to make additional capital contributions of RMB5.3 million and RMB0.7 million in Sichuan Jinshida on behalf of the then shareholders, respectively, and that the then shareholders' equity interests in Sichuan Jinshida would remain unchanged after such increase in Sichuan Jinshida's registered capital. On 31 August 2007, the registered capital of Sichuan Jinshida was increased from RMB4.0 million to RMB10.0 million accordingly.

On 12 January 2008, Mr. Huang through Jiucheng Mining acquired 15%, 10%, 2%, 3% and 4% of the equity interests in Sichuan Jinshida from Mr. Zhang Daxing, Mr. Zhou Saiyu, Mr. Wu Saijun, Mr. Liu Xingyu and Mr. Zhang Min for considerations of RMB6.75 million, RMB1.2 million, RMB0.10 million, RMB1.05 million and RMB0.48 million, respectively, all of which were determined based on arm's-length negotiation by reference to the then prevailing market price of limestone and the mining reserve stated in the mining certificate. Mr. Huang has represented to us that the considerations paid to Mr. Zhang Daxing and Mr. Liu Xingyu, which were higher than those paid to other then shareholders, reflecting, among other things, their shareholding percentages in Sichuan Jinshida, their roles and responsibilities, and their overall willingness to sell their equity interests in Sichuan Jinshida. Jiucheng Mining held the equity interests in Sichuan Jinshida in trust for Mr. Huang. Please see the notes to the table below on pages 111 and 112. After these acquisitions, the recorded shareholding structure of Sichuan Jinshida was as follows:

Name	Percentage of shareholding in Sichuan Jinshida (%)
Jiucheng Mining ^{(1) and (6)}	85.0
Mr. Zhang Daxing	10.0
Mr. Wu Saijun	3.0
Mr. Liu Xingyu	2.0
Total	<u>100.0</u>

On 14 March 2008, Ms. Li Xiaohong, the wife of Mr. Huang, acquired 10%, 3% and 2% of the equity interests in Sichuan Jinshida from Mr. Zhang Daxing, Mr. Wu Saijun and Mr. Liu Xingyu for the consideration of RMB2.85 million, RMB1.2 million and RMB1.05 million, respectively, all of which

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were determined based on arm's-length negotiation by reference to the then prevailing market price of limestone and the mining reserve stated in the mining certificate. Ms. Li Xiaohong held the 15% equity interests in Sichuan Jinshida in trust for Mr. Huang. Please see the notes to the table below on pages 111 and 112. After these acquisitions, the recorded shareholding structure of Sichuan Jinshida was as follows:

Name	Percentage of shareholding in Sichuan Jinshida (%)
Jiucheng Mining ^{(1) and (6)}	85.0
Ms. Li Xiaohong ⁽²⁾	15.0
Total	100.0

According to the then articles of association of Sichuan Jinshida, a quorum of shareholders of at least 90% of the registered capital was required for any shareholders' meeting to be convened. Upon completion of the transfer of the equity interests on 14 March 2008, Sichuan Jinshida first became under control of our Controlling Shareholder, Mr. Huang, and the results of operations of Sichuan Jinshida have accordingly been included in our consolidated financial information from such date, which is also the beginning of our Track Record Period. For the year ended 31 December 2007 and the period from 1 January 2008 to 13 March 2008, Sichuan Jinshida did not have any revenue or incur any cost of sales. As at 13 March 2008, Sichuan Jinshida had net current liabilities of RMB2.1 million due to payables for construction of mining infrastructure aggregating RMB2.7 million as at 13 March 2008.

Pursuant to two equity transfer agreements dated 8 October 2008, Jiucheng Mining transferred 5% and 1% of the equity interests in Sichuan Jinshida to Ms. Bai Yanxiao, who is a director of Sichuan Jinshida and Mr. Lei Zhaochun, for nominal considerations. Mr. Lei Zhaochun is an Independent Third Party. These equity interests were transferred from Jiucheng Mining to Ms. Bai Yanxiao and Mr. Lei Zhaochun under the instruction of and in trust for Mr. Huang, as Mr. Huang has represented to us that he believes that Ms. Bai Yanxiao's local connections in Sichuan Province and Mr. Lei Zhaochun's knowledge and reputation in the stone industry are beneficial to the development of Sichuan Jinshida. Please see the notes to the table below on pages 111 and 112. After these transfers, the recorded shareholding structure of Sichuan Jinshida was as follows:

Name	Percentage of shareholding in Sichuan Jinshida (%)
Jiucheng Mining ^{(1) and (6)}	79.0
Ms. Li Xiaohong ⁽²⁾	15.0
Ms. Bai Yanxiao ^{(3) and (6)}	5.0
Mr. Lei Zhaochun ^{(4) and (6)}	1.0
Total	100.0

Pursuant to an equity transfer agreement dated 16 November 2008, Jiucheng Mining transferred 20% of its equity interests in Sichuan Jinshida to Mr. Zhang Lin for nil consideration. Mr. Zhang Lin is an Independent Third Party. The equity interests were transferred from Jiucheng Mining to Mr. Zhang Lin under the instruction of and in trust for Mr. Huang, as Mr. Huang has represented to us that he believes that Mr. Zhang Lin's local connections in Sichuan Province is beneficial to the development of

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Sichuan Jinshida. Pursuant to an equity transfer agreement dated 16 February 2009, Mr. Lei Zhaochun transferred his equity interest, which had been held in trust for Mr. Huang, to Ms. Bai Yanxiao for nominal consideration due to the fact that Mr. Lei Zhaochun resigned from Sichuan Jinshida on his own accord. The equity interests held by Mr. Zhang Lin and Ms. Bai Yanxiao in Sichuan Jinshida were held in trust for Mr. Huang. Please see the notes to the table below on pages 111 and 112. After these transfers, the recorded shareholding structure of Sichuan Jinshida was as follows:

Name	Percentage of shareholding in Sichuan Jinshida (%)
Jiucheng Mining ^{(1) and (6)}	59.0
Mr. Zhang Lin ^{(5) and (6)}	20.0
Ms. Li Xiaohong ⁽²⁾	15.0
Ms. Bai Yanxiao ^{(3) and (6)}	6.0
Total	<u>100.0</u>

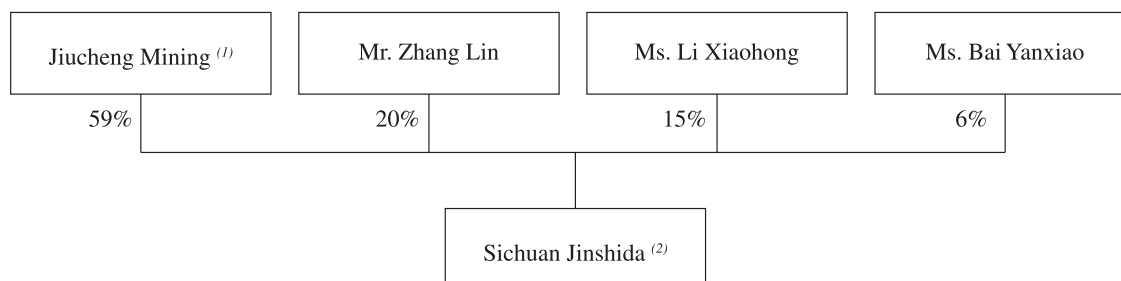
Notes:

- (1) Pursuant to four trust agreements entered into between Mr. Huang and Jiucheng Mining on 3 August 2007, 16 January 2008, 20 October 2008 and 25 November 2008, respectively, the equity interests held by Jiucheng Mining in Sichuan Jinshida were held in trust for Mr. Huang. Our PRC legal adviser, Commerce & Finance, has confirmed that the trust agreements are legal, valid and enforceable under the PRC laws and regulations. Such trust arrangement was terminated on 26 July 2010 when Jiucheng Mining transferred its equity interests in Sichuan Jinshida to Guangzhou Kingstone.
- (2) Pursuant to a trust agreement entered into between Mr. Huang and Ms. Li Xiaohong, the wife of Mr. Huang, on 19 March 2008, the equity interests held by Ms. Li Xiaohong in Sichuan Jinshida were held in trust for Mr. Huang. Our PRC legal adviser, Commerce & Finance, has confirmed that the trust agreement is legal, valid and enforceable under the PRC laws and regulations. Such trust arrangement was terminated on 26 July 2010 when Ms. Li Xiaohong transferred her equity interests in Sichuan Jinshida to Guangzhou Kingstone.
- (3) Pursuant to two trust agreements entered into between Mr. Huang and Ms. Bai Yanxiao on 20 October 2008 and 16 February 2009, the equity interests held by Ms. Bai Yanxiao in Sichuan Jinshida were held in trust for Mr. Huang. Our PRC legal adviser, Commerce & Finance, has confirmed that the trust agreements are legal, valid and enforceable under the PRC laws and regulations. Such trust arrangement was terminated on 26 July 2010 when Ms. Bai Yanxiao transferred her equity interests in Sichuan Jinshida to Guangzhou Kingstone.
- (4) Pursuant to a trust agreement entered into between Mr. Huang and Mr. Lei Zhaochun on 8 October 2008, the equity interests held by Mr. Lei Zhaochun in Sichuan Jinshida were held in trust for Mr. Huang. Our PRC legal adviser, Commerce & Finance, has confirmed that the trust agreement is legal, valid and enforceable under the PRC laws and regulations. Such trust arrangement was terminated on 16 February 2009 when Mr. Lei Zhaochun transferred his equity interest in Sichuan Jinshida to Ms. Bai Yanxiao.
- (5) Pursuant to a trust agreement entered into between Mr. Huang and Mr. Zhang Lin on 25 November 2008, the equity interests held by Mr. Zhang Lin in Sichuan Jinshida were held in trust for Mr. Huang. Our PRC legal adviser, Commerce & Finance, has confirmed that the trust agreement is legal, valid and enforceable under the PRC laws and regulations. Such trust arrangement was terminated on 26 July 2010 when Mr. Zhang Lin transferred his equity interests in Sichuan Jinshida to Guangzhou Kingstone.
- (6) Mr. Huang has represented to us that he believed that it is to Sichuan Jinshida's benefit to register the legal titles of 85% of the equity interests in Sichuan Jinshida which are beneficially owned by him under trustee arrangements with Mr. Zhang Lin, Ms. Bai Yanxiao, Mr. Lei Zhaochun and Jiucheng Mining, for the following reasons: (i) Mr. Zhang Lin originates from Sichuan, and Ms. Bai Yanxiao is based in Sichuan, as a result, both of them can leverage their local connections in helping to identify, acquire and develop the Zhangjiaba Mine and conducting daily business of Sichuan Jinshida; (ii) Mr. Lei Zhaochun holds a PhD degree in stone economics from and assumes the position of a professor in China University of Geosciences (中國地質大學) and has good reputation and well-established relationship in the stone industry, which is instrumental to the daily operation of Sichuan Jinshida; and (iii) Jiucheng Mining engages in the mining business and is

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better received by the local government as a legal entity shareholder of a mining company due to its track record in the mining industry. Our PRC legal adviser, Commerce & Finance, has confirmed that there was no legal impediment for Mr. Huang to hold the equity interests in Sichuan Jinshida on his own behalf.

Set out below is the corporate structure of Sichuan Jinshida immediately prior to the Corporate Reorganization:



Notes:

- (1) Jiucheng Mining is a limited liability company established in the PRC on 19 May 2007 with a registered capital of RMB8.0 million. The equity interests are owned as to 80% by Xining Guoxin and 20% by Mr. Huang Shiyu, the younger brother of Mr. Huang. Mr. Huang Shiyu holds the 20% equity interests in Jiucheng Mining in trust for Mr. Huang. Xining Guoxin principally engages in investment holding in the PRC and is ultimately controlled by Mr. Huang.
- (2) Sichuan Jinshida is a limited liability company established in the PRC on 20 September 2005 with a registered capital of RMB10.0 million. The equity interests were owned as to 59% by Jiucheng Mining, 20% by Mr. Zhang Lin, 15% by Ms. Li Xiaohong who is the wife of Mr. Huang, and 6% by Ms. Bai Yanxiao. Pursuant to the trust agreements entered into between Mr. Huang and Jiucheng Mining, between Mr. Huang and Mr. Zhang Lin, between Mr. Huang and Ms. Li Xiaohong, and between Mr. Huang and Ms. Bai Yanxiao, respectively, the equity interests held by Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao in Sichuan Jinshida were held in trust for Mr. Huang. The term of operation of Sichuan Jinshida as stipulated in its current business license is from 20 September 2005 to 25 May 2012.

CORPORATE REORGANIZATION

Our Company underwent a reorganization to optimize our corporate structure in preparation for the Listing, and as a result, the Company became our holding company. The Corporate Reorganization involved the following steps:

Incorporation of the Company

On 29 March 2010, the Company was incorporated in the Cayman Islands as an exempted company under the Companies Law and one nil paid Share of HK\$0.10 was allotted and issued to Codan Trust Company (Cayman) Limited. The Share was transferred to Wongs Investment on the same date.

On 15 March 2010, Wongs Investment was incorporated under the laws of the BVI by Mr. Huang. One share of US\$1.00 was allotted and issued to Mr. Huang on the same date.

Incorporation of Offshore Companies

Kingstone Industrial

On 7 April 2010, Kingstone Industrial was incorporated under the laws of the BVI by the Company as an investment holding company. One share of US\$1.00 was allotted and issued to the Company on the same date.

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Hong Kong Kingstone

On 14 April 2010, Hong Kong Kingstone was incorporated under the laws of Hong Kong by Kingstone Industrial as an investment holding company. One share of HK\$1.00 was allotted and issued to Kingstone Industrial on the same date.

Establishment of Guangzhou Kingstone

On 26 May 2010, Guangzhou Kingstone was established in Guangzhou under the laws of the PRC by Hong Kong Kingstone as a limited liability company with its registered capital of US\$30.0 million. As at the Latest Practicable Date, US\$6.0 million was contributed by Hong Kong Kingstone and the remaining US\$24.0 million is expected to be contributed within two years since the establishment of Guangzhou Kingstone as provided in its articles of association. Guangzhou Kingstone principally engages in the sales of stone products and provision of related after-sales services.

Acquisition of the Entire Equity Interests in Sichuan Jinshida by Guangzhou Kingstone

On 26 July 2010, Guangzhou Kingstone, Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao entered into four equity transfer agreements, respectively, pursuant to which Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao transferred 59%, 20%, 15% and 6% of the equity interests in Sichuan Jinshida, respectively, to Guangzhou Kingstone for the consideration of RMB5.9 million, RMB2.0 million, RMB1.5 million and RMB0.6 million, respectively, which were determined based on the amount of registered capital of Sichuan Jinshida represented by such equity interests.

Issuance of the Exchangeable Note

On 13 August 2010, MS China 3 entered into a note purchase agreement (the “Note Purchase Agreement”) with the Company, Mr. Huang and Wongs Investment, pursuant to which MS China 3 agreed to purchase a note in the aggregate principal amount of US\$15.0 million issued by Wongs Investment, exchangeable into the Shares owned and held by Wongs Investment in the Company (the “Exchangeable Note”), details of which are set out in the paragraph headed “— The Exchangeable Note” in this section.

Exchange of the Exchangeable Note

MS China 3 would be entitled to exchange the Exchangeable Note into the Shares owned and held by Wongs Investment in the Company immediately prior to the commencement of dealings in the Shares on the Stock Exchange on the Listing Date. The Exchangeable Note can be exchanged into: (i) 71,243,545 Shares owned and held by Wongs Investment, representing approximately 3.6% of the then issued share capital of the Company, based on the higher-end of the Offer Price range of HK\$3.35 per Offer Share; or (ii) 106,073,723 Shares owned and held by Wongs Investment, representing approximately 5.3% of the then issued share capital of the Company, based on the lower-end of the Offer Price range of HK\$2.25 per Offer Share. The final number of Shares to be exchanged by MS China 3 will be disclosed in the allotment results announcement to be issued by the Company on or around 17 March 2011. The effective cost for per Share exchanged by MS China 3 under the Note Purchase Agreement (as amended by the relevant deed) is HK\$1.10 and HK\$1.64, representing a discount of 51.1% and 51.1% to HK\$2.25 and HK\$3.35 per Share, being the lower-end and higher-end of the proposed Offer Price range, respectively, details of which are set out in the paragraph headed “The Exchangeable Note” in this section. For the purpose of calculating the number of Shares to be exchanged by MS China 3, the exchange rate was made at US\$1.00 to HK\$7.7882 which was mutually agreed to between us and MS China 3.

PRC LEGAL COMPLIANCE

On 21 October 2005, the SAFE issued a new public notice (the “SAFE Circular No. 75”) which became effective on 1 November 2005. The notice requires PRC residents to register with the local SAFE branch before establishing or controlling any company, or an “offshore special purpose vehicle”, outside of the PRC for the purpose of capital financing, and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a “round-trip investment.” The term “PRC resident” defined under the SAFE Circular No. 75 includes (i) any PRC individual who holds a PRC identity card or a passport; or (ii) any non-PRC individual who chronically resides in PRC due to economic interest in the PRC. Further, a non-PRC individual who chronically resides in the PRC due to economic interest mainly refers to (i) an individual who domiciles permanently in the PRC, but temporarily leaves the PRC for reasons such as travel, study, medical treatment or work outside the PRC or satisfying a residence requirement in a foreign country, and who returns to his or her permanent domicile in the PRC after the aforementioned reasons cease to exist; or (ii) an individual who holds domestic equity interests in a domestic enterprise; or (iii) an individual who originally held domestic equity interests in a domestic enterprise and has remained the beneficial owner after legal ownership of such interests are converted to equity interests in a foreign-invested enterprise. In addition, any change of shareholding or any other material capital alteration in such offshore special purpose vehicle without involving a round-trip investment shall be filed within 30 days starting from the date of such shareholding transfer or capital alteration. Mr. Huang holds the equity interests in some domestic companies in the PRC and shall be considered as a non-PRC individual who chronically resides in the PRC due to his economic interest in the PRC accordingly. Mr. Huang is applying for amendment of registration with the SAFE Sichuan Branch for Guangzhou Kingstone’s acquisition of Sichuan Jinshida and the investment by MS China 3. As advised by our PRC legal adviser, Commerce & Finance, (i) there is no material legal impediment for Mr. Huang to complete such amendment of registration; and (ii) except for the above-mentioned amendment of registration, Mr. Huang who falls within the definition of “PRC resident”, as such term is defined in the SAFE Circular No. 75, is in compliance with all material SAFE registration requirements under the PRC laws which are applicable to him in respect of his investment in our Company.

On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the *Provisions on the Acquisition of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Regulation”), which became effective on 8 September 2006 and was reissued by the MOFCOM in June 2009. Article 40 of the M&A Regulation requires that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals, shall obtain the CSRC approval prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. The term “PRC individual” under the M&A Regulation refers to any PRC individual who holds a PRC identity card or a passport. As a result, Mr. Huang is not a “PRC individual” under the M&A Regulation as he does not hold a PRC identity card or a passport. Our PRC legal adviser, Commerce & Finance, is of the opinion that Mr. Huang is a PRC resident under the SAFE Circular No. 75 but not a PRC individual under the M&A Regulation, and accordingly, the Company is not an offshore special purpose vehicle under the M&A Regulation, which should be an offshore company directly or indirectly controlled by the domestic companies or individuals. In addition, Guangzhou Kingstone, as a wholly foreign owned enterprise, is regarded as a PRC enterprise incorporated and registered under the PRC law. It does not constitute a foreign investor for the purposes of the M&A Regulation. Accordingly, Commerce & Finance is of the opinion that the acquisition of Sichuan Jinshida by Guangzhou Kingstone is governed by the *Interim Provisions on Foreign-invested Enterprises*

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Investing Domestic Enterprises (關於外商投資企業境內投資的暫行規定) and does not fall within the scope of the M&A Regulation, which provides the rules in respect of the acquisition of the domestic company by the foreign investor. Therefore the Company's proposed listing does not require the approval of the CSRC and any other PRC government authorities.

Our PRC legal adviser, Commerce & Finance, has also confirmed that we have obtained all material approvals and permits required under PRC laws and regulations in connection with each material stage of the Corporate Reorganization and the Listing.

THE EXCHANGEABLE NOTE

On 13 August 2010, Wongs Investment, Mr. Huang and the Company entered into a note purchase agreement with MS China 3, an affiliate of Morgan Stanley (the "Note Purchase Agreement"). Pursuant to the Note Purchase Agreement, on 19 August 2010, MS China 3 purchased an exchangeable note issued by Wongs Investment with a principal amount of US\$15.0 million and a maturity date of 19 August 2013 (the "Exchangeable Note"). The proceeds of US\$15.0 million were received by Wongs Investment on 20 August 2010. Wongs Investment made a capital contribution to us using the proceeds received from issuance of the Exchangeable Note on 20 August 2010. The proceeds are expected to be utilized for the development and operation of the Zhangjiaba Mine, such as the payment for obtaining of land and mining rights, construction of mining related facilities and purchases of mining and processing equipment. As at 30 November 2010, US\$3.3 million was utilized mainly for purchase of mining equipment. Unless redeemed prior to the mandatory exchange as described below, the entire outstanding principal amount of the Exchangeable Note will be mandatorily exchanged into our Shares (the "Exchange Shares") owned and held by our Controlling Shareholder, Wongs Investment immediately prior to the commencement of dealings in the Shares on the Stock Exchange on the Listing Date.

The number of Shares into which the Exchangeable Note is exchangeable shall be the quotient of (i) the nominal exchange amount (the "Nominal Exchange Amount"); and (ii) the Offer Price. The Nominal Exchange Amount shall be calculated as the sum of (x) the outstanding principal amount of the Exchangeable Note on the date on which MS China 3 delivers the exchange notice to Wongs Investment (the "Exchange Date"), and (y) all accrued and unpaid interest thereon; multiplied by the adjustment factor (as described below). In the event that the Exchange Date occurs on or prior to 19 February 2012, which is 18 months following the date of issuance of the Exchangeable Note, (a) the applicable interest rate to calculate the accrued interest shall be 25% per annum, compounded quarterly, and the interest shall be deemed to have accrued as at the Exchange Date for a full period of 18 months after the date of issuance of the Exchangeable Note and (b) the adjustment factor shall be 1.42. In the event that the Exchange Date occurs after 19 February 2012 but on or prior to the maturity of the Exchangeable Note, and the Exchangeable Note is not otherwise redeemed, (a) the applicable interest rate shall be 20% per annum, compounded quarterly, and the interest shall be deemed to have accrued as at the Exchange Date for a full period of 36 months after the date of issuance of the Exchangeable Note and (b) the adjustment factor shall be 1.16.

In addition, if the Global Offering is not completed prior to 19 February 2012, the Exchangeable Note may be redeemed by Wongs Investment at the option of either Wongs Investment or MS China 3. MS China 3 also has the right to request Wongs Investment to redeem the Exchangeable Note upon certain material defaults committed by, *inter alios*, Wongs Investment, Mr. Huang and us. In the event that the Global Offering is not completed prior to 19 August 2013, the maturity date, and the Exchangeable Note is otherwise not redeemed in full early, the Exchangeable Note shall be redeemed by

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Wongs Investment. The applicable redemption price under the afore-mentioned scenarios is the outstanding principal amount of the Exchangeable Note plus a premium calculated thereon at a rate of 15% per annum, compounded annually.

The parties to the Note Purchase Agreement also entered into a certain shareholders' and noteholder's agreement on 19 August 2010 (the "Rights Agreement"), pursuant to which MS China 3 was granted certain minority protection rights, including pre-emptive rights and right of first refusal and tag-along right. The Rights Agreement provides that, for such time as at least 50% of the initial principal amount of the Exchangeable Note remains outstanding, MS China 3 shall be entitled to appoint one director to our Board of Directors, pursuant to which Mr. He Ji was appointed as our non-executive Director on 19 August 2010. In addition, MS China 3 also agreed not to transfer the Exchangeable Note, any Share of the Company or any equity securities of Wongs Investment to any non-affiliated third party prior to 19 February 2011, which is six months after the date of the Rights Agreement, without the prior written consent of Wongs Investment. The Rights Agreement provides that neither Mr. Huang nor Wongs Investment may transfer any Shares before the expiration of 18 months after the date of the Rights Agreement without the prior written consent of MS China 3. All such minority protection rights and transfer restrictions are expected to terminate immediately prior to the commencement of dealings in the Shares on the Stock Exchange on the Listing Date at which the Exchangeable Note is exchanged in full.

The Note Purchase Agreement provides that Wongs Investment, Mr. Huang and the Company jointly and severally indemnify, defend and hold harmless MS China 3 and its affiliates from and against any and all loss resulting from any breach of the transaction documents related to MS China 3's investment. Our indemnity obligations shall terminate immediately prior to commencement of dealings in the Shares on the Stock Exchange on the Listing Date. In addition, Hong Kong Kingstone entered into a deed of loan assignment on 24 August 2010 in favor of MS China 3 to create a security interest in the relevant lender's rights in respect of a shareholder loan made to Guangzhou Kingstone. Mr. Huang, Wongs Investment, the Company and Kingstone Industrial each entered into deeds of share charge on 19 August 2010 in favor of MS China 3 to create a security interest over all the shares in the issued share capital of (i) Wongs Investment; (ii) the Company; (iii) Kingstone Industrial; and (iv) Hong Kong Kingstone, respectively. Hong Kong Kingstone also entered into a PRC equity charge on 19 August 2010 in favour of MS China 3 to create a security interest over the entire then paid-up registered capital in Guangzhou Kingstone. All such security granted under the Note Purchase Agreement shall be fully released prior to the Listing.

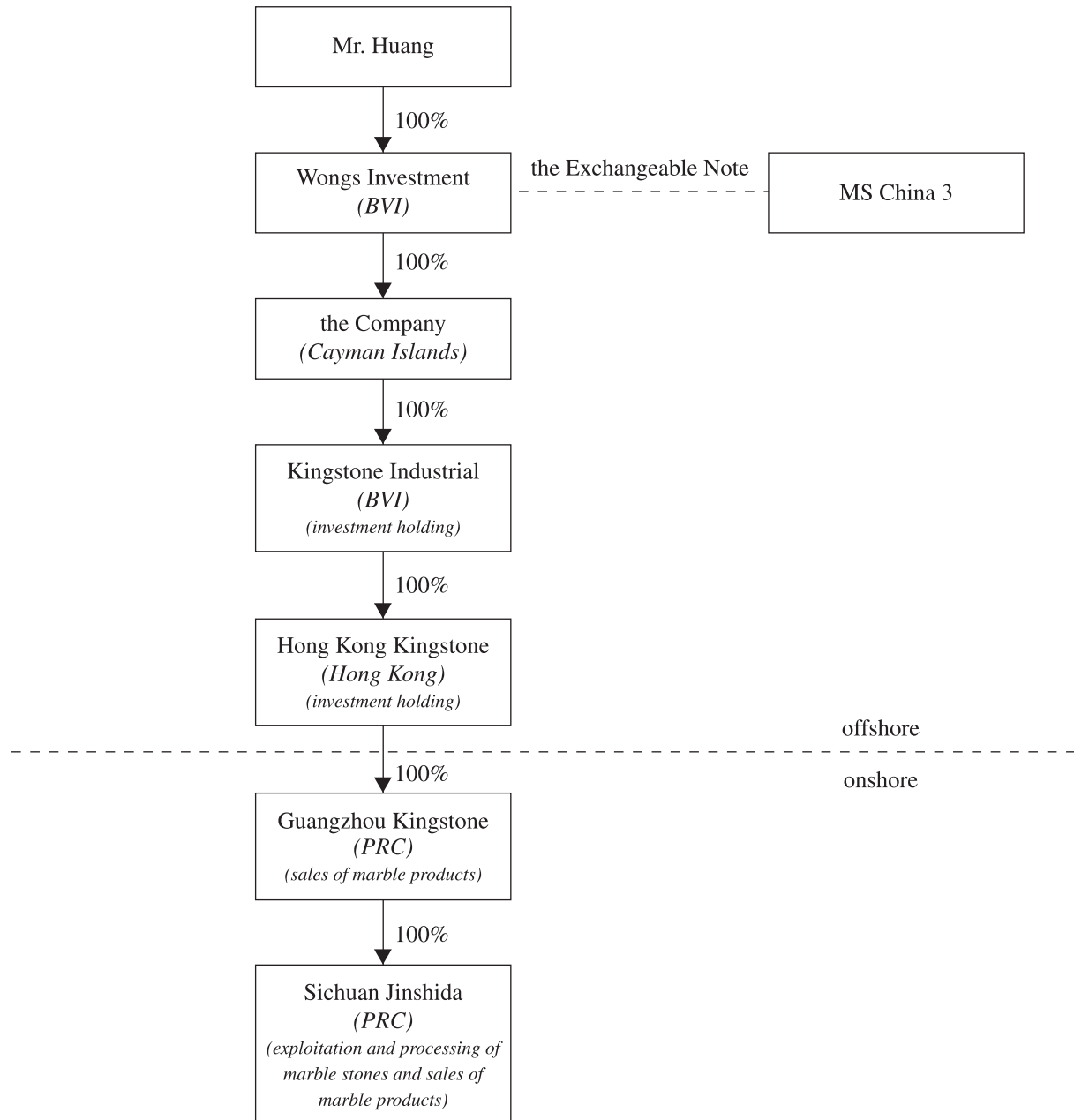
In determining the investment consideration payable by MS China 3 for the investment, we took into account investment risks that MS China 3 was subject to when making the investment which include (a) the risks involved in our marble mining business, given that our Zhangjiaba Mine was still in the early stages of development and we had not commenced our commercial production until September 2010; (b) the relative value of our Shares, compared to the Offer Price; (c) the illiquidity of the Shares at the time MS China 3 made the investment; (d) the commitment made by MS China 3 not to transfer the Exchangeable Note, any Share of the Company or any equity securities of Wongs Investment to any non-affiliated third party prior to 19 February 2011, which is 6 months after the date of the Rights Agreement, without the prior consent of Wongs Investment; and (e) the rich experience in corporate management and governance of MS China 3, an affiliate of Morgan Stanley, which we believe will significantly benefit the development of our Company through its participation in our company management prior to the completion of our initial public offering. Any Shares held by MS China 3 will

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be subject to a lockup for a period of six months after the Listing, the particulars of which are set out in the paragraph headed “Underwriting Arrangements and Expenses” in the section of “Underwriting” in this Prospectus.

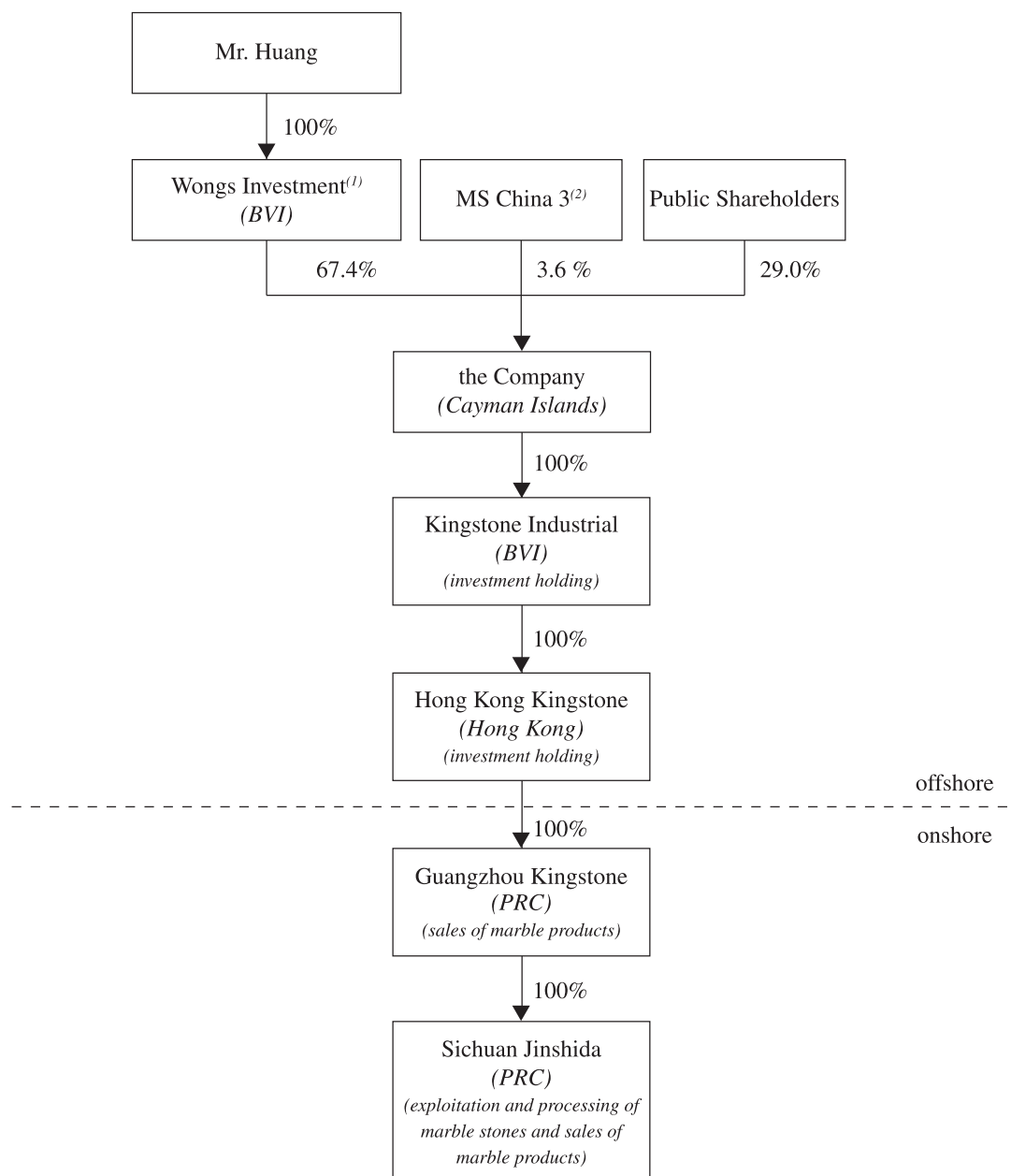
OUR CORPORATE STRUCTURE

Set out below is the shareholding structure of our Group immediately following completion of Corporate Reorganization but before the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3:



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Set out below is the shareholding structure of our Group following completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full (assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised):

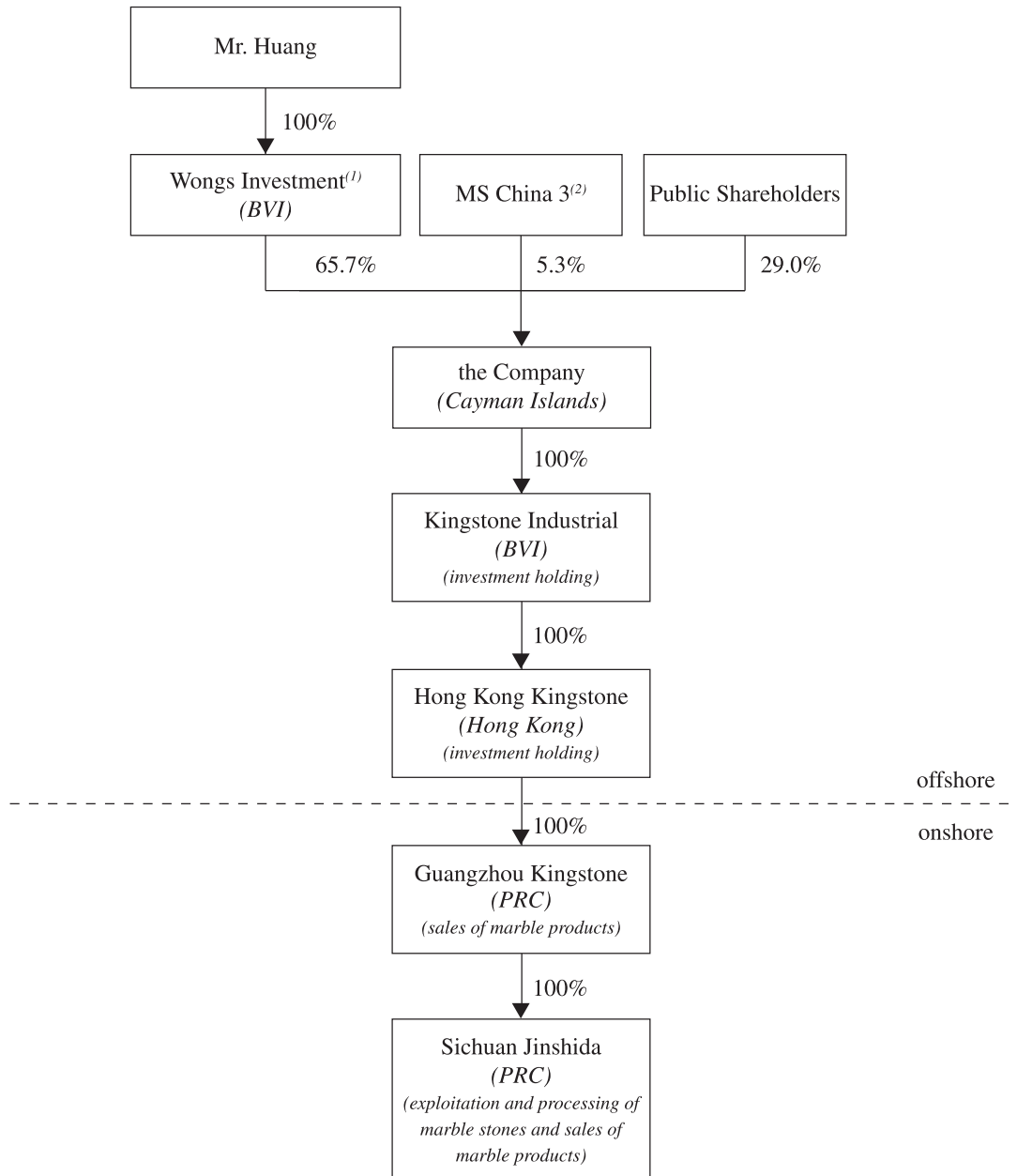


Notes:

- (1) Wongs Investment will offer 80,000,000 Sale Shares for sale at the Offer Price under the Global Offering. Following completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full, Wongs Investment will remain interested in an aggregate of 1,348,756,455 Shares, representing approximately 67.4% of the entire issued share capital of the Company.
- (2) For the purpose of calculating the number of Shares to be exchanged by MS China 3, the exchange rate was made at US\$1.00 to HK\$7.7882 which was mutually agreed to between us and MS China 3.

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Set out below is the shareholding structure of our Group following completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full (assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised):



Notes:

- (1) Wongs Investment will offer 80,000,000 Sale Shares for sale at the Offer Price under the Global Offering. Following completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full, Wongs Investment will remain interested in an aggregate of 1,313,926,277 Shares, representing approximately 65.7% of the entire issued share capital of the Company.
- (2) For the purpose of calculating the number of Shares to be exchanged by MS China 3, the exchange rate was made at US\$1.00 to HK\$7.7882 which was mutually agreed to between us and MS China 3.

This section discusses information regarding our mine and operations, including reserves, mining and processing capacities and production volumes. Unless otherwise indicated, all technical data in this section is based on the Competent Person's Report, which is included as Appendix V to this Prospectus. In addition, we commissioned Hatch as an industry consultant to prepare an independent research report, the Hatch Report. Unless otherwise indicated, information and statistics relating to the global and PRC marble industry in this and other sections of this Prospectus have been derived from the Hatch Report.

We are a developing mining company with a limited operating history. A number of our business prospects and market position described below, including but not limited to our ramp-up plan and market share information, are based on forward-looking statements rather than historical facts. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ materially from those expressed in any forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" discussed elsewhere in this Prospectus.

OVERVIEW

We are a marble mining company at the initial stage of production. We currently own and operate one marble mine, the Zhangjiaba Mine, which is the largest beige marble mine in China in terms of marble reserves, according to a certification issued by CSMA in August 2010. The Zhangjiaba Mine, located in Sichuan Province of China, contains 44.2 million m³ of measured and indicated marble resources, which represents 16.8 million m³ of proved and probable marble reserves based on a block rate of 38%, according to the Competent Person's Report. Our mine contains high-quality beige marble reserves, and our principal products are premium beige marble slabs and blocks. We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010. We currently hold a mining permit for an initial term of 10 years granted in February 2011, covering an area of 0.44 km² with an elevation from 590 m to 938 m above MSL. On the Listing Date, we will be the first marble mining company listed on the Hong Kong Stock Exchange.

In addition to marble block mining, we plan to construct large-scale marble slab processing facilities in close proximity to our mine. Following the completion of our ramp-up plan in 2014, our mining capacity for marble blocks is expected to reach 150,000 m³ per annum and our marble slab processing capacity at our processing facilities are expected to reach 3.0 million m² per annum. The estimated mine life of our Zhangjiaba Mine is 112 years, based on our current marble reserves and planned marble block mining capacity at 150,000 m³. CSMA expects our mining capacity and processing capacity upon completion of our ramp-up plan to be the largest among marble mining companies in China.

Our principal products are marble slabs processed and blocks mined from our marble reserves. According to an independent panel review organized by CSMA, our Pure Beige and Mixed Beige products are premium marble products and our Wood Grain and Gray Net products are mid- to high-end marble products. Our Pure Beige, Mixed Beige, Wood Grain and Gray Net marble account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves, respectively, according to the Competent Person's Report. According to the same panel review organized by CSMA, our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. Due to these characteristics, our premium marble products are suitable for use in the decoration of high-end commercial and public buildings.

According to the Competent Person's Report, marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized. Commercially in the stone industry, and as used in this Prospectus, marble also includes limestone or dolomite that is rock of sedimentary origin primarily composed of calcium carbonate or calcium magnesium carbonate and is polishable. Our principal resource at Zhangjiaba Mine is limestone that is commercially classified as marble.

COMPETITIVE STRENGTHS

On the Listing Date, we will be the first marble mining company listed on the Hong Kong Stock Exchange. We believe the following strengths distinguish us from our competitors:

Our Zhangjiaba Mine has abundant marble reserves, significant planned mining and processing capacities and immediate expansion potential.

We own and operate the largest beige marble mine in China in terms of marble reserves, according to a certification issued by CSMA in August 2010. According to the Competent Person's Report, our Zhangjiaba Mine, located in Sichuan Province of China, contains 44.2 million m³ of measured and indicated marble resources within the designed final pit. The block rate is expected to be 38% on the *in-situ* marble resources, which is equivalent to an estimated 16.8 million m³ of proved and probable marble reserves. The reserves are expected to be suitable for the production of premium decorative surfacing marble products. Our current ramp-up plan is to attain a marble block mining capacity of 150,000 m³ per annum from 2014 onwards. Based on our marble reserves and planned mining capacities, the estimated mine life of our Zhangjiaba Mine is approximately 112 years. We also plan to construct large-scale marble slab processing facilities in close proximity to our mine, on which we expect to attain 60% of the planned processing capacity in 2012 and full planned processing capacity in 2013. We expect the marble slab processing facilities to have an aggregate processing capacity of 3.0 million m² of marble slabs per annum from 2013 onwards.

According to the Hatch Report, although there is an overall shortage of premium beige marble resources in China, Sichuan Province has relatively plentiful, high-quality beige marble resources and is considered a major beige marble quarry region in China. Due to the favorable location of our Zhangjiaba Mine, we will be able to significantly increase our mineral resources and reserves because of the high exploration potential beyond our permitted mining area and in other neighboring marble mines in Sichuan Province. We intend to continue expanding our production capacity and we believe that, due to our scale and record of government support, we are well positioned to grow our operations through consolidation of selected acquisition targets. Moreover, in a non-binding strategic framework agreement dated 9 August 2010, we obtained the express support of the Jiangyou City government to acquire and

consolidate local marble mines. Pursuant to this strategic framework agreement, the Jiangyou City government has agreed to grant us preferential treatments with respect to land, water, electricity, tax and others as well as to jointly explore opportunities of collaborative arrangements to develop marble resources in Jiangyou City. Detailed preferential treatments and collaborative arrangements are expected to be negotiated with the Jiangyou City government and set out in the definitive acquisition agreement with selected acquisition targets.

Our Zhangjiaba Mine produces high-quality marble blocks that can be processed into high-end marble slabs commanding premium pricing.

Marble has long been highly valued for its beauty, multitude of colors, elegant style and smooth texture. As such, aesthetic value is an important factor in determining the quality of marble. There is an overall shortage of premium beige marble resources, and currently China's premium beige marble market significantly depends on imports. According to an independent panel review organized by CSMA, our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. Due to these characteristics, our premium marble products are suitable for use in the decoration of high-end commercial and public buildings, such as hotels, office buildings, museums and memorial halls.

Benefiting from the quality of our marble, we have been able to enter into long-term sales contracts for our premium marble products at relatively favorable prices. In 2010, we entered into long-term sales contracts with seven customers in China. These sales contracts provide for an aggregate sales volume of 1,025,000 m², 1,610,000 m² and 2,015,000 m² of marble slabs in 2011, 2012 and 2013, respectively, representing 63%, 56% and 45%, respectively, of our total planned marble slab production according to the Competent Person's Report, at average ex-factory sales prices of RMB830 per m² for Pure Beige marble slabs, RMB540 per m² for Mixed Beige marble slabs and RMB520 per m² for other marble slabs during the terms of such contracts. Our customers are obliged to purchase a minimum of 90% of the volume set out in these sales contracts. See "— Customers and Contract Terms." The prices for our products under these contracts are significantly higher than the average price of approximately RMB150 per m² for other PRC branded marble products, based on data from the Hatch Report. Because of the high quality of our marble products, we believe that sales prices for our products will increase to a similar level of prices for well-recognized, premium international branded marble products currently available in the market, the average price of which is approximately RMB1,000 per m², after we reach our planned mining and processing capacities. Upon reaching our full planned mining and processing capacities, we believe we will be able to continue to strengthen our pricing power and narrow the price gap between imported premium marble products and our products.

Our efficient mining and processing methods ensure low operating costs.

Our efficient mining and processing methods contribute to low operating costs and greater cost-efficiency of our operations. Our Zhangjiaba Mine is situated on low knolls and contains large marble stones with thin weathering layers, making it accessible and suitable for open-pit marble mining. Our use of the open-pit mining method, which does not require the specialized machinery, equipment or supporting structures that are necessary for underground mining and is characterized by its low capital expenditure requirements, enables us to mine and process our marble relatively quickly. There are no residents within the permitted mining area and the hydrology and geology of the surrounding region is

simple. Our Zhangjiaba Mine is designed to be operated in a descending multi-bench architecture taking into account the morphological and geologic conditions within the deposit. We integrate a variety of cutting techniques, including diamond wire cutting, chain saw cutting, and disc saw cutting, which we believe is highly advanced in the marble mining industry. In addition, we utilize highly-efficient, semi-automatic machinery and equipment to achieve our estimated low-cost production and to maintain our low cost advantage. Moreover, according to the Competent Person's Report, the average waste to ore strip ratio of our mine is as low as 0.07, which contributes significantly to our low mining costs.

During the period from September to December 2010, our actual unit cash production cost of the third-party processed marble slabs was RMB325 per m², which was higher than the projected unit cash production costs of RMB131 per m² for the third-party processed marble slabs upon reaching our full mining and processing capacities. The currently higher-than-projected unit cash cost is mainly the result of a combination of the relatively low production volume and high administrative expenses at the initial stage of production. The actual unit cash production cost of the third-party processed marble slabs decreased to RMB196 per m² in December 2010 as a result of increased production volume during this month. According to the Competent Person's Report, when we reach the planned mining capacity of 150,000 m³ of marble blocks per annum and processing capacity of 3.0 million m² of marble slabs per annum in 2014, the unit cash cost for our self-processed marble slabs (calculated as the sum of mining operating cash cost, slab processing cost and administrative and selling expenses) is estimated to be approximately RMB124 per m², based on a slab-block ratio of 33.7, and our unit cash cost for marble slabs processed by third-party contractors (calculated as the sum of mining operating cash cost, contractor charges, transportation cost and administrative and selling expenses) is estimated to be approximately RMB131 per m² in 2014. The unit cash cost for our self-processed marble slabs is estimated to be approximately RMB136 per m² and RMB122 per m² in 2012 and 2013, respectively, after our processing facilities commence commercial operations and before we reach our full marble block mining and marble slab processing capacities.

Based on the average ex-factory sales prices in our long-term sales contracts to date, which are RMB830 per m² for Pure Beige Marble slabs, RMB540 per m² for Mixed Beige marble slabs and RMB520 per m² for other marble slabs, we expect to achieve high profitability if we are able to sustain similar price levels for our products and continue to maintain low operating costs.

We benefit from the convenient location of our Zhangjiaba Mine and processing facilities.

The convenient location of our Zhangjiaba Mine provides us with easy access to readily available infrastructure and transportation networks. Our mine is easily accessible by a local highway to Hanzeng Town, which is 5.5 km away and connects to the provincial highway linking to Beichuan County, as well as to the urban area of Jiangyou City, which is 19 km away from our mine. In addition, we have easy access to water and electricity supplies, both of which are key utilities for our mining and processing operations.

Our marble slab processing facilities will be located in an industrial park at the south side of Jiangyou City, approximately 30 km from our Zhangjiaba Mine. Our marble slab products will be further transported to Mianyang City, the local economic center in north-central region of Sichuan Province, and Chengdu, the capital city of Sichuan Province, which are located 40 km and 160 km, respectively, away from our processing facilities. The closest railway depot is approximately 24 km away from our mine and processing facilities. The short distance enables our customers to transport the marble slabs and other marble products in a timely and cost-efficient manner by highway or railway networks. Unlike mineral stone importers whose products are shipped from overseas by means of costly

transportation, our customers are able to access and transport our marble slabs and other marble products at significantly lower costs within a much shorter period of time, thereby further enhancing our competitiveness.

Our mining and production processes are safe and environmentally friendly.

We utilize the open-pit mining method, which facilitates access and extraction of marble blocks from our marble mine, reducing the risk of accidents caused by collapsed mine roofs, mine floods and the leakage of harmful gases. Compared to underground mining, our open-pit mining operations generally do not involve the use of explosive materials or hazardous chemicals, thereby significantly reducing safety and environmental pollution concerns.

We engage in environmentally friendly mining operations. According to the Competent Person's Report, our Zhangjiaba Mine is categorized as a highly utilizable mine, leaving a limited amount of tailings. In addition, we believe our mining operations are environmentally friendly because our mining process does not involve the use of chemicals, consumes a limited amount of water and does not generate harmful substances. We utilize water during the drilling, cutting and sawing process, water sprays at material transfer points, and water trucks to spray the roads during dry periods to reduce the amount of dust produced during our mining operations. The mine site has also been designed to recycle used water for our production activities and for dust suppression.

We are confident in our ability to further enhance our safety and environmental protection capabilities, meet the increasingly strict safety and environmental protection standards imposed by the PRC Government and reduce any exposure to potential incremental costs or contingent liabilities relating to safety and environmental protection.

We have a strong and experienced management team with extensive industry and management experience.

Experienced mining technicians and personnel with established industry expertise are critical to the success of marble mining activities and operations. We have a team of carefully selected professionals who are equipped with abundant knowledge of and rich experience in various aspects of our business, including exploration, mine design and construction, mining, processing, and sales and marketing of marble and decorative surfacing stone industry. Certain members of our senior management team possess key management experience and have participated in mine development projects and drafting of technical specifications and national research reports. Our Directors and senior management also possess extensive experience derived from their direct involvement in both our operations and other mineral, natural resource or infrastructure projects. Our management team is led by four executive Directors and two senior management members, who together have an average of 20 years of experience and management expertise, and has been instrumental to the development of our Company. Our management team has served in various capacities at our Company since our inception, including the identification of the Zhangjiaba Mine, the acquisition of our mining assets, the exploration, the mine design and construction, and the execution of our ramp-up plan, demonstrating its strong commitment to our continued growth and success.

The majority of our Directors are qualified geologists and engineers with extensive industry expertise. Our Directors include affiliated members of the *Mining Resources Committee of China Stone Material Association* (中國石材協會礦山資源專業委員會), the *Stone Material Standard Committee* (石材標委會委員), as well as university lecturers and authors of academic magazines, journals and books.

Our chief engineer, Mr. Lin Yuhua, has passed the examination and recognition by the GAC and the NDRC and presided over the drafting of *Technical Specifications on Open-pit Quarries of Decorative Stone* (裝飾石材露天礦山技術規範) (JC/T1081-2008), which was approved and issued by the NDRC and came into effect on 1 December 2008. Our head of marketing and sales, Mr. Xiong Wenjun, held various positions in a number of stone companies, is a member of the Product and Auxiliary Material Committee of National Stone Standardization Technical Committee (全國石材標準化技術委員會產品及輔助材料分技術委員會) and participated in reviewing stone industry-related standards. For more information on our team of experienced professionals, see “Directors and Senior Management” in this Prospectus.

We believe that our Directors and senior management possess the skills, foresight and extensive industry knowledge necessary to capture market opportunities, formulate sound business strategies, assess and manage risks and increase and implement management and production schemes. We also believe that our management team possesses the leadership capabilities and qualifications required to sustain our business and ensure our continued success.

BUSINESS STRATEGIES

Our vision is to become a leading integrated marble business operator in China. We plan to accomplish this goal by pursuing the following strategies:

Ramp up our mining and processing capacities.

We commenced limited preliminary mine construction at our Zhangjiaba Mine in July 2008 and full-scale mine construction in January 2010. We completed the construction of the first two knolls of our mine in the end of 2010. Commercial production at these two knolls commenced in September 2010. We are currently constructing the other two knolls. During the period from September to December 2010, we mined a total of 1,145 m³ of marble blocks. During the same period, we sold a total of 3,000 m² of Pure Beige marble slabs, 9,000 m² of Mixed Beige marble slabs and 24 m³ of marble blocks.

As part of our planned increase in mining and processing capacities, we expect to significantly increase our marble block mining capacities to a total of 45,000 m³ per annum in 2011, 90,000 m³ per annum in 2012, 135,000 m³ per annum in 2013 and 150,000 m³ per annum from 2014 onwards. See “— Our Production Operations and Facilities — Mining Process.” Total capital expenditures for the ramp-up of our marble block mining capacities are expected to be RMB366.7 million. We expect the processing facilities to have an aggregate processing capacity of 3.0 million m² of marble slabs per annum from 2013 onwards and the total capital expenditures for construction and equipment procurement for our processing facilities to be RMB421.7 million.

Establish a strong customer base and strengthen customer relationships.

Our long-term goal is to sell our marble products through a number of select distributors to well-recognized property developers and construction companies, which are our target end customers. We plan to focus on developing relationships with distributors that have a strong track record, established customer base and broad sales and marketing network. As we ramp up our mining and processing capacities, we intend to secure sales contracts with a larger but defined group of customers, such as property developers and construction companies of landmark projects, to strategically increase market awareness on our premium marble products and enhance our product recognition. As our mining and

processing capacities increase and our products gain increased recognition in the market, we expect to have stronger pricing power, which will enable us to sell our products to select end customers that we believe will further promote our products.

Develop high product recognition and strengthen pricing power.

We believe that recognition of our marble products among industry professionals is critical to our development and success. As such, we intend to establish cooperative relationships with *China Architect and Interior Designer Association* and CSMA and plan to work with these and other major associations on landmark projects to further promote and increase sales of our high-quality marble products. We also expect to increase exposure of our products in select trade and other high-end decorative surfacing stone magazines, as well as attend industry forums, trade fairs and exhibitions to establish communications with industry professionals, major property developers, contractors and others who have significant influence over customer preferences and purchasing decisions. Moreover, to achieve further recognition of our products, we plan to market our products for use in landmark construction projects, such as five-star hotels and major commercial and public buildings, where our marble products can be prominently displayed and showcased. In doing so, we believe that we will be able to set quality standards and keep abreast of industry trends, which will enable us to command strong bargaining and pricing power over the relevant products in the market. We expect these measures to enable us to strengthen our corporate profile, enhance our business and achieve high product recognition among both industry professionals and end customers.

Expand our marble resources through further expansion and selective acquisitions.

As part of our future plans for acquisitive growth, we plan to continue to carefully evaluate and identify selective expansion and acquisition opportunities. We believe that, due to the high exploration potential beyond our permitted mining area and in other neighboring marble mines in Sichuan Province, we will be able to significantly increase our mineral resources and reserves further through the acquisition of additional exploration and mining rights in the surrounding area or of mining companies with existing mining rights. Moreover, in a non-binding strategic framework agreement dated 9 August 2010, we obtained the express support of the Jiangyou City government to acquire and consolidate local marble mines. As part of the framework agreement, the parties have agreed to further explore the opportunities for potential collaborative arrangements. We intend to actively negotiate the details of preferential treatments and collaborative arrangements with the Jiangyou City government upon finalizing definitive acquisition agreements with acquisition targets. We are currently in the process of identifying and selecting acquisition targets and, as at the Latest Practicable Date, the parties did not commence the negotiation in this regard.

We continue to evaluate acquisition opportunities with exploration potential outside our current mining area to grow our resources and reserves in Sichuan Province. We also seek to expand through acquisitions of high-quality marble mines in other regions of China, with reserves that can be extracted for more than ten years. Our plans for expansion and acquisition will be subject to the following criteria: (i) scale of the resources, reserves or mining operations of the mine; (ii) the amount, mineability and sustainability of the target resources or reserves; (iii) return on acquisition; (iv) the potential synergies that can be achieved through the acquisition; and (v) the enhancement of the overall sustainability of our existing and future businesses. We regularly seek out and evaluate potential acquisition opportunities. As at the Latest Practicable Date, we did not enter into any definitive agreements with respect to any acquisition. On 30 July 2010, we entered into a legally binding letter of intent with a mining company,

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an Independent Third Party, under which we have the right to negotiate and consider the acquisition of certain mining rights for a neighboring marble mine containing approximately 3.7 million m³ of estimated marble resources. This letter of intent will expire at the end of June 2011 and is extendable based on mutual agreement in writing. On 18 January 2011, we entered into another legally binding letter of intent with a stone material company, an Independent Third Party. Pursuant to this letter of intent, we have the right to negotiate and consider the acquisition of certain mining rights for a neighboring marble mine. According to the letter of intent, such mine contains no less than 5.0 million m³ of estimated marble resources. This letter of intent will expire in one year from the signing date and is extendable based on mutual agreement in writing. The parties expect to enter into transfer agreements for the relevant mining rights and assets upon completion of satisfactory due diligence and agreement on the substantive terms and conditions of the transfers. The transfer consideration for the mining rights and assets is expected to be determined through negotiation on the basis of asset valuation to be conducted by a qualified valuation firm recognized by the parties. We expect to identify more acquisition targets that contain marble reserves of a quality similar to that of the marble reserves in our Zhangjiaba Mine and achieve even higher mining capacities as well as significant returns on our investment.

FUTURE PLANS FOR RAMPING-UP MINING AND PROCESSING CAPACITIES

We commenced limited preliminary mine construction of our Zhangjiaba Mine in July 2008 and full-scale mine construction in January 2010. We completed the construction of the first two knolls of our mine in the end of 2010. We are currently constructing the other two knolls. Following the completion of all four knolls at our Zhangjiaba Mine, we plan to increase our mining capacity for marble blocks to 150,000 m³ per annum from 2014 onwards. We also plan to construct large-scale marble slab processing facilities in close proximity to our mine, on which we expect to attain 60% of the planned processing capacity in 2012 and full planned processing capacity in 2013. We expect the marble slab processing facilities to have an aggregate processing capacity of 3.0 million m² of marble slabs per annum from 2013 onwards. After reaching our full mining and processing capacities, we expect to continue to outsource approximately 27% of our annual mined marble blocks to the third-party processing plants for slab processing as the volume of the marble slabs that can be processed from the marble blocks we mine annually is expected to exceed the full processing capacity at our processing facilities.

The timeline below highlights our key development milestones for our ramp-up plan:

<u>Year</u>	<u>Total marble block mining capacity⁽¹⁾</u>	<u>Total marble slab processing capacity⁽¹⁾</u>	<u>Capital expenditure for the Zhangjiaba Mine⁽²⁾</u>	<u>Capital expenditure for the processing facilities⁽²⁾</u>
	(m ³ per annum)	(million m ² per annum)	(RMB in millions)	(RMB in millions)
2008–2009	—	—	21.5	—
2010	1,145	—	66.2	1.0
2011	45,000	—	114.5	181.3
2012	90,000	1.8	80.4	188.0
2013	135,000	3.0	56.7	51.4
2014	150,000	3.0	27.4	—

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Notes:

- (1) The marble block mining capacity and marble slab processing capacity represent our planned capacities which we intend to fully utilize, and are calculated based on 300 production days per annum, taking into account holidays, weather downtime and equipment maintenance.
- (2) The actual capital expenditures for the Zhangjiaba Mine and the marble slab processing facilities for the eleven months ended 30 November 2010 were RMB61.5 million and RMB1.0 million, respectively. As at 30 November 2010, our unutilized planned capital expenditures for the Zhangjiaba Mine and the marble slab processing facilities were approximately RMB283.7 million and RMB420.7 million, respectively, and we expect such capital expenditures to be principally funded by proceeds from the Global Offering. As at 30 November 2010, we had capital commitment of RMB363,000 for our unutilized planned capital expenditure of the Zhangjiaba Mine and nil for the marble slab processing facilities.

The table below illustrates our actual marble block production in 2010 and planned marble block production by volume of various uses at our Zhangjiaba Mine from 2011 to 2015, according to the Competent Person's Report:

Item	2010	2011	2012	2013	2014	2015
Blocks used for self slab production (m ³)	—	—	53,374	88,957	88,957	88,957
Blocks used for contract slab production (m ³)	1,121	45,000	30,000	40,000	40,000	40,000
Blocks used for shaped stone products (m ³)	—	—	1,800	3,000	3,000	3,000
Blocks to be sold directly to customer (m ³)	24	—	4,826	3,043	18,043	18,043
Total marble block mining capacity (m³)	1,145	45,000	90,000	135,000	150,000	150,000

The construction of our Zhangjiaba Mine commenced in July 2008 and will be completed at the end of 2013. The majority of our capital expenditure are expected to take place from 2010 to 2012 as facilities are constructed and equipment is delivered and installed. The development schedule of our ramp-up plan is as follows:

- *July 2008 – December 2009:* Conducted limited preliminary mine construction activities.
- *January 2010 – December 2013:* Complete the construction of the main production facilities of the Zhangjiaba Mine. The ramp-up of our mining capacities will commence during this period with full mining capacity by 2014.
- *January 2011 – December 2011:* The construction of large-scale marble slab processing facilities commences. Equipment is procured, delivered and installed with plant construction being partially completed to attain 60% of the planned processing capacity in 2012.
- *January 2012 – December 2012:* The ramp-up of our marble slab processing capacities will commence. The construction of large-scale marble slab processing facilities is fully completed and production of various products expands and attains full planned processing capacity in 2013.

We plan to increase our marble block mining capacities at our Zhangjiaba Mine and expect to spend a total of RMB366.7 million, including RMB152.7 million on mine construction, RMB127.6 million on mining equipment, RMB41.3 million on mining rights, RMB40.0 million on land use rights and RMB5.2 million on other expenses to develop our marble resources. During the Track Record Period, our capital expenditure in connection with our ramp-up plan of the marble block mining capacities at the Zhangjiaba Mine totaled RMB83.0 million, including RMB2.3 million in relation to mining rights and RMB1.4 million in relation to prepaid land lease payments. Such capital expenditure

was financed by our Controlling Shareholder and through short-term and long-term bank borrowings. In February 2011, we spent RMB39.1 million in relation to the mining rights to obtain the current mining permit that cover 590 m to 938 m above MSL within the 0.44 km² mining area of the Zhangjiaba Mine.

In order to enhance our profitability and better control the quality of our products, we intend to construct marble slab processing facilities that are capable of processing marble slabs and other products as part of our ramp-up plan. We expect to spend a total of RMB421.7 million, including RMB130.7 million on the construction of processing facilities, RMB242.0 million for processing equipment, RMB20.0 million on land use rights and RMB29.0 million on other expenses. We plan to fund the capital expenditure on the marble slab processing facilities through the proceeds from the Global Offering. We are currently in the process of acquiring the land for, and preparing the design of, the processing facilities. The construction of the processing facilities is expected to attain 60% of the planned processing capacity in 2012 and full planned processing capacity in 2013. During the Track Record Period, we incurred capital expenditure of RMB1.0 million in relation to our marble slab processing facilities. To complete the construction of our mine and processing facilities, we are required to obtain the approvals from the authorities in charge of the environmental protection, work safety, land and resources and other relevant aspects. As advised by our PRC legal adviser, Commerce & Finance, if Sichuan Jinshida meets all statutory conditions and requirements, after completion of all statutory procedures required by relevant PRC laws, regulations and all the competent authorities, there is no material legal impediment for Sichuan Jinshida to obtain such approvals. The foresaid statutory conditions and requirements include (without limitation) the following: (i) receipt of the approval on environmental impact assessment report in respect of the mine and processing facilities; (ii) the installation of environmental production equipment of the mine and processing facilities according to the approved environmental impact assessment report; (iii) the passing of the acceptance and inspection of the competent branch of the MEP; (iv) safety assessment with regard to the mine; (v) the design of safe production equipment has been approved by the competent authority and the safe production equipment have been installed according to such design; (vi) the acceptance and inspection of the competent branch of the SAWS; (vii) the use of relevant land for constructing the mine and processing facilities shall be in consistent with the land use planning; (viii) the receipt of land use right, the Construction Work Planning Permit and other required permits for construction of relevant processing facilities. As at the Latest Practicable Date, Sichuan Jinshida satisfied statutory conditions and requirements and obtained (i) the approvals on the construction and operation of the mine from the *Work Safety Administration of Sichuan Province*; (ii) the approvals on mining and processing 50,000 m³ per annum of limestone blocks from the *Environmental Protection Bureau of Jiangyou City*; and (iii) the approval on environmental impact assessment report with respect to the project of mining 150,000 m³ per annum of limestone blocks from the *Environment Protection Department of Sichuan Province*.

With the necessary rights, permits, licenses and approvals, we commenced commercial production of marble blocks in September 2010 and intend to commence commercial operations for marble slabs at the beginning of 2012. For information regarding the rights, licenses, permits and approvals we expect to obtain for the commercial production of our marble resources, see “— Regulatory Compliance Issues.” Our plans to develop and produce marble blocks and slabs will require water and electricity supplies. We believe our current and future plans for water and electricity supplies will be sufficient for our marble block and marble slab production. For information regarding our water and electricity sources, see “— Utilities, Raw Materials, Machinery and Suppliers — Electricity and Water.”

OUR MINERAL RESOURCES AND MINING RIGHTS***Overview***

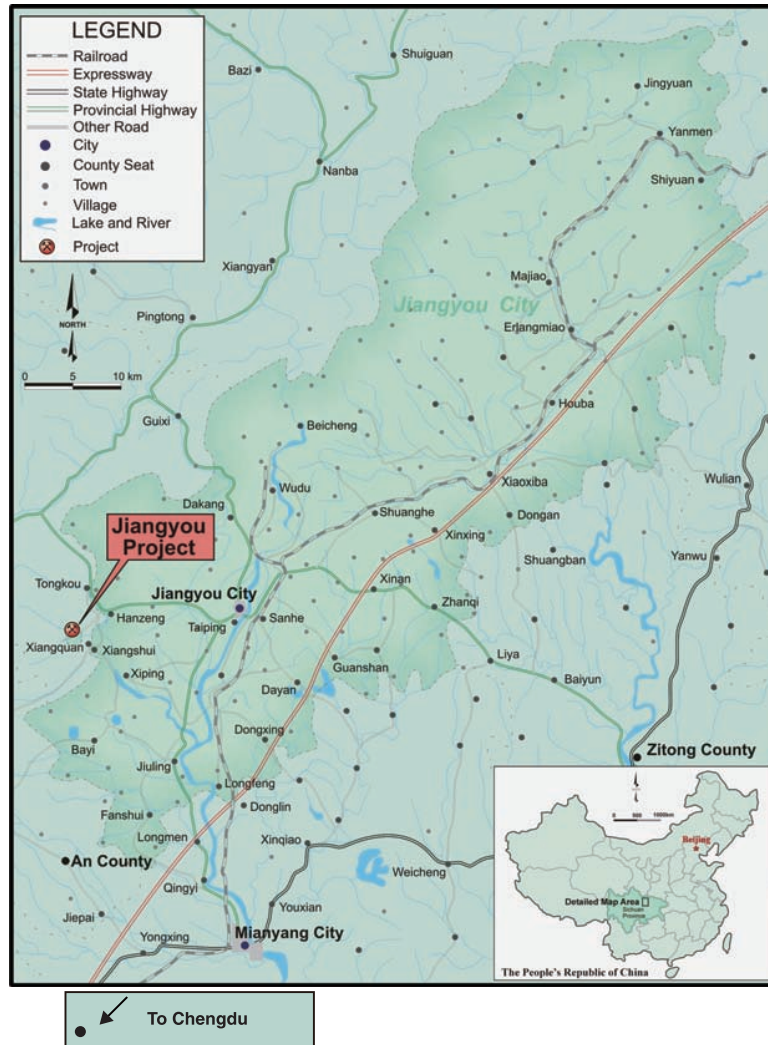
As at the Latest Practicable Date, we held the mining rights to one large-scale open-pit marble mine, namely, the Zhangjiaba Mine, which is located in Zhenjiang Village, Xiangshui County, Jiangyou City of Sichuan Province, China. The following table sets forth detailed information on our Zhangjiaba Mine:

	<u>Zhangjiaba Mine</u>
Background data:	
Commercial production commenced	September 2010
Mining method	Open-pit mining
Permitted mining right area.	0.44 km ²
Permitted production capacity	400,000 tonnes per year
Mining permit number	C5107002009017120004753
Valid period of the mining permit	From 21 February 2011 to 21 February 2021
Resource and reserve data:	
Measured and indicated marble resources within the designed final pit (m ³ as at 31 December 2010).	44.2 million
Proved and probable marble reserves (m ³ as at 31 December 2010) . . .	16.8 million

Our Marble Reserves

According to the Competent Person's Report, our Zhangjiaba Mine has 16.8 million m³ of proved and probable marble reserves, based on 44.2 million m³ of measured and indicated marble resources and an estimated block rate of 38%. With the planned annual mining capacity of 150,000 m³ of marble blocks upon completion of our ramp-up plan in 2014, we expect that the reserves in our Zhangjiaba Mine will be sufficient for us to operate for over 100 years. Although the variation in the estimated block rate could occur during the actual mining process, resulting in variation in our marble reserves estimates, the Independent Technical Consultant expects that such variation should not have a significant impact on our mine production for the first 20 to 30 years of the mine life in light of the abundant marble resources at the Zhangjiaba Mine.

The following map sets forth the approximate geographical location of our marble mine and major transportation infrastructures:



Our mine is located approximately 40 km away from Mianyang City, the local economic center in the north-central region of Sichuan Province, and approximately 160 km away from Chengdu, the capital city of Sichuan Province. Our mine is easily accessible by a local highway to Hanzeng Town, which is 5.5 km away and connects to the provincial highway linking to Beichuan County, as well as to the urban area of Jiangyou City. Our mine is also close to the major national railway network, the Baoji-Chengdu Railway. For details of the location of our Zhangjiaba Mine and the surrounding transportation infrastructure, please see the map under “— Our Marble Reserves” above. As a result, unlike mineral stone importers whose products are shipped from overseas by means of costly transportation and delivery, our customers are able to purchase our marble blocks and marble slabs at significantly lower transportation costs. Our marble slab processing facilities will also be located in close proximity to developed transportation networks, enabling us to deliver our products in a timely and cost-efficient manner by a combination of roadways and railways.

Mining Permit, Exploration Permit and Production Safety Permits

Under PRC laws and regulations, mining companies must obtain, at the minimum, a mining permit and the relevant production safety permits for a mining site prior to the commencement of commercial production. For more details, please see “Regulatory Overview.”

We acquired Sichuan Jinshida in March 2008, when it held a mining permit to extract cement limestone (水泥用石灰岩) from the Zhangjiaba Mine covering 700 m to 880 m above MSL with a permitted mining area of 0.289 km². In January 2009, we further expanded the permitted mining area covered by the permit from 0.289 km² to 0.495 km² covering 630 m to 880 m above MSL. In August 2009, we expanded the nature of our mining right to cover both decorative surfacing limestone (飾面用灰岩) and cement limestone (水泥用石灰岩) and the mining permit covered 750 m to 930 m above MSL. In February 2011, we obtained a new mining permit to cover 590 m to 938 m above MSL within substantially the same mining area as our permit obtained in 2009. According to such new mining permit, we may conduct mining activities with respect to decorative surfacing limestone (飾面用灰岩). Such mining permit will expire in 2021. The premium we paid in connection with such permit covers reserves extractable for 30 years based on the current approved capacity of 400,000 tonnes per year. We have been advised by our PRC legal adviser, Commerce & Finance, that although the government is not required to grant the renewal of our mining permit, there will not be any material legal impediment for us to receive continuing renewals of our mining permit so long as we meet the applicable requirements and conditions.

We obtained the mining rights with permitted mining area of 0.289 km² as a result of our acquisition of Sichuan Jinshida for a total consideration of RMB24.48 million. In January 2009, we paid mining rights premium (採礦權價款) with the amount of RMB1.0 million for the additional 4.0 million tonnes of mine reserves resulting from the expansion of the total permitted mining area from 0.289 km² to 0.495 km². In September 2009, we paid mining rights premium with the amount of RMB1.3 million for the additional 5.2 million tonnes of mine reserves we further explored. For each mining rights premium which was determined based on the unit price as stipulated in relevant Standard for *Calculation of Mining Rights Premium in Mianyang City* (綿陽市採礦權價款計算標準) multiply by the additional mine reserves through expansion, it has been paid up by us on one-off basis to the *Land and Resource Bureau of Mianyang City*. We paid a premium with the amount of RMB39.1 million in connection with the mining rights we obtained in February 2011. The premium we paid covers reserves extractable for 30 years based on the current approved capacity of 400,000 tonnes per year, and was determined according to the valuation result provided by the mining rights premium appraisal institutions selected by the *Land and Resource Bureau of Sichuan Province*. Such premium has been paid up by us on one-off basis. Although PRC rules and regulations do not specify the treatment for overpayments, we expect any overpayment to be applied towards future renewals, and if our permit is not renewed, we do not expect any overpaid premium to be refunded to us. As at the Latest Practicable Date, there was no outstanding mining rights premium payable by us.

Under PRC laws and regulations, mining companies are required to obtain the necessary production safety permits prior to their commencement of commercial production. We obtained a new production safety permit on 7 September 2010 with the permitted scope of production of decorative surfacing marble limestone and cement limestone. Such new production safety permit will expire on 16 June 2012 and is renewable for three years, subject to completion of certain administrative examination and approval procedures. We have also obtained a formal approval in respect of the inspection and acceptance from the *Work Safety Administration of Sichuan Province* (四川省安全生產監督管理局) on 19 September 2010.

OUR PRODUCTS

We specialize in the mining and production of marble blocks and marble slabs. According to an independent panel review organized by CSMA, our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. Among other awardees, we were also awarded a certificate dated 9 September 2010, issued jointly by CSMA and National Stone Material Quality Inspection Center, to certify our beige marble mined from our Zhangjiaba Mine as a “famous, excellent and premium” stone material. The premium quality of our marble products is also supported by the prices that our customers have paid or agreed to pay pursuant to the sales contracts that our customers have entered into with us.

Marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized and much or all of the sedimentary and biologic textures are obliterated. Commercially in the stone industry, and as used in this Prospectus, marble also includes limestone or dolomite that is rock of sedimentary origin primarily composed of calcium carbonate or calcium magnesium carbonate and is polishable. Our marble resources fall into this latter category.

The geological composition of our marble includes limestone and dolomite. The high degree of purity, hardness and bulk density as well as the low level of porosity of the marble in our Zhangjiaba Mine can be used as premium marble blocks and slabs for decorative surfacing purposes. Although we expect processed marble slabs to be our main product, we also intend to sell a limited volume of marble blocks as well as other by-products.

The primary color of our marble resources in the Zhangjiaba Mine is beige. Some of the resources are pure beige while others are mixed with milk-white or grayish white colors. Based on the color variation, our marble is classified as either Pure Beige or Mixed Beige. Some of the marble resources have well-developed depositional lamination consisting of alternating color bands similar to wood grain, which is referred to as Wood Grain marble. There are some calcite veins and veinlets filling the fractures in the marble, forming a netted texture, which is referred to as the Gray Net marble. Therefore, there are four types of color and texture combinations based on commercial products that will be produced from our Zhangjiaba Mine, namely the Pure Beige, the Mixed Beige, the Wood Grain, and the Gray Net, each of which accounts for 51.0%, 32.7%, 6.4% and 9.9% of the total marble reserves, respectively. We expect that our Pure Beige will achieve the highest sales price, followed by Mixed Beige and then others.

Properties of Our Products

Based on measurements on 19 core rock samples, the bulk density of the marble resources in the Zhangjiaba Mine ranges from 2.51 to 2.73 t/m³ with an average of 2.61 t/m³. The hardness of the marble is 3. The natural water absorption of the marble is generally from 0.2% to 0.8%, averaging 0.54%. Based on the measurements on selective samples, the compressive strength of different types of marble ranges from 27.5 to 63.7 million pascals (“MPa”), averaging 41.9 MPa. The bending strength ranges from 16.3 to 39.7 MPa, averaging 23.3 MPa. The abrasion resistance is 57 per cm² for the Pure Beige, 56 per cm² for the Mixed Beige, 28 per cm² for the Wood Grain, and 64 per cm² for the Gray Net. The abrasion resistance of all four types of marble satisfies the minimum requirement of 10 per cm² for natural marble construction material in China (GB/T 19766-2005).

Marble Slabs

Prior to the commencement of the commercial operations of our processing facilities, we engaged third-party processing plants to process our marble blocks into marble slabs. Upon completion of our marble slab processing facilities, we expect our processing to begin with separating and processing untrimmed quarry stones from marble mines into marble blocks, which we will further process into marble slabs and other decorative surfacing marble products by cutting, burnishing and polishing.

We cut marble blocks into three types of marble slabs, namely, standard 2-cm thick one-side-polished marble slabs (“one-side-polished marble slabs”), 2-cm thick cut-to-size marble tiles (“cut-to-size marble tiles”) and 1-cm thick one-side-polished marble slabs (“thin marble slabs”). From 2013 onwards, we expect our processing facilities to have an aggregate processing capacity of 3.0 million m² of marble slabs per annum, of which 55% will be one-side-polished marble slabs, 35% will be cut-to-size marble tiles and 10% will be thin marble slabs. The sales price for cut-to-size marble tiles is higher than that of one-side-polished marble slabs and thin marble slabs. As at the Latest Practicable Date, we entered into contracts to sell one-side-polished marble slabs to our customers.

Marble slabs are usually used as indoor decorative materials, such as floors and walls. According to an independent panel review organized by CSMA, the color and texture of our marble products are similar to those of the well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. Our premium marble products are suitable for use in the decoration of high-end commercial and public buildings, such as hotels, office buildings, museums and memorial halls.

Marble Blocks

We also intend to sell a limited volume of marble blocks, primarily to the overseas market. The sales price of marble blocks varies according to quality, texture, size, supply volume and delivery cycle.

Sales of Our Products

During the period from September to December 2010, we mined a total of 1,145 m³ of marble blocks. During the same period, we sold a total of 3,000 m² of Pure Beige marble slabs, 9,000 m² of Mixed Beige marble slabs and 24 m³ of marble blocks. The following table sets forth the sales volume, the revenue and the average selling price by product from 1 September 2010 to 3 January 2011,

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pursuant to a short-term sales contract of marble slabs we entered into with a construction material trading company in September 2010 and two individual transactions of marble blocks we entered into with two independent third parties who are engaged in stone processing:

	Marble Slabs			Marble Blocks
	Pure Beige	Mixed Beige	Total	
1 September 2010 to 30 November 2010				
Sales volume (m ³ (blocks)/m ² (slabs))	1,000	2,000	3,000	24
Revenue (RMB in millions)	0.72	0.97	1.69	0.08
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	563	3,414
1 December 2010 to 3 January 2011				
Sales volume (m ³ (blocks)/m ² (slabs))	2,000	7,000	9,000	—
Revenue (RMB in millions)	1.44	3.41	4.85	—
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	538	—
1 September 2010 to 3 January 2011				
Sales volume (m ³ (blocks)/m ² (slabs))	3,000	9,000	12,000	24
Revenue (RMB in millions)	2.16	4.38	6.54	0.08
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	545	3,414

Note: The average selling price is calculated by dividing the revenue by the corresponding sales volume. Our revenue is net of VAT.

Revenue from 1 December 2010 to 3 January 2011 and revenue from 1 September 2010 to 3 January 2011 presented in the table above are estimates based on unaudited management accounts for the relevant periods. Accordingly, you should not place undue reliance on these estimates. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see “Forward-Looking Statements.” Our estimated revenue for these periods is not indicative of our gross profit or net profit or net loss for such periods, nor is it indicative of our revenue, gross profit or net profit or net loss or other financial results for the year ended 31 December 2010 or any other periods. Our estimated net profit and gross profit for the month ended 31 December 2010 were in line with our expectations and consistent with our loss estimate for the year ended 31 December 2010 included in “— Loss Estimate for the Year Ended 31 December 2010” and “Appendix III — Loss Estimate.” Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Prospectus for information regarding trends and other factors that may influence our results of operations.

Other Products and By-products

Our other products include a small amount of shaped stone products, such as curved plates, moldings, fireplace components, tables, and special order products. The spalls and crushed stones generated from our mining and processing process can be used for industrial purposes.

As part of our efforts to be socially responsible, in addition to our main marble slab processing facilities, we also plan to construct a small processing plant in close proximity to our Zhangjiaba Mine, as a co-operative effort with local farmers, which will employ some of the local labor to produce small 2-cm thick cut-to-size marble tiles using remaining marble of various shapes and sizes. This processing plant is established to help local economic development and provide training to local citizens. We did not and do not expect to generate any material revenue or incur any material costs or expenses in relation to the operation of such processing plant. The waste materials from marble slab, tile and shaped stone production at our mine and processing plants will be sold at relatively low prices to the local factories as raw materials for their cement and calcium powder production. We expect the plant to commence production in 2012. The projected full production for the small 2-cm thick cut-to-size marble tiles and the raw materials for cement and calcium carbonate powder from 2014 onwards will be 100,000 m² and 626,000 tonnes, respectively. The intent of such co-operative effort is to utilize the entire production volume of the marble blocks mined at our Zhangjiaba Mine and to minimize the final waste rocks from our mining activities.

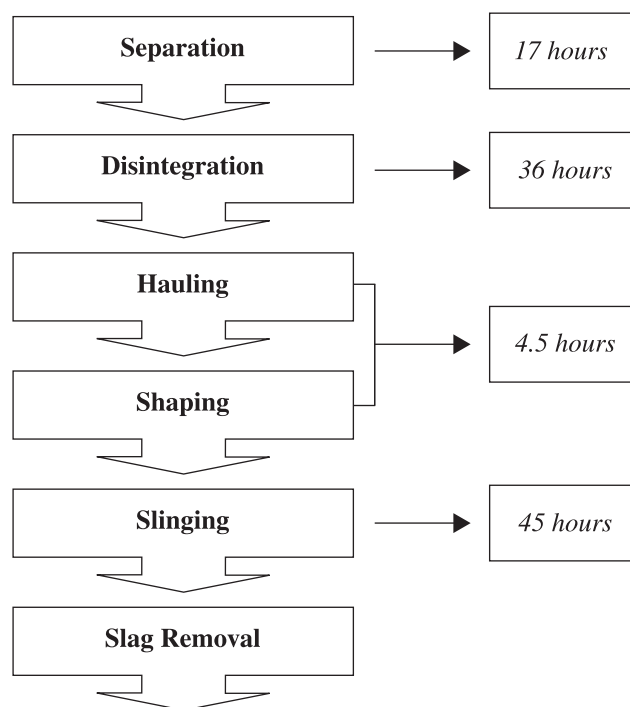
OUR PRODUCTION OPERATIONS AND FACILITIES

Overview

Our principal products are marble slabs processed and blocks mined from our marble reserves. We commenced limited preliminary mine construction at our Zhangjiaba Mine in July 2008 and full-scale mine construction in January 2010. We completed the construction of the first two knolls of our mine in the end of 2010. Commercial production at these two knolls commenced in September 2010. During the Track Record Period, we focused our business activities on mine planning and construction and infrastructure development. We are currently constructing the other two knolls.

Mining Process

We integrate a variety of cutting techniques in open pits, including diamond wire cutting, chain saw cutting, and disc saw cutting to produce marble blocks. The following diagram sets forth our mining process at our marble mine and the time required for each process based on our calculation for the mining of a standard 90 m³ marble block:



- *Separation:* To separate massive stones from the original protolith by sawcutting or cleaving according to the cracks in the mineral body joint.
- *Disintegration:* To disintegrate separated massive stones into a number of smaller blocks as raw materials of marble blocks. The location of disintegrative sawcutting face is subject to the required size of marble blocks.
- *Hauling:* To move the disintegrated marble blocks or raw materials of marble blocks from the mineral bodies in order to create working space for next round of separation.
- *Shaping:* To saw cut or shape marble blocks, that do not conform to the commercial standard into the required of sizes and specifications.
- *Slinging:* To sling the marble blocks from the working platform to transportation vehicles for direct sales or centralized storage at the storage site.
- *Slag removal:* To collect gravel, crushed stones and slag that cannot form marble blocks and remove them from the working platform for transportation or sales.

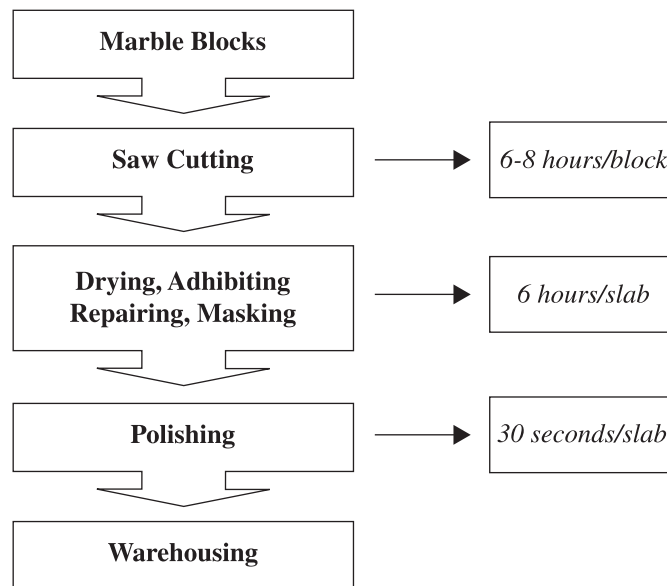
As part of our planned increase in mining and processing capacities, we expect to significantly increase our marble block mining capacities to a total of 45,000 m³ per annum in 2011, 90,000 m³ per annum in 2012, 135,000 m³ per annum in 2013 and 150,000 m³ per annum from 2014 onwards. These planned mining capacity amounts are calculated based on our mining operations scheduled for 300 days per year, taking into account holidays, weather downtime and equipment maintenance, with sawing for

three eight-hour shifts per day and other activities in two eight-hour shifts per day. Maintenance of the various cutting tools and mobile equipment as well as adequate supplies of spare parts and consumables are critical for maintaining the planned monthly mining production. As a result, repair and support facilities will be constructed to support the planned mining operations.

Marble Slab Processing Process

Marble blocks are saw cut into slabs. Small marble blocks will be processed by simple disc saws to produce marble slabs. Medium and large marble blocks will be processed by gang saws and will be typically used to produce standard 2-cm thick one-side-polished marble slabs. Marble from the upper benches of the open-pit production contain small defects, such as holes, cracks and fossils. Therefore, marble blocks produced during the early stage will often need to be treated with resin to ensure final product quality. This will double the polishing time needed as the slabs will need to be polished twice. As marble quality improves with mining depth, this added polishing step will be reduced to a limited level.

Our marble slab production processes include saw cutting, drying or adhibiting repairing or masking, curing, polishing and warehousing. The following diagram sets forth our marble slab processing process and the time required for each process:



- *Saw cutting:* Marble blocks are cut into slabs with circular saws, sand saws or general saws.
- *Drying, adhibiting repairing or masking:* For cracked stones, stones with holes or easily breakable stones, we use resin gluing or masking to increase their abrasion resistance.
- *Polishing:* Polishing is a process by which material is precisely removed from a workpiece (or specimen) to produce a desired dimension, surface finish or shape.

Processing Facilities

We plan to construct large-scale marble slab processing facilities in close proximity to our mine, on which we expect to attain 60% of the planned processing capacity in 2012 and full planned processing capacity in 2013. Prior to the completion of our marble slab processing facilities, we engage third-party processing plants to process marble slabs from our marble blocks. We expect to commence our own processing of marble slabs at the beginning of 2012 and reach full processing capacity of 3.0 million m³ in 2013. After reaching our full mining and processing capacities, we expect to continue to outsource approximately 27% of our annual mined marble blocks to the third-party processing plants for slab processing as the volume of the marble slabs that can be processed from the marble blocks we mine annually is expected to exceed the full processing capacity at our processing facilities. Our processing facilities will be located in an industrial park at the south side of the Jiangyou City, approximately 30 km from our Zhangjiaba Mine, and occupy a total of ten hectares of lands and include our marble slab processing plants and other facilities. The main machinery and equipment used for our processing operations include marble frame saws, gang saws, jib cranes, electric single-girder cranes, slab polishing machines and hydraulic flap machines.

SALES AND MARKETING

We commenced commercial production at our Zhangjiaba Mine in September 2010. As at the Latest Practicable Date, we had 10 employees performing sales and marketing functions and covering both domestic and overseas markets and have sold marble products to certain construction material suppliers which resell the products to end users. We may also directly sell our products to the end users in the future if we identify any of such sales opportunities. We currently have not engaged any third-party distributors to sell our marble products and plan to sell our marble products to well-recognized property developers and construction companies through a number of select distributors that have a strong track record, established customer base and broad sales and marketing network. We are not aware of any spot markets developed for our products, and do not intend to sell in such markets.

We expect to increase exposure of our products in select trade and other high-end decorative surfacing stone magazines, as well as attend industry forums, trade fairs and exhibitions where we can establish communications with industry professionals, major property developers, contractors and others who have significant influence over customer preferences and purchasing decisions. In addition, to achieve further recognition of our products, we plan to market our products for use in landmark construction projects, such as five-star hotels and major commercial and public buildings, where our marble products can be prominently displayed and showcased.

CUSTOMERS AND CONTRACT TERMS

Customers

In 2010, we entered into long-term sales contracts with seven customers in China to sell our marble products. Among the seven customers, six mainly supply construction materials to large-scale property developers, governmental projects, and/or decoration companies and undertake decoration work, and one is primarily engaged in trading. Prior to the commencement of the commercial operations of our processing facilities, we engaged third-party processing plants to process our marble blocks into marble slabs. We also sold a limited volume of marble blocks during the Track Record Period. We intend to develop and strengthen our customer relationships in order to stabilize and grow our revenues, as well as to better service our customers.

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Contracts and Pricing

Sales of our products to customers are made pursuant to long-term sales contracts that specify the quantity, price, payment term and manner of delivery. These contracts stipulate a quantity that our customers are obligated to purchase, product specifications and sales price, subject to adjustment terms.

We signed a short-term sales contract with a construction material trading company in September 2010, when we commenced commercial production, to sell an aggregate of 12,000 m² of marble slabs, at average ex-factory sales prices of RMB842.5 per m² for Pure Beige marble slabs and RMB570 per m² for Mixed Beige marble slabs and made deliveries during the period from October to December 2010. The sales contract expired at the end of 2010.

Although we only commenced commercial production in September 2010, we already entered into long-term legally binding sales contracts with seven customers in China in 2010. These sales contracts provide for an aggregate sales volume of 1,025,000 m², 1,610,000 m² and 2,015,000 m² of marble slabs in 2011, 2012 and 2013, respectively, representing 63%, 56% and 45%, respectively, of our total planned marble slab production according to the Competent Person's Report. Our customers are obliged to purchase a minimum of 90% of the volume set out in these sales contracts. The long-term sales contracts we have entered into are for a period of five years. We expect to make the first delivery under these long-term contracts in March 2011. We plan to enter into more long-term sales contracts to sell the remaining portions of our planned marble slab production. According to Hatch, China's marble demand is expected to maintain steady growth. Therefore, our Directors believe that there will be sufficient demand for our planned marble slab production.

The following table sets forth the sales prices and volumes of our marble slabs in our seven long-term sales contracts:

	Price Range ⁽¹⁾ (RMB/m ²)	Contracted Sales Volume ⁽²⁾ (m ²)				
		2011	2012	2013	2014	2015
Pure Beige marble slabs . .	800–865	355,000	670,000	960,000		
Mixed Beige marble slabs.	510–568	540,000	770,000	850,000		
Other marble slabs (Wood Grain and Gray Net) . .	500–538	130,000	170,000	205,000	Not less than	Not less than
Total	633–692 ⁽³⁾	1,025,000	1,610,000	2,015,000	1,975,000	1,975,000

Notes:

- (1) The sales prices in these contracts are VAT inclusive.
- (2) Our customers are obliged to purchase a minimum of 90% of the volume set out in the above table.
- (3) This volume weighted average price range is calculated based on price range of the three categories of the products and volume contracted during the period from 2011 to 2013.

According to Hatch, the current market prices of our primary competing beige marble products, Royal Batticino from Iran, Cream Marfil from Spain and Frans Beige from France, are RMB1,300 per m², RMB950 per m² and RMB1,200 per m², respectively. These products are sold at higher prices mainly due to their established brand names and high recognition among consumers. The average price of other PRC branded marble products is approximately RMB150 per m². There is no official statistics of standalone prices available for marble blocks, according to Hatch.

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Under these long-term sales contracts, we have the right to adjust prices for marble slabs sold beyond the annual supply volume stipulated in the contract. In addition, subject to our customers' consent, we are entitled to adjust prices of the annual contracted volume according to changes in market conditions each year with one-month's advance written notice. Pursuant to these sales contracts, our customers are obligated to purchase a minimum of 90% of the annual volume set out in the contracts and are required to pay a penalty of 20% or 30% of the shortfall sales value, which equals the difference between the actual purchased volume and the minimum required volume multiplied by the average selling price set out in the contracts, if they purchase less than 90% of the contracted volume. We are obligated to supply the annual volume set out in the contracts and are required to pay a penalty of 20% of the sales value of the contracted volume we cannot supply. These sales contracts do not provide for the customers' right to return products. We believe that these contracts will ensure a steady demand for our products upon the commencement of commercial production of our Zhangjiaba Mine as well as after we reach our full mining and processing capacities of marble blocks and marble slabs in 2014.

Payment Terms

Pursuant to the seven long-term sales contracts we have signed as at the Latest Practicable Date, we require our customers to make prepayment of 30% of the sales value upon order of marble slabs. An additional 50% of the sales value is required to be paid upon delivery of the processed marble slabs ex-factory. The remaining 20% will be paid within 10 days after such delivery.

The payment terms for our sales contracts to be entered into with our future customers will be agreed between the parties following arm's length negotiations.

During the Track Record Period, our five largest customers were mainly suppliers for construction materials. For the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, sales to our five largest customers collectively accounted for nil, nil and 100% of our total product sales value, respectively. For the eleven months ended 30 November 2010, sales to the largest customer accounted for 95.4% of our total product sales value. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest customers.

LOGISTICS AND OUTSOURCING

Delivery of Products

Our mine is located approximately 40 km away from Mianyang City, the local economic center in the north-central region of Sichuan Province, and approximately 160 km away from Chengdu, the capital city of Sichuan Province. Our mine is easily accessible by a local highway to Hanzeng Town, which is 5.5 km away and connects to the provincial highway linking to Beichuan County, as well as to the urban area of Jiangyou City. The closest railway depot is approximately 24 km away from our mine. While we are not facing any transportation bottlenecking or other constraints, our business depends on the availability of reliable and adequate transportation capacity for our products. See "Risk Factors — Risks Relating to Our Business — Our business depends on the availability of reliable and adequate transportation capacity for our products."

We sell our products on an ex-mine and ex-factory basis. Our customers are therefore responsible for the transportation costs of marble blocks and marble slabs from our mining site, storage site or marble processing plants to their final destinations.

Third-Party Contractors

We engage third-party processing plants for marble slab processing. Our marble slab processing contractors are independent third parties. Three processing agreements were entered into between our Company and the third-party processing plants in August 2010 and will expire between August and December 2011. Pursuant to these processing agreements, we are required to transport the marble blocks at our own costs to the third-party contractor's designated plant for storage and pay the processing fees of marble blocks on a monthly basis. The processing fees are determined by the unit processing fee stipulated in each agreement, which range from RMB50 per m² to RMB62 per m² for one-side-polished marble slabs and the total area of the processed marble slabs measured in square meters. The third-party processing plants are required to process the marble blocks by the quality and specifications stipulated in the agreements. The processed marble slabs may be stored at the plants for three months free of charge, and we may collect the processed marble slabs any time during the three-month period. Pursuant to these processing agreements, if we do not make payment of processing fees 15 days after the agreed payment date, we will be liable for 20% of any late payment. The processing plants are liable for 20% of the processing fees for any unprocessed marble blocks 15 days after the agreed date of completion.

In addition, we have engaged a third-party explosive handling company to carry out explosive assignments for the construction of the remaining two knolls at our Zhangjiaba Mine. The service agreement was entered into between our Company and the third-party explosive handling company on 30 July 2010 and expired upon the completion of the assignments by 31 December 2010. Pursuant to the service agreement, the explosive handling fees are determined by the number of explosive holes with prices ranging from RMB30 to RMB70 per hole depending on the depth of the hole, plus labor cost and transportation cost. We are required to make a prepayment of RMB50,000, and the handling fees are settled on a monthly basis. If either party is in breach of the agreement, the breaching party will have to pay a penalty of 10% of the contract value.

In selecting third-party contractors, we require the third-party contractors to have the relevant licenses or permits issued by the competent authorities. As advised by our PRC legal adviser, Commerce & Finance, each of our marble slab processing contractors is required to have a business license that has marble slab processing as part of the scope of business to carry out marble slab processing contracting work pursuant to its processing contract with us, and no separate license to carry out marble slab processing is required. As at the Latest Practicable Date, we engaged three marble slab processing contractors and each of them had provided a business license with marble slab processing as part of its scope of business. We also engaged independent third parties for explosive handling pursuant to service contracts. As advised by our PRC legal adviser, Commerce & Finance, in addition to a valid business license, the third-party contractor which handles explosives is also required to have a blasting operations entity permit, the production safety permit and the construction-enterprise qualification certificate and its employees who handle explosives must have the required qualification. We have received copies of the current business license, the blasting operations entity permit and other qualification/permit held by the third-party contractor and the qualification certificates of three of its employees who handled the explosives for our Zhangjiaba Mine.

UTILITIES, RAW MATERIALS, MACHINERY AND SUPPLIERS***Electricity and Water***

We rely on electricity and water for our operations. We have entered into an electricity supply contract with Beichuan Power Grid in July 2009. Pursuant to this contract, we consume industrialized electricity at market rate and make payment on a monthly basis. We also plan to source additional electricity supply from Jiangyou Power Grid in the future.

Water is a key component of our marble block mining and marble slab processing activities. We source our water supply from surface drainages and underground water in our Zhangjiaba Mine. During the wet season (June to September), water flowing from the surface drainages are sufficient to provide the fresh water needed for our existing and planned mining activities and processing facilities. We also have water supply from a water well within our mining area and we have obtained necessary water harvesting permits for taking surface and underground water from the well in July 2010. Our Zhangjiaba Mine is also equipped with water recycling system for our production activities.

Our mining process consumes a limited amount of water and electricity. We believe our current and future supplies for water and electricity will be sufficient.

Materials

We use marble extracted from our Zhangjiaba Mine for our production process and do not plan to purchase marble from third parties. The auxiliary materials used in our production process include diamond saws, pipes, pumps, detonators, diesel fuel and other equipment parts. Because we have recently commenced commercial production at our Zhangjiaba Mine in September 2010, we have only purchased a limited amount of processing materials, such as chromium alloy, kerosene, gasoline, lubricants, metal tools and other consumables, from our suppliers during the Track Record Period.

Machinery and Equipment

Our mining production activities require various types of machinery and equipment, including chain saw cutting machines, diamond wire cutting machines, disc saw cutting machines, drilling machines, bench overturning equipment and pneumatic block cutters. All of our machineries and equipment for mining are sourced from third-party suppliers in China and overseas. For the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, our total purchases of machinery and equipment amounted to RMB6.3 million, RMB0.5 million and RMB22.3 million, respectively.

Suppliers

All of our suppliers for materials are domestic Independent Third Parties. We maintain a good relationship with our suppliers and did not have any material disputes with any of them during the Track Record Period.

During the Track Record Period, our five largest suppliers were suppliers for equipment and processing materials. For the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, purchases from our five largest suppliers collectively accounted for 67.5%, 95.7% and 75.5% of our total supply purchases, respectively. For the eleven months ended 30 November 2010, purchases from the largest supplier

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accounted for 23.4% of our total supply purchases. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest suppliers.

We have not experienced any bankruptcy or default on the part of any suppliers during the Track Record Period.

COMPETITION

As China is short of beige marble resources, there are few domestic large-scale enterprises focusing on beige marble production. Therefore, competition among domestic large beige marble mining companies in China is not observed. According to an independent panel review organized by CSMA, our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. We were also awarded a certificate dated 9 September 2010, issued jointly by CSMA and National Stone Material Quality Inspection Center, to certify our beige marble mined from our Zhangjiaba Mine as a “famous, excellent and premium” stone material. Our premium beige marble products primarily compete with imported marble products in the domestic market, such as Royal Batticino from Iran, Cream Marfil from Spain, Frans Beige from France and others, which account for approximately 70% of the beige marble product consumption in the domestic market, according to the Hatch Report. Our marble products compete with these international brands based on a number of factors, including quality, ability to supply large quantities, brand recognition, short delivery cycle and competitive price. We believe that we are able to provide premium marble products which meet the customers’ needs and preference when competing with imported marble products. We do not intend to directly compete with domestically produced marble products as we believe our products are priced significantly higher and of higher quality.

QUALITY CONTROL

Most of our products are required to meet strict product specifications and environmental protection standards. We have established and designed a quality control department to ensure that all of our products meet the relevant quality control standards. Our quality control department consists of two dedicated quality control staff, both of whom have more than five years of experience, respectively, in managing and overseeing quality control of stone products. We plan to recruit more quality control personnel in line with our business expansion. We have implemented a quality management system, compiled a quality control manual and implemented a comprehensive quality control system in an effort to maintain quality controls. In accordance with national standards as well as the design plan of our Zhangjiaba Mine, we established mining and extraction policies and specific working guidelines for each working face.

We monitor our products through on-site inspections as well as regular product sample checking. In order to reduce color difference and cracks and ensure consistent specifications, we determine the mining and cutting level and direction, and separate the stones according to the quality, color and formation of the mine. We use infrared color separator to carry out the initial separation of stones at the mining site. We also select prestigious equipment suppliers to ensure the quality of our marble products. As at the Latest Practicable Date, we did not experience any material product liability or other legal claims involving problems relating to the quality of our products.

ENVIRONMENTAL PROTECTION AND LAND REHABILITATION***Environmental Protection***

Our operations are subject to a variety of PRC environmental protection laws and regulations, as well as local environmental protection regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental protection matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The PRC Government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental protection laws and regulations, which could have a material adverse effect on our financial condition and results of operations. See “Risk Factors — Risks Relating to Our Industry — Changes in legal requirements and governmental policies concerning environmental protection and other areas of laws could impact our business.” in this Prospectus.

Our operations generate, among other things, dust and noise pollution. The *Environmental Protection Bureau of Jiangyou City* (江油市環境保護局), as the competent authority, issued two confirmation letters to confirm that we were in compliance with the relevant environmental protection laws and regulations with respect to our Zhangjiaba Mine as at 14 February 2011. We have been advised by our PRC legal adviser, Commerce & Finance, that the *Environmental Protection Bureau of Jiangyou City* is the competent authority to issue such confirmation letters and based on such confirmation letters, we have complied with all relevant PRC laws and regulations in all material respects regarding environmental protection as at 14 February 2011. As at the Latest Practicable Date, we were not subject to any environmental protection claims, lawsuits, penalties or administrative sanctions.

We are committed to following environmentally responsible practices and have adopted measures to minimize the impact and risk of our operations on the environment. We utilize water with drilling, cutting and sawing activities, water sprays at material transfer points, and water trucks to spray the roads during dry periods to reduce dust from mining operations. The mine site has also been designed to recycle used water for production activities and dust suppression. Production water and rain falling on the mine area are drained to a central sump where the water is settled and cleared of sediment before being recycled back into ongoing production activity. No toxic or hazardous substances are contained in the drainage water. We have a limited amount of tailings because our Zhangjiaba Mine is highly utilizable and, as a result, we do not incur additional handling costs. Methods of noise control include use of silencers, noise and vibration dampening and absorbing materials, isolation and enclosure of noisy equipment, and regular equipment maintenance. We also undertake regular noise, water and air quality monitoring as well as an ongoing reclamation and re-planting program for disturbed areas. During the Track Record Period, we spent approximately RMB60,000, RMB700,000 and nil in respect of regulatory compliance with applicable environment protection requirements in the PRC for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010. Such cost is expected to be approximately RMB450,000 in 2011 in respect of regulatory compliance with applicable environment protection requirements in the PRC. We intend to allocate operating and financial resources to such compliance as required by PRC laws and regulations.

Prior to the launching of our mining project, we engaged the PLA Logistics Academy (中國人民解放軍後勤工程學院環境保護科學研究所) which holds the qualification issued by the MEP to conduct environmental impact assessment, is qualified in providing environmental impact assessment services to us. The environmental impact of our new production ramp-up or other projects will be assessed with a

view to minimizing the negative impact on the environment. We also will submit any such expert reports or studies to the relevant local environmental protection bureau for its approval according to relevant PRC laws and regulations. The relevant local environmental protection bureau may conduct regular inspection of our production sites.

Land Rehabilitation

Our mining operations may adversely affect surface and underground land and cause landslides and other types of environmental damage. To manage the adverse effects that the mining industry has on the environment, China has promulgated a series of laws and regulations. Through these laws and regulations, China has established national and local environmental protection legal frameworks applicable to land rehabilitation and reforestation. The rehabilitation of mining sites is a priority of the PRC Government. Under the *Land Administration Law of the PRC*, promulgated on 25 June 1986, as amended, and the *Land Rehabilitation Regulations*, issued by the State Council which became effective on 1 January 1989, we must undertake measures to restore a mining site to its original state within a prescribed time frame if our mining activities result in damage to arable land, grassland or forestry land. The rehabilitated land must meet rehabilitation standards, as required by law from time to time, and may only be subsequently used upon examination and approval by the land authorities. Any failure to comply with this requirement or failure to restore the mining site to its original state will result in the imposition of fines, rehabilitation fees and/or rejection of applications for land use rights by the local bureau of land and resources. We have received confirmations from the *Land and Resource Bureau of Jiangyou* (江油市國土資源局) and the *Forestry Bureau of Jiangyou* (江油市林業局) to confirm that we do not violate the relevant land rehabilitation and reforestation laws and regulations with respect to our Zhangjiaba Mine as at 5 August 2010 and 30 July 2010, respectively.

Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. In accordance with the relevant PRC laws and regulations, we have developed an operational closure planning process for our Zhangjiaba Mine that is in line with PRC legislative requirements and incorporates recognized international industry practices. Upon the commencement of commercial production at our Zhangjiaba Mine in September 2010, we set aside provisions for land and woodland rehabilitation costs in the amount of RMB1.3 million.

OCCUPATIONAL HEALTH AND SAFETY

We have implemented a corporate safety policy which incorporates national safety standards. We hold a valid safety permit for our Zhangjiaba Mine issued by the *Sichuan Provincial Safety and Production Supervision Bureau* (四川省安全生產監督管理局) with a validity period from 17 June 2009 to 16 June 2012. We conduct our operations in accordance with the relevant national laws and regulations in relation to occupational health and safety in mining, production, blasting and explosives handling, mineral processing, waste rock disposal, construction, fire protection and fire extinguishment, sanitary provision in material aspects. *Mianyang City Health Bureau* (綿陽市衛生局) may conduct random inspections pursuant to law.

With respect to matters relating to occupational health and safety, we are subject to, among other PRC laws and regulations, the *PRC Production Safety Law* (中華人民共和國安全生產法), the *PRC Labor Law*, the *PRC Labor Contract Law* and the *PRC Law on the Prevention and Treatment of Occupational Diseases* (中華人民共和國職業病防治法). Under the *PRC Production Safety Law*, we are

required to maintain safe working conditions as provided in the *PRC Production Safety Law* and other relevant laws, administrative regulations, national standards and industry standards. We are also required to provide production safety training to our employees. The design, manufacture, installation, use, inspection and maintenance of our equipment are required to conform to the applicable national or industry standards.

Under the *PRC Labor Law* and the *PRC Labor Contract Law*, we are required to establish a system for labor safety and sanitation, to abide by applicable rules and standards and to provide training to our employees on relevant rules and standards. We are also required to provide our employees with a work environment that complies with labor safety and sanitation standards set forth in relevant regulations and to provide regular health examinations for our employees engaged in hazardous activities.

Pursuant to the *PRC Law on the Prevention and Treatment of Occupational Disease*, we are required to: (i) establish and perfect the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees. We have developed and implemented a system to monitor and record employee occupation health and safety statistics.

As at the Latest Practicable Date, the Directors were not aware of any material accidents involving any personal injury or property damage during the Track Record Period and that we have not been subject to any claims arising from any material accidents involving personal injury or property damage during the Track Record Period that have a material adverse effect on our business, financial condition or results of operation. We believe that we have complied with all relevant material PRC laws and regulations regarding occupational health and safety during the Track Record Period. According to a confirmation issued by the relevant government authority, our PRC legal adviser, Commerce & Finance, is of the opinion that we have complied with the relevant laws and regulations pertaining to occupational health and safety in material respects.

On 25 December 2010, an accident resulting from a failed diamond wire saw deployed for marble cutting operations occurred at the Zhangjiaba Mine. The accident resulted in the death of an employee at the mining site. We promptly reported the accident to *Production Safety Supervision Bureau of Jiangyou City* (江油市安全生產監督管理局) (“Jiangyou PSSB”), which is the authority to which such accidents are reported, and co-operated with Jiangyou PSSB in its investigation. On 22 January 2011, Jiangyou PSSB issued a letter with the results of its investigation. In its letter, Jiangyou PSSB concluded that the incident was a rare accident and, at the time of occurrence of the accident, among other things, (i) we and our mining staff were not in violation of the safety production procedures; (ii) the diamond wire saw deployed had a certificate of approval for product specification; and (iii) our management of production safety was in compliance with the relevant PRC laws, regulations and standards.

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Since the accident, we have voluntarily enhanced safety measures at the mine to avoid the recurrence of such accident. In particular, we have (i) enlarged the prohibited zone around the location of the diamond wire saw machine and the cutting wire; (ii) installed shields that move along the diamond wire saw machine at the mine to prevent any loose parts of the wire saw from being thrown into the air at high speed and injuring the machine operator; (iii) increased the frequency of trainings for mining staff on production safety; (iv) increased the number of staff involved in production safety monitoring; and (v) generally raised staff awareness on production safety at the mine.

We have made contributions to occupational injury insurance plan for our mining staff as required by the PRC laws and regulations. We have also purchased personal injury insurance for our mining staff. In addition, we have agreed to make any necessary payment to the deceased employee's spouse to ensure that the total compensation available to the lineal family in connection with the accident will be no less than RMB600,000. The employee's spouse has agreed in writing with us that we will not be held liable for any other payment other than RMB600,000 or otherwise have further obligations to the deceased employee's family in connection with the accident. According to our PRC legal adviser, Commerce & Finance, such agreement is valid and legally binding under the PRC laws. Commerce & Finance has also advised us that, based on the letter issued by Jiangyou PSSB, on 22 January 2011: (i) the incident has been identified as a rare accident and we were not required to assume responsibility for such incident; and (ii) no penalty shall be imposed on us by Jiangyou PSSB in connection with such accident. As at the Latest Practicable Date, no civil liability, regulatory sanction or penalty was imposed on us in connection with the accident. We believe that the accident is not expected to have any material adverse impact on our marble mining and processing business.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are the registered owner of the trademark “ ” and “KINGSTONE” in Hong Kong. We also filed four trademark applications in the PRC in August 2010 and expect to complete the registration of the trademarks by 2012. See “Statutory and General Information — B. Further Information About the Business” in Appendix VII to this Prospectus. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

As a matter of trademark laws in the PRC, registration is not the prerequisite for use of a trademark. We have the legal right to use the trademarks under the applicable laws of the PRC unless such trademarks or similar trademarks have been legally registered on the same or similar products/service by a third party and/or such use has been successfully challenged by a third party or denied pursuant to any administrative or judicial findings. As at the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims either pending or threatened.

PROPERTIES

As at the Latest Practicable Date, our Company held and occupied a property which comprises two parcels of land with a total site area of approximately 9,275.9 m² and an office building with the gross floor area of approximately 826 m². We obtained the state-owned land use right for two parcels of land on 20 October 2010. In addition, we have also obtained the Construction Land Planning Permit (Di Zi Di No. 10002) and the Construction Work Planning Permit (Jian Zi Di No. 10083) on 6 April 2010, and the Construction Work Commencement Permit of Mianyang (Jian Shi Di [2010] No. 274) issued by *Jiangyou City Planning and Construction Bureau* (江油市規劃和建設局) on 11 August 2010,

respectively, which granted us the permission to construct such office building on such parcel of land. We are in the process of applying for the building ownership certificate with the relevant PRC regulatory authority.

Our Company has also leased 35 parcels (including a parcel of forestland) of land located at Zhenjiang Village, Jiangyou City, Sichuan Province, with a total site area of approximately 153.921 mu (102,614.51 m²) for mining and ancillary purpose. Relevant lease agreements have been entered into between Sichuan Jinshida and relevant land owners and villagers. Pursuant to the land lease agreements entered into between Sichuan Jinshida and relevant land owners and villagers, 34 parcels of land with a total site area of approximately 25.815 mu (畝) (17,210.09 m²) are leased to Sichuan Jinshida for various terms with the expiry dates between 30 May 2021 and 25 December 2028 in consideration of annual rent as 400–500 kgs yellow millet (黃穀)/mu or RMB1,100 yuan/mu. According to a land lease agreement entered into between Sichuan Jinshida and the land owner, a parcel of forestland with a site area of approximately 128.106 mu (畝) (85,404.43 m²) is leased to Sichuan Jinshida for a term of 8 years expiring on 10 May 2016 at an annual rent of RMB82.5 yuan/mu, subject to a 3% increase biennially. During the Track Record Period, we have paid rental of RMB3.8 million to relevant villagers. Pursuant to six Short-term Land Use Rights Approvals (Jiang Guo Tu Zi Han [2010] Nos. 101 to 106) issued by the *Land and Resource Bureau of Jiangyou* from 2 March 2010 to 16 April 2010 as well as a Consent Letter dated 30 July 2010 issued by the *Forestry Bureau of Jiangyou*, our Company has obtained a short-term land use right of such parcels of land. The valid term of such temporary land use right will expire within 2 years since the issue date of relevant Land Use Rights Approvals. As advised by our PRC legal adviser, Commerce & Finance, (i) the *Land and Resource Bureau of Jiangyou* and the *Forestry Bureau of Jiangyou* are the competent authorities to issue such Short-term Land Use Right Approvals and the Consent Letter respectively; (ii) we are entitled to use the 35 parcels of land in accordance with valid term, regulation and usage stipulated by the Short-term Land Use Rights Approvals, the Consent Letter and relevant lease agreements; (iii) relevant lease agreements are valid and legally binding; and (iv) there is no explicit regulation requiring such lease agreements to be registered with any government authorities and we shall not be subject to any fines. As the land within our permitted mining area is collectively-owned land, according to relevant PRC laws and regulations, we are only able to obtain the short-term land use rights through statutory approach rather than long-term land use right of such land unless the nature of such collectively-owned land has been converted to state-owned land. Under the PRC law, collectively-owned land may be converted to state-owned land of which long-term land use rights may be granted to the land user by the authorities. We have begun the process in converting collectively-owned land with a total site area of 153.921 mu (畝) (102,614.5 m²) into state-owned land in August 2010 by filing an application to the *Land and Resource Bureau of Jiangyou* for the conversion of the collectively-owned land. We are expected to pay the relevant land premium (土地出讓金) related to the land use rights after such land is converted into state-owned land. A portion of such land premium may be utilized by the local authority to pay to the villagers as compensation. According to relevant PRC laws and regulations, we are not required to make any direct payment to villagers as compensation. Based on our verbal consultation with the *Land and Resources Bureau of Jiangyou*, the current land premium is at a rate of approximately RMB0.1 million per mu (畝). As at the Latest Practicable Date, we did not pay any land premium as we were not required to pay such land premium until we enter into a state-owned land use right grant contract with local authority.

As part of our industry practice, we do not carry out mining operations at our mines over the entire area covered by the applicable mining permit, but rather design our long-term mining plans to include multiple mining operations on smaller parcels of the land. Among all the land covered by the applicable mining permit of our Zhangjiaba Mine, there are several parcels of land, with a total site area of

approximately 7,810 m², which will not be used by us according to our mining plans. Furthermore, we will apply for short-term land use rights for the remaining 377,144.55 m² land within the mining area covered by the applicable mining permit of our Zhangjiaba Mine or renew the existing short-term land use rights owned by Sichuan Jinshida from time to time according to our long-term mining plans. According to our planned use of land area from 2010 to 2020, we expect to mainly utilize the land for which we have obtained short-term land use rights, with a total area of 102,614.51 m², to satisfy our land use needs prior to 2017. We do not expect to start using the remaining 377,144.55 m² of land until 2017.

Pursuant to *Implementation Rules on the Mineral Resources Law of the PRC* (中華人民共和國礦產資源法實施細則) promulgated and effective on 26 March 1994, we, as the holder of the valid mining permits, have the legal right to obtain, in accordance with the relevant laws and regulations, the land use rights with respect to the parcel(s) of land required to meet our production and construction needs. Furthermore, according to the relevant PRC laws and regulations, we may use collectively-owned land on a short-term basis of not more than two years if we: (i) have been granted short-term land use rights by the competent government authority; and (ii) have entered into land use agreements with the relevant land owner, rural collective economic entity or village committee.

We have obtained undertakings from the *Land and Resource Bureau of Jiangyou* dated 5 August 2010 and the *Forestry Bureau of Jiangyou* (江油市林業局) dated 30 July 2010 respectively, confirming that during the effective term of the mining permits for our Zhangjiaba Mine, they will grant new short-term land use rights or renew the existing short-term land use rights for us in relation to the land within the entire area covered by the applicable mining permit of Zhangjiaba Mine according to the request made by us from time to time. Our PRC legal adviser, Commerce & Finance, have advised us that, (i) the *Land and Resource Bureau of Jiangyou* and the *Forestry Bureau of Jiangyou* are the competent authorities to issue the foresaid undertakings and they should satisfy their obligations under such undertakings and grant/renew relevant short-term land use rights accordingly; (ii) there will be no material legal impediment for Sichuan Jinshida to obtain or renew relevant short-term land use rights from the *Land and Resource Bureau of Jiangyou* and the *Forestry Bureau of Jiangyou*; and (iii) if Sichuan Jinshida holds the relevant short-term land use rights, there will be no material legal impediment for it to renew relevant lease agreements. As at the Latest Practicable date, Sichuan Jinshida held the short-term land use rights to hold and occupy 35 parcels of land with an aggregate area of approximately 102,614.51 m². During the Track Record Period, we did not encounter difficulties in obtaining or renewing the short-term land use rights for our mining operations. Thus we do not foresee that there will be any material obstacles in the obtaining or the renewal of relevant short-term land use rights from the *Land and Resource Bureau of Jiangyou* and the *Forestry Bureau of Jiangyou*. The terms of the tenancies of all the land use agreements entered into between Sichuan Jinshida and the relevant villagers are relatively long, the shortest being 8 years. Pursuant to the land use agreements entered into between Sichuan Jinshida and the relevant land owners and the undertaking signed by the relevant village committee and villagers on behalf of the relevant land owners on 8 January 2011, (i) if Sichuan Jinshida needs to continuously use the relevant lands after the expiration of corresponding agreed tenancies, Sichuan Jinshida is entitled to extend such tenancies, so long as Sichuan Jinshida notifies the land owners of such requirement one month prior to the expiration of such agreed tenancies, the relevant land owners shall satisfy Sichuan Jinshida's requirement and execute new land use agreements with Sichuan Jinshida accordingly; (ii) during the effective term of the mining permits of our Zhangjiaba Mine, the land owners will enter into relevant lease agreements with Sichuan Jinshida in relation to the land within the entire area covered by the applicable mining permit of the Zhangjiaba Mine according to the request made by Sichuan Jinshida from time to time; and (iii) the land owners shall assist Sichuan

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Jinshida to coordinate its relationship with the relevant villagers and ensure that such villagers will execute the relevant land use agreements with Sichuan Jinshida so that Sichuan Jinshida may continuously use the relevant lands. Based on the aforesaid circumstances, the Company is of the view that there is no difficulty in renewing the land use agreements going forward.

In addition, for the purpose of using relevant lands within the mining area covered by the applicable mining permit of our Zhangjiaba Mine, including the land with a site area of 102,614.51 m² of which the corresponding short-term land use rights are held by us and the remaining approximately 377,144.55 m² land within our mining area which should be used by us in the future, we have entered into the relevant land use agreements with the relevant land owners, village committee and villagers. According to such land use agreements, the relevant land owners, village committee and villagers have authorized us to use and occupy the land used or to be used by us and covered by the relevant mining permit. The expiry dates of such land lease agreements are between 16 March 2014 and 11 December 2029, and relevant land is leased to Sichuan Jinshida in consideration of (i) annual rent of 400–500 kgs yellow millet (黃穀)/mu; (ii) annual rent of fixed amount RMB75–400 yuan/mu; or (iii) annual rent of RMB73.33–86.43 yuan/mu subject to a 3% increase biennially.

We believe we will be able to successfully obtain or renew relevant short-term land use rights which are necessary for our mining operation. However, as all of our revenue and profits from our mining operations will be derived from open-pit mines operated on relevant land in the future, in the event we are unable to obtain or renew relevant short-term land use rights or land use agreements with the local villagers, we may not be able to utilize the full mineral resources in that land parcel and our operations may be substantially affected.

Our Company has also leased two properties for office purpose respectively located in Jiangyou City, Sichuan Province and Guangzhou City, Guangdong Province with an aggregate lettable area of approximately 243.82 m². As advised by our PRC legal adviser, Commerce & Finance, under PRC law, the lease agreements entered into with our respective lessors are valid and binding and the lessors of such leases have the legal rights to lease such properties to us.

The property in Guangzhou City with a lettable area of approximately 25 m² is leased to Guangzhou Kingstone for a term of one year expiring on 10 May 2011 at nil rent. The lessor of such property is a company that engages in introducing potential investors to and attracting investments in Guangzhou Economic and Technological Development Zone. It frequently offers various incentive and assistance to attract investors with great potential to make investments in Guangzhou Economic and Technological Development Zone. Considering the significance of the Company's investment in Guangzhou Economic and Technological Development Zone by incorporating Guangzhou Kingstone with a registered capital of US\$30.0 million, the lessor leased the property to Guangzhou Kingstone at nil rent for Guangzhou Kingstone's administrative use. As advised by our PRC legal adviser, Commerce & Finance, the lease agreement is valid and binding. However, such lease agreement has not been registered with competent authority and the relevant parties of the lease may be ordered to rectify this non-compliance within a prescribed period by the competent authority. The relevant parties of the lease may be subject to a fine of RMB1,000 to RMB10,000 if such non-compliance cannot be rectified.

If our Company is evicted from the above properties for any reasons, the Controlling Shareholders have undertaken to indemnify our Company against any damages, losses or liabilities which are or become payable by any members of our Company as a direct or indirect result of any title defects of the land or property of our Company after the Listing, particulars of which are set out in the paragraph headed "Estate Duty, Tax and Other Indemnity" in Appendix VII to this Prospectus.

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Details of the property valuation together with the summary of valuation and valuation certificates from our property valuer are set out in Appendix IV to this Prospectus.

REGULATORY COMPLIANCE ISSUES

Based on the advice of our PRC legal adviser, Commerce & Finance, we have obtained all necessary material rights, licenses, permits and approvals to conduct our current exploration, mining and processing activities at our Zhangjiaba Mine under relevant PRC laws and regulations. We have not experienced any difficulties in or rejections of our applications for exploration and mining permits or other rights, licenses or approvals that we have applied for in the past.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 134 full-time employees. Substantially all of our employees are based in China. We have employment contracts with all of our employees with an average term of three years. The standard employment contracts do not include non-competition restrictions. The following table shows a breakdown of our employees by functions:

Functions	Number of employees
Management	15
Mining and production	91
Sales and marketing	10
Financial	8
Administration	10
Total	<u>134</u>

Since the Zhangjiaba Mine was in the early stages of development and we only commenced commercial production at the Zhangjiaba Mine in September 2010, and utilization of highly-efficient, semi-automatic machinery and equipment enables the production with relatively less manpower, we believe that the current staffing in mining and production functions is sufficient to meet our production requirements. We are currently in the process of training 11 mining and production staff who are under probation, and expects to retain staffs who are qualified to pass the probation period. As our business continues to develop, we intend to hire additional mining and production staff.

We recognize the importance of maintaining good relations with our employees. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, housing subsidies, retirement benefits, occupational injury insurance and other miscellaneous items.

In accordance with the relevant PRC laws and regulations, Sichuan Jinshida is required to, within 30 days from its establishment, complete the corresponding housing fund payment and deposit registration procedures and then contribute the housing fund for its employees according to such PRC laws and regulations. However, Sichuan Jinshida had not registered and contributed housing fund (住房公積金) for its employees until 2 August 2010. Sichuan Jinshida may be ordered to pay the outstanding housing fund within a prescriptive time limit due to such non-compliance. We estimate the maximum liabilities as result of the above-mentioned non-compliance would be approximately RMB285,000. *The Mianyang City Housing Fund Management Centre Jiangyou Branch* (綿陽市住房公積金管理中心江油

分中心) issued confirmations on 6 August 2010 and 14 February 2011, respectively, to confirm that Sichuan Jinshida will not be subject to any penalties for the aforementioned non-compliance and it will not require Sichuan Jinshida to pay the relevant outstanding housing fund. However, we cannot rule out the possibility that Sichuan Jinshida shall be ordered to pay the outstanding housing fund in the future. Hence, the corresponding provision has been made in the Accountants' Report.

In addition, according to the relevant PRC laws and regulations, Sichuan Jinshida is required to, within 30 days from its establishment, complete the social insurance registration procedure and then contribute relevant social insurance for its employees according to such PRC laws and regulations. However, Sichuan Jinshida had not made such social insurance registration until January 2008 and had not fully contributed social insurance for its employees until August 2010. Sichuan Jinshida may be ordered to pay up the outstanding social insurance within a prescribed time limit due to such non-compliance. Furthermore, any delayed payment of social insurance may be subject to a 0.2% overdue penalty daily from the day past due date, in addition to the payment of the outstanding social insurance payment. We estimate the maximum liabilities as result of the above-mentioned non-compliance would be approximately RMB1,385,000. *Jiangyou City Human Resources and Social Security Bureau* (江油市人力資源和社會保障局) issued confirmations on 11 August 2010 and 14 February 2011, respectively, to confirm that Sichuan Jinshida will not be subject to any penalties for the aforementioned non-compliance and it will not require Sichuan Jinshida to pay relevant outstanding social insurance. However, we cannot assure you that Sichuan Jinshida will not be ordered to pay up the outstanding social insurance and relevant overdue penalty in the future. Hence, the corresponding provision has been made in the Accountants' Report.

As advised by our PRC legal adviser, Commerce & Finance, except as otherwise described above, the PRC subsidiaries of the Company have complied with the relevant labor and social welfare laws and regulations in all material aspects.

We have not experienced any significant difficulties with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe we have a good working relationship with our employees.

INSURANCE

As at the Latest Practicable Date, except as disclosed in “— Employees”, we were in compliance with applicable PRC laws and regulations with respect to required insurances for our employees. As at the Latest Practicable Date, except as disclosed in “— Employees”, we also maintained the required PRC employee social benefits insurance in accordance with various PRC laws and regulations as well as local policies. We have duly registered for personal injury insurance and paid required insurance premium for our mining workers. In addition to the insurances for our employees, we obtained property insurance for our hauling vehicles for losses due to fire, earthquakes, floods and a wide range of other disasters. During the Track Record Period, we did not make any claims under our insurance policies that had a material adverse effect on our business, financial condition or results of operations.

Consistent with what we believe to be customary practice in China, we do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment and inventories, with the exception of insurance coverage for our vehicles. We also do not maintain any

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business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental protection liabilities other than third-party liability insurance for our vehicles.

We face comparatively lower levels of operational risk. Our open-pit mining method has a relatively lower level of risk than underground mining. We engage a number of third-party processing contractors to process the marble blocks extracted at our Zhangjiaba Mine. During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material adverse effect on our business, financial condition or results of operations. Taking into account the general practice in the PRC mining industry and in light of the fact that our Company has recently commenced commercial production in September 2010, our Directors are of the view that we have sufficient insurance coverage for our current operations. Our Directors and senior management will closely review the risks relating to our operations and adjust our insurance coverage as we continue our business expansion.

Save as disclosed in the section headed “Risk Factors — Risks Relating to Our Business — Our current insurance cannot adequately cover all losses and liabilities arising from our operations” in this Prospectus, we considered the insurance coverage on our assets to be adequate as at the Latest Practicable Date. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with industry practices in China.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, we were not a party to any legal or administrative proceedings. In addition, our Directors are not aware of any claims or proceedings in relation to exploration or mining rights contemplated by government authorities or third parties which would materially and adversely affect our business.

We will ensure that we comply with all applicable PRC laws and regulations in the future by (i) placing in charge the legal department, with assistance from management and administrative staff, to oversee and maintain our compliance with applicable PRC laws and regulations through, among other things, establishing policies to monitor the compliance and strict implementation of the monthly reporting procedures on legal matters to the chief executive officer and the Board; (ii) providing regular trainings or updates in respect of PRC laws and regulations to our Directors on a bi-annual basis, and to senior management and the relevant staff on a monthly basis; and (iii) seeking external legal advice where appropriate and necessary. Our Directors considered that the internal control measures relating to compliance are adequate and effective.

DIRECTORS AND SENIOR MANAGEMENT

AN OVERVIEW OF OUR DIRECTORS AND SENIOR MANAGEMENT

Chapter 18 of the Listing Rules contains a series of requirements applicable to mineral companies. Such companies include those engaged in the exploration for or extraction of natural resources.

With the exclusive right to mine and extract marble from the Zhangjiaba Mine, the steps being taken to complete the construction of the Zhangjiaba Mine and commence the production of marble blocks, the Company's Listing application has been made on the basis of Chapter 18 of the Listing Rules. Key to the application is that our Directors and senior management have sufficient and satisfactory experience, of at least five years, in marble (or similar) exploration and/or extraction activities that the Company is pursuing.

We have a management team comprising, principally, four executive Directors and two senior management members, who we believe possess the requisite mining experience to operate the Zhangjiaba Mine. This experience has been derived, in some cases, from many years of involvement in the stone production business, which has been supplemented by other experience and activities which we consider to be directly relevant to the successful implementation and commercialization of large-scale, resource-driven projects such as the Zhangjiaba Mine project. We believe that our Directors and senior management possess the skills, foresight and extensive industry knowledge necessary to capture market opportunities, formulate sound business strategies, assess and manage risks, as well as increase and implement management and production plans. Such experience is able to satisfy the requirements under Rule 18.04 of the Listing Rules.

The following table below sets forth information regarding our Directors:

<u>Name</u>	<u>Age</u>	<u>Appointment Date</u>	<u>Position</u>	<u>Major Responsibilities</u>
Ms. Chen Tao	36	4 August 2010	Executive Director, Chairman and Chief Executive officer	business strategies, overall operations, financing and investment activities of our Company
Mr. Lin Yuhua	54	4 August 2010	Executive Director	geology, mine design and production and environment safety
Mr. Liao Yuanshi	54	4 August 2010	Executive Director	mining and processing
Mr. Xiong Wenjun	51	4 August 2010	Executive Director	marketing and Sales
Mr. He Ji	35	19 August 2010	Non-executive Director	providing strategic advice to our Company, attending meetings of the Board to perform duties, but not participating in the day-to-day management of our business operations

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Appointment Date	Position	Major Responsibilities
Mr. Deng Huiqing	61	4 August 2010	Independent non-executive Director	attending meetings of the Board to perform duties, but not participating in the day-to-day management of our business operations
Mr. Chu Ho Hwa, Howard . .	46	2 September 2010	Independent non-executive Director	attending meetings of the Board to perform duties, but not participating in the day-to-day management of our business operations
Mr. Liu Yuquan	59	2 September 2010	Independent non-executive Director	attending meetings of the Board to perform duties, but not participating in the day-to-day management of our business operations

EXECUTIVE DIRECTORS

Ms. Chen Tao (陳濤), Executive Director, Chairman and Chief Executive Officer

Ms. Chen, aged 36, was appointed as the executive Director, chairman of the Board and chief executive officer of the Company on 4 August 2010 in view of Ms. Chen's extensive experience in mining enterprise management. She is primarily responsible for business strategies, overall operations, financing and investment activities of the Company. She has over 6 years of experience in corporate finance, capital management and investment in mines, and mine management, including over two years of work experience in Sichuan Jinshida. Before the acquisition of the Zhangjiaba Mine, she assisted Mr. Huang in identifying and acquiring the Zhangjiaba Mine. She joined us in August 2008. Since her joining, Ms. Chen has established a high-quality management team, and formulated the overall strategy for the mine development of our Company. She was substantially involved in, among others, the studies of mine geology and exploration of the resources, the preparation of the feasibility report and the Competent Person's Report of the Zhangjiaba Mine, environmental impact assessment, the construction of infrastructure, the design and execution of the ramp-up plan and the marketing strategy. Ms. Chen led a team of experts to carry out a preliminary analysis in respect of the geological conditions of the mining area of Zhangjiaba Mine. Based on the results of this preliminary analysis, Ms. Chen, together with the experts, concluded that the area had a very high potential and should be further explored. Such exploration and discovery led to the expansion of the total permitted mining area of our Zhangjiaba Mine from 0.289 km² to 0.495 km². Ms. Chen led the process to successfully convert the Zhangjiaba Mine's previous exploration permit and mining permit to a new mining permit in February 2011 and obtained all the material government permits and approvals for the construction and mining of the Zhangjiaba Mine and the construction and operating of the processing facilities. She oversaw the design and construction of the Zhangjiaba Mine and the processing facilities. She also led the management team to successfully commence the commercial production of the Zhangjiaba Mine in September 2010.

DIRECTORS AND SENIOR MANAGEMENT

In September 2010, Ms. Chen attended the 45th International Exhibition of Stone Design and Technology on behalf of our Company in Verona, Italy, to exchange views with experts and other industry players on the current development of the stone industry.

Ms. Chen has 13 years of working experience and she began her mining career in June 2004. Details of such experience are set out in tabular format below.

Term of Office	Positions	Past Experience and Responsibilities
July 1998 – May 2004	Credit customer manager and deputy general manager for business development, Industry and Commerce Bank of China Guangdong Branch (中國工商銀行廣東省分行)	Ms. Chen was responsible for reviewing and managing bank loans to enterprises.
June 2004 – July 2008	Deputy general manager of corporate finance department, Sunshiny Group Co., Ltd. (賢成集團有限公司), a company principally involved in coal mining activities through its subsidiaries Deputy general manager, Guangdong Mingcheng Mining Co., Ltd. (廣東明成礦業有限公司), a subsidiary of Sunshiny Group Co., Ltd. and a company principally involved in the exploration and extraction of coal mines	Ms. Chen was responsible for overseeing investment, financing option and identifying and acquiring mining assets. She was involved in the strategic operations including mine-related transactions, and financing options. During this period, she performed due diligence duties on various coal and stone mines, and she participated in and completed various coal mine projects, including acquisitions or transfer of mining right projects of Guizhou Pan County Baiguo Town Baiping Coal Mine (貴州省盤縣柏果鎮柏平煤礦), Guizhou Pan County Banqiao Senlin Coal Mine (貴州省盤縣板橋森林煤礦), Guizhou Pan County Baiguo Town Yunshang Coal Mine (貴州省盤縣柏果鎮雲尚煤礦), Guizhou Renhuai Zhongshu Jiaotong Guangfu Coal Mine (貴州省仁懷中樞交通光富煤礦) and Guizhou Pan County Laochang Town Selvcun Yungui Coal Mine (貴州省盤縣老廠鎮色綠村雲貴煤礦) and was mainly responsible for the exploration and mining rights, commercial negotiations and government liaison for each of the projects.
August 2008 – now	Deputy general manager, Sichuan Jinshida (since July 2010, she has been a director of Sichuan Jinshida)	Ms. Chen has been responsible for establishing a high-quality management team, and formulating the overall strategy for the mine development of our Company. She was substantially involved in the studies of mine geology and exploration of resources, the preparation of the feasibility report and the Competent Person's Report of the Zhangjiaba Mine, environmental impact assessment, the construction of infrastructure, the design and execution of the ramp-up plan and the marketing strategy and etc.

Her broad knowledge and experience in the mining industry and mining companies allows her to coordinate and advise our Directors on the operational, financial and strategic aspects of the Company's business, which is critical to the success of the Company's marble mining activities and operations. During the Track Record Period, Ms. Chen did not hold any directorship in listed public companies.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Chen graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) and received a diploma in international business English in June 1997. She is qualified as an intermediate level economist (中級經濟師) with a certificate issued by the Ministry of Personnel of the PRC (中華人民共和國人事部).

Mr. Lin Yuhua (林玉華), *Executive Director, Head of Geology and Mine Design and Production and Environmental Safety*

Mr. Lin, aged 54, was appointed as an executive Director of the Company on 4 August 2010. In April 2009, Mr. Lin joined Sichuan Jinshida as the chief engineer and has been overseeing the geological exploration and construction of the Zhangjiaba Mine and preparation of the geological study and feasibility plan of our mine.

Mr. Lin has approximately 28 years of experience in the mining industry. During the Track Record Period, he did not hold any directorship in listed public companies. Details of such experience are set out in tabular format below.

Term of Office	Positions	Past Experience and Responsibilities
February 1982 – December 1987	Project leader and assistant engineer, Geology Company of the Construction Materials Ministry, Beijing Geological Survey Brigade, Second Team (建材部地質公司北京地質勘探大隊二分隊)	Mr. Lin was responsible for conducting exploration and survey of limestone mines and drafting survey report.
January 1988 – December 1989	Deputy-captain and engineer, Geology Company of State Construction Materials Bureau, Beijing Geological Survey Brigade, Integrated Team (國家建材局地質公司北京地質勘探大隊綜合隊)	Mr. Lin was responsible for geological surveying activities, technology and project management.
January 1990 – December 1991	Captain and chief engineer, project sponsored by Beijing Geological Survey Brigade, Integrated Team (北京地質勘探大隊綜合隊) and Hainan Tongli Stone Joint Stock Limited Company (海南同利石材股份有限公司)	Mr. Lin was responsible for identifying and exploring mine reserves, improving mine extraction technology and skills and overseeing mine operation.

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Term of Office	Positions	Past Experience and Responsibilities
In 1992	Director of the Planning Technical Section, China Construction Materials Industry Geological Survey Center (中國建材工業地質勘查中心北京總隊計劃技術科)	Mr. Lin was responsible for managing limestone mine exploration and identifying non-metal mines.
January 1993 – January 1994	Deputy director and senior engineer, Mineral Exploration Department of Zhongda Construction Materials and Mineral Resources Company (subordinated to China Construction Materials Industry Geological Survey Center) (中達建材礦產公司(中國建材工業地質勘查中心所屬)礦產開發部)	Mr. Lin was responsible for managing extraction activities for non-metal mines and drafting feasibility reports for various mines.
February 1994 – October 2001	General manager and the director of chief engineers, Chengde Zhongcheng Stone Co., Ltd. (承德中成石業有限公司) and Mineral Department of Zhongda Construction Materials and Mineral Resources Company (中達建材礦產公司礦產部)	Mr. Lin was responsible for managing overall operations of the companies and promoting the popularity of Yanshan green granite produced by the companies.
November 2001 – August 2010	Director, Industrial Working Department of CSMA (中國石材協會行業工作部)	Mr. Lin was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.
November 2005 – December 2009	Standing deputy director and member, Expert Committee of the Mineral Stone Resources of CSMA (中國石材協會礦山石材資源專業委員會)	Mr. Lin was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.
June 2006 – December 2009	Member, Expert Committee of the Stone Application and Maintenance of CSMA (中國石材協會石材應用護理專業委員會)	Mr. Lin was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.

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Term of Office	Positions	Past Experience and Responsibilities
March 2007 – now	Expert judiciaire, Beijing Guoke Forensic Expertise Center of Intellectual Property (北京國科知識產權司法鑒定中心)	Mr. Lin has mainly been responsible for stone related test and identification.
December 2008 – now	Member, Sub-commission of Codes and Applied Technology of the National Technical Commission of Stone Standardization (全國石材標準化技術委員會管理規範和應用技術及規範分技術委員會) Member and deputy secretary of the Sub-commission, Special Machines of the National Technical Commission of Stone Standardization (全國石材標準化技術委員會專用機械分技術委員會)	Mr. Lin has mainly been responsible for managing the drafting and revision of stone industry standards and specifications.
April 2009 – now	Chief engineer, Sichuan Jinshida (since July 2010, he has been a director of Sichuan Jinshida)	Mr. Lin has been responsible for overseeing the geological exploration and construction of the Zhangjiaba Mine and preparation of the geological study and feasibility plan of the Zhangjiaba Mine.

Apart from serving the above positions, Mr. Lin has also made various accomplishments and achievements since 1993. He drafted a research report named *Current Situation of Chinese Quarrying Industry* (中國石材開採業現狀) and he edited a tool book of quarrying industry, *Standard Illustrating Handbook on National and Foreign Natural Stone* (中外天然石材標準圖鑒). Mr. Lin presided over the drafting of *Technical Specifications on Open-pit Quarries of Decorative Stone* (裝飾石材露天礦山技術規範) (JC/T1081-2008), which has been approved and issued by the NDRC and came into effect on 1 December 2008, as well as the *Unit Consumption Standards for Processing of Standard Marble and Granite Slabs* (大理石、花崗石規格板材加工貿易單耗標準), which has been jointly approved by the General Administration of Customs of the PRC (中華人民共和國海關總署) and the NDRC and has come into effect on 20 September 2010. He also participated in the drafting of or amendments to various important quarrying industry related literatures, including *Research on Checking Method of Unit Consumption of Stone Products* (石材產品單耗核定方法的研究與探索), national standards for *Uniform Coding of Natural Stones* (天然石材統一編號), as well as *National Occupational Training Materials for Stone Production Workers* (石材生產工國家職業培訓講義). He also participated in drafting *National Occupational Standards for Stone Production Workers* (國家職業標準—石材生產工), which has been submitted to the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) for approval, as well as industry standards for *Quarry Stone of*

DIRECTORS AND SENIOR MANAGEMENT

Natural Granite (天然花崗石荒料) and *Quarry Stone of Natural Marble* (天然大理石荒料), which has been submitted to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) for approval.

Mr. Lin received his bachelor's degree in geological survey from Hebei Geological Institute (河北地質學院) (currently known as Shijiazhuang University of Economics (石家莊經濟學院)) in August 1982. Mr. Lin holds the title of senior engineer awarded by *State Construction Materials Bureau* (國家建築材料工業局) in December 1992. He also holds the title of professorial senior engineer awarded by China National Materials Group Corporation Ltd. (中國中材集團公司) in November 2008.

Mr. Liao Yuanshi (廖原時), Executive Director, Head of Mining and Processing

Mr. Liao, aged 54, was appointed as an executive Director of the Company on 4 August 2010. Mr. Liao is a deputy general manager of Sichuan Jinshida. Since January 2010, he has been the technical adviser of Sichuan Jinshida and has been providing specialized instructions on mine construction, mining and selection of quarry machinery and equipment.

Mr. Liao has more than 26 years of experience in mining industry and mining machinery. During the Track Record Period, he did not hold any directorship in listed public companies. Details of such experience are set out in tabular format below.

Term of Office	Positions	Past Experience and Responsibilities
February 1982 – July 1987	Deputy section chief of the technological section, Beijing Machinery Plant (Beijing No. 394 Plant) (北京機械廠(北京394廠))	Mr. Liao was responsible for designing and developing machinery products and overseeing technical management related to production process.
July 1987 – March 1991	Engineer and deputy manager of the technology and equipment section, China Jianbei Stone Industry Company (中國建北石材工業公司)	Mr. Liao was responsible for the design, development, manufacturing and technical management of stone machinery products and stone machinery equipment, which were used in stone mining and processing.
April 1991 – August 1998	Senior engineer and deputy manager of the stone products section, China National Materials Group Co., Ltd. (formerly known as China Nonmetallic Minerals Industrial Corporation) (中國中材集團有限公司，其前身為中國非金屬礦工業總公司)	Mr. Liao was responsible for technical management of stone machinery equipment which were used in stone mining and processing.
June 1998 – December 2003	Product manager and serve engineer, Beijing representative office of Benetti Macchine S.p.A	Mr. Liao was responsible for the sales of stone machinery equipment and providing technical support to the clients.

DIRECTORS AND SENIOR MANAGEMENT

Term of Office	Positions	Past Experience and Responsibilities
March 2004 – December 2004	Chief engineer, Urumqi Baiqing Industrial Co., Ltd. (烏魯木齊柏青實業有限責任公司)	Mr. Liao was mainly responsible for technical assessment of the exploration of mining resources and management of the mining techniques.
January 2005 – July 2010	General manager, Xiamen Xinande Group Co., Ltd. (廈門新安德集團有限責任公司) General manager, Fujian Nanping San Lida Mining Industrial Co., Ltd. (福建南平三立達礦業有限公司)	Mr. Liao was responsible for quarrying, mine exploration and mining production, overseeing stone slab production and managing stone export business.
October 2005 – December 2009	Expert, Expert Committee of the Mineral Stone Resources of CSMA (中國石材協會礦山石材資源專業委員會)	Mr. Liao was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.
December 2004 – now	Expert, Materials Expert Committee of China Construction and Decoration Association (中國建築裝飾協會材料委員會)	Mr. Liao has been responsible for providing technical advices.
July 2009 – now	Expert, Expert Committee of the Stone Machinery and Tools of CSMA (中國石材協會石材機械與工具專業委員會)	Mr. Liao has been responsible for providing technical advices with regard to stone machinery and tools and promoting advanced technologies to stone and mining companies nationwide.
April 2010 – now	Expert, Work Safety Expert Panel of the Non-coal Mines of Fujian Provincial Administration of Work Safety (福建省安監局非煤礦山安全生產專家組)	Mr. Liao has been responsible for providing advices on work safety measures for open-pit mining and use of explosive materials in mining.
January 2010 – now	Technical adviser, Sichuan Jinshida (since July 2010, he has been a director of Sichuan Jinshida)	Mr. Liao has been responsible for providing specialized instructions on mine construction, mining and selection of quarry machinery and equipment.

Mr. Liao has also made academic achievements by publishing (as author or co-author) more than 20 papers and translation works related to quarrying and stone products processing on several academic magazines and journals, including *Stone* (石材) and *Overseas Nonmetallic Minerals and Stone* (國外非

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金屬礦與寶石). Mr. Liao is the author of the following books: *Technologies and Equipment of Quarrying* (石材礦山開採技術及設備), *Application Techniques of the Diamond Wire Saw in Decorative Stone Slab Production* (金剛石串珠鋸在飾面石材生產中的應用技術), *Mechanized Mining of Decorative Stone Slabs — Application and Development Diamond Wire Saw* (飾面石材的機械化開採 — 金剛石串珠鋸的應用與發展) and *Shaped Stone* (異型石材).

Mr. Liao received his bachelor's degree in engineering from East China Engineering Institute (華東工程學院, which is currently known as Nanjing University of Science & Technology (南京理工大學)), in May 1982. From 1988 to 1989, he obtained a certificate issued by the Department of International Cooperation and Development of the Italian Ministry of Foreign Affairs after studying courses related to stone mining techniques at CARRARA in Italy. Mr. Liao also holds the title of senior engineer awarded by *State Construction Materials Bureau* (國家建築材料工業局) in 1993.

Mr. Xiong Wenjun (熊文俊), Executive Director, Head of Marketing and Sales

Mr. Xiong, aged 51, was appointed as an executive Director of the Company on 4 August 2010. Mr. Xiong is a deputy general manager of Sichuan Jinshida and is primarily responsible for the marketing and sale of our marble products. Since January 2007, Mr. Xiong has assisted Mr. Huang in identifying and acquiring the Zhangjiaba Mine. He has also been the marketing director of Sichuan Jinshida since August 2007.

Mr. Xiong has approximately 28 years of experience in mining industry and geology. During the Track Record Period, he did not hold any directorship in listed public companies. Details of such experience are set out in tabular format below.

Term of Office	Positions	Past Experience and Responsibilities
July 1982 – November 1989	Teaching assistant, China University of Geosciences (中國地質大學)	Mr. Xiong was responsible for teaching courses on physical geology.
December 1989 – February 1998	Lecturer, China University of Geosciences	Mr. Xiong was responsible for teaching courses on physical geology and marine geology.
March 1998 – March 2006	Deputy general manager, Shenzhen Kangli Stone Co., Ltd. (深圳康利石材集團有限公司), one of the largest stone companies in the PRC	Mr. Xiong was responsible for procurement of blocks which requires significant geological and mining knowledge, managing the stone processing and production activities, assisting the Company to obtain ISO9000 system and overseeing domestic sale. During the tenure with Shenzhen Kangli Stone Co., Ltd., he performed due diligence duties on various stone mines throughout the country, which required substantial knowledge and experience in the scales and geological conditions of the different stone mines, the technologies, equipment and techniques used for mining and the stone processing.

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Term of Office	Positions	Past Experience and Responsibilities
August 2007 – now	Marketing director, Sichuan Jinshida (since July 2010, he has been a director of Sichuan Jinshida)	Mr. Xiong has been responsible for the marketing and sale of our marble products.

In addition to the above positions, Mr. Xiong also provided a range of trainings on geology, stone procurement, stone processing, equipment installment, quality control and marketing to the trainees from various stone, design and decoration companies. Mr. Xiong is a member of the Sub-commission of Products and Auxiliary Materials of the National Technical Commission of Stone Standardization (全國石材標準化技術委員會產品及輔助材料分技術委員會) and participated in reviewing stone industry-related standards. Due to the past academic experiences at top geological university in China and long-term commitment to the management and marketing practice in mineral enterprises, Mr. Xiong has abundant expertise in geological and mining industry as well as practical working experience in stone products marketing. He is familiar with the current stone markets in China and worldwide as well as their developing trends. More than 10 years of managerial experience of mineral enterprises has familiarized him with, among other things, the geological distribution and conditions of marble mines in China, capable of positioning the market and making overall strategic planning.

Mr. Xiong received his bachelor's degree in coal geology from Wuhan College of Geology (武漢地質學院) in July 1982, and master's degree in petrology from China University of Geosciences in June 1989. Mr. Xiong has in-depth experience and knowledge in geology, especially in the areas of the chemical composition and structure of minerals, the exploration and recovery of natural resources, and erosion and deposition of rock particles. He is also a certified constructor in China.

NON-EXECUTIVE DIRECTOR

Mr. He Ji (何霽), aged 35, was appointed as a non-executive Director of the Company on 19 August 2010. He is currently an executive director of Morgan Stanley Asia Limited, and he primarily focuses on principal investment activities in the Asia Pacific region, especially China. Prior to joining Morgan Stanley Asia Limited in 2005, he worked in Morgan Stanley and Goldman Sachs in New York. Mr. He received an MBA degree from Columbia Business School, a master's degree in information systems management from Carnegie Mellon University, as well as a bachelor's degree in international finance from Renmin University of China (中國人民大學). Mr. He is a CFA charter holder. The appointment of Mr. He will be subject to the terms in the Articles.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Deng Huiqing (鄧惠青), aged 61, was appointed as an independent non-executive Director of the Company on 4 August 2010. He has over 20 years of experience working in stone industry. From December 1987 to January 1989, he was the deputy office director in China Jianbei Stone Industry Company (中國建北石材工業公司). From January 1989 to January 1997, he worked as the deputy general manager in Shandong Laizhou Yin Lei Stone Products Co., Ltd. (山東萊州銀磊石材有限公司), and he was responsible for marketing and sales of the stone products. He was appointed as the executive secretary of CSMA from July 1996 to January 1997. From January 1997 to April 2002, he worked in China Nonmetallic Minerals Industrial Corporation (中國非金屬礦工業總公司) and held several

DIRECTORS AND SENIOR MANAGEMENT

positions including the deputy office director from January 1997 to April 1997, the deputy general manager and general manager of the enterprise management department from April 1997 to March 2001 and the director of party relationship department (黨群工作部) from March 2001 to April 2002. Since April 2002, he has been the deputy secretary general, the standing deputy director of the *Expert Committee of the stone Application and Maintenance* (石材應用護理專業委員會), where he has been responsible for managing the administrative work of the association, identifying different varieties of stones, conducting on-site visits to different stone mines and providing technical consultancy to stone mining and processing companies, and the standing deputy secretary general of the board of *National Stone Standardization Technical Committee* (全國石材標準化技術委員會) in the CSMA, where he has been responsible for organizing and managing the drafting and revision of stone industry standards and specifications. During the Track Record Period, Mr. Deng did not hold any directorship in listed public companies.

Mr. Deng graduated from Beijing Building Materials Industry School (北京建築材料工業學校), currently known as Beijing Jinyu Polytechnic (北京金隅科技學校)) majoring in machinery in July 1982 and received a secondary school diploma. He graduated from Beijing Open University (北京廣播電視大學) and received a college diploma in enterprise administration in December 1988. Mr. Deng also holds the title of senior engineer awarded by *State Construction Materials Bureau* in 1999.

Our Directors (including our independent non-executive Directors) are of the view that Mr. Deng Huiqing's role in CSMA will not affect his independence to our Company because Mr. Deng's responsibilities in CSMA primarily include managing the administrative work of the association and providing technical consulting service to stone mining and processing companies, and he does not have any influence on the decision making process of CSMA or any experts panel organized and gathered by the CSMA for technical and market consultancy advises.

In August 2010, CSMA has assessed our marble products. The CSMA functioned as the sponsor which organized and gathered a panel of 17 industry experts for the purpose of assessment of our marble products, during which Mr. Deng Huiqing acted as the convener of this expert panel and one of the experts on the panel. In this expert panel meeting, each of the 17 experts has individually assessed our marble products, formed his/her opinion on our marble products, and unanimously adopted the expert opinion collectively issued by such industry experts. As such, our Company is of the view that Mr. Deng did not have any influence over nor did he have any power to influence the expert opinion adopted by such expert panel in August 2010. We did not pay any fees to CSMA or to any member of the expert panel for the purpose of this expert panel meeting or for the issuance of the relevant certificate.

Mr. Chu Ho Hwa, Howard (朱賀華), aged 46, was appointed as an independent non-executive Director of the Company on 2 September 2010. Mr. Chu has approximately 18 years of experience in finance and investment activities. From September 1992 to August 1999, he worked in ABN AMRO Asia Corporate Finance Limited, and his last position was head of Hong Kong Origination. From February 2001 to February 2006, he worked at the Hongkong and Shanghai Banking Corporation Limited, and his last position was corporate finance director of telecom and media department. From June 2006 to April 2008, he worked as a consultant in Shanghai Century Acquisition Corporation, where he was responsible for sourcing, evaluating and implementing various investment opportunities in China. From September 2008 to June 2009, he was the assistant to the chairman in United Energy Group Limited which is a publicly listed company on the Stock Exchange (stock code: 467), where he was actively involved in the merger and acquisitions. Since July 2009 he was the chief financial officer of Trony Solar Holdings Company Limited which is a publicly listed company on the Stock Exchange

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(stock code: 2468), where he was responsible for the overall financial management of this company. Since May 2010, Mr. Chu has been appointed as an independent non-executive Director in Directel Holding Limited, which is a publicly listed company on the Stock Exchange (stock code: 8337).

Mr. Chu received a bachelor's degree in electrical engineering from University of Rochester in May 1986. He received a master's degree in business administration from Columbia University in May 1990. Mr. Chu acquired substantial financial and accounting knowledge during his study in Columbia University for his master's degree in business management.

Due to his past academic achievements and working experience in various companies, including four publicly listed companies, Mr. Chu has substantial experience in preparing and reviewing financial statements and financial management.

Mr. Liu Yuquan (劉玉泉), aged 59, was appointed as an independent non-executive Director of the Company on 4 August 2010. Prior to that, from May 1985 to September 1998, he worked in Kenluck Technology Co., Ltd. (建運科技有限公司) as the deputy general manager and the general manager of the company successively, where he was responsible for the market expansion and overall management of this company. From November 1998 to December 2009, he was the chairman of the board of directors in Beijing North Yichuan Technology Co., Ltd. (北京北方儀創科技有限責任公司). From October 1998 to December 2009, he worked as the marketing director of China Energy and Mining Limited (中國能源礦業有限公司). Since January 2010, he worked as the general manager of Straits Telecom Limited (海峽通信有限公司). During the Track Record Period, Mr. Liu did not hold any directorship in listed public companies.

Mr. Liu received a diploma in Indonesian from Peking University in January 1974.

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Mr. Jia Yinggong (賈應功), aged 48, was appointed as the mine manager (礦長) and manager of the equipment department of Sichuan Jinshida in May 2010. He has been primarily responsible for improving the mining technology, supervising the mine production, managing the quality control department and equipment department as well as overseeing the infrastructure construction of the Zhangjiaba Mine. Since his joining, he worked under the strategic instruction from Ms. Chen Tao to formulate the production plan, optimize the production processes and organize various trainings for the workers.

He has 17 years of experience in mine exploration and extraction. Details of such experience are set out in tabular format below.

Term of Office	Positions	Past Experience and Responsibilities
October 1993 – January 2003	Mine manager, Guangxi Cenxi Stone Development Co., Ltd. (廣西岑溪市石材開發公司)	Mr. Jia was responsible for overseeing the work safety of the mine, evaluating the performance of mine workers and planning the use of raw materials.
January 2003 – May 2010	Mine manager, Wuhan Yongsong Mine Development Co., Ltd. (武漢永松礦業開發有限公司)	Mr. Jia was responsible for overseeing the work safety of the mine and evaluating the performance of the mine workers.

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Term of Office	Positions	Past Experience and Responsibilities
May 2010 – now	Mine manager and manager of the equipment department, Sichuan Jinshida	Mr. Jia has been responsible for improving the mining technology, supervising the mine production, managing the quality control department and equipment department as well as overseeing the infrastructure construction of the Zhangjiaba Mine.

Mr. Jia received a college diploma (cadres correspondence) in Politics from Engineering Corps Academy of PLA (中國人民解放軍工程兵指揮學院) in July 1990.

Mr. Li Jun (李軍), aged 41, was appointed as the deputy mine manager (副礦長) of Sichuan Jinshida in May 2010. He has been primarily responsible for assisting the mine manager in overall production management, planning the construction of work safety facilities, managing the transportation in the mine area and quality control of our marble stone products. Prior to joining our Company, he dedicated himself to the mine-related work in Shanxi Xinyue Stone Material Development Co., Ltd. (山西鑫岳石材開發有限公司) and assumed various positions in this company.

Mr. Li has 16 years of experience in mining industry. Details of such experience are set out in tabular format below.

Term of Office	Positions	Past Experience and Responsibilities
June 1994 – March 1995	Quality control personnel, Shanxi Xinyue Stone Material Development Co., Ltd. (山西鑫岳石材開發有限公司)	Mr. Li was responsible for assessing the quality of stone blocks and classifying the stone blocks according to their respective qualities.
March 1995 – March 1998	Assistant to the deputy chairman of the board and the office director, Shanxi Xinyue Stone Material Development Co., Ltd.	Mr. Li was responsible for formulating the management systems and coordinating the work of various departments.
March 1998 – August 2005	Director of mining department, Shanxi Xinyue Stone Material Development Co., Ltd.	Mr. Li was responsible for overseeing the production work safety, improving the work safety facilities and managing transportation and water and electricity supply in the mine area.
September 2005 – April 2010	Mine manager, Shanxi Xinyue Stone Material Development Co., Ltd.	Mr. Li was responsible for the overall production and operation of the mine.
May 2010 – now	Deputy mine manager, Sichuan Jinshida	Mr. Li has been responsible for assisting the mine manager in overall production management, planning the construction of work safety facilities, managing the transportation in the mine area and quality control of our marble stone products.

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Mr. Li received a college diploma in industrial enterprise management engineering from Shanxi Mining College (山西礦業學院) in June 1991.

Mr. Lou Sai Tong (盧世東), aged 43, was appointed as the chief financial officer and company secretary of the Company on 4 August 2010. He is primarily responsible for the overall financial management and administration of the Company. Mr. Lou has over 17 years of professional experience working in international audit firms and as financial officer in various publicly listed companies. He worked as an accountant from June 1993 to August 1996 in Kwan Wong Tan & Fong (currently known as Deloitte Touche Tohmatsu). He then worked as audit senior and supervisor from August 1996 to October 1998 in Coopers & Lybrand (currently known as PricewaterhouseCoopers), Hong Kong, and his last position was supervisor II in Audit Division. From December 1998 to January 1999, he was the accounting manager at Midas Printing Company Limited (勤達印刷有限公司) (currently known as Midas International Holdings Limited (勤達集團國際有限公司)), which is a publicly listed company on the Stock Exchange (stock code: 1172). From June 1999 to May 2000, he was the project analyst of Pillsbury Hong Kong Limited. From June 2000 to July 2004, he worked as the chief financial officer and company secretary of China Everbright Technology Limited (中國光大科技有限公司) (currently known as China Haidian Holdings Limited (中國海澱集團有限公司)), which is a publicly listed company on the Stock Exchange (stock code: 256), where he was responsible for the overall accounting, financial, company secretary and administration operation of this company and its subsidiaries. From August 2004 to November 2005, he worked as the chief financial officer and company secretary of China Shineway Pharmaceutical Group Limited (中國神威藥業集團有限公司), which is a publicly listed company on the Stock Exchange (stock code: 2877), where he was responsible for the overall accounting, financial reporting of this company and its subsidiaries. From December 2005 to October 2008, he worked as the chief financial officer of NT Pharma (Group) Company Limited (泰凌醫藥(集團)有限公司). From October 2008 to July 2010, he worked as the deputy chief financial officer at C&G Environmental Protection Holdings Limited, which is a publicly listed company in Singapore (stock code: SGX: D79). He also assumed the position as chief financial officer at C&G Environmental Protection International Limited during the same period. During the Track Record Period, Mr. Lou did not hold any directorship in listed public companies.

Mr. Lou graduated from University of South Australia and received a master's degree in business administration in October 1996. He is a member of Association of International Accountants (FAIA) as well as a member of Hong Kong Institute of Certified Public Accountants (HKICPA).

COMPANY SECRETARY

Mr. Lou Sai Tong (盧世東), aged 43, is the company secretary, chief financial officer and authorized representative of the Company. His biographical details are set out above under the paragraph headed "Senior Management" in this section.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules regarding the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers From Strict Compliance With The Listing Rules and the Companies Ordinance — Waiver From Rule 8.12 of The Listing Rules" in this Prospectus.

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COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The term of such appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company on the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this Prospectus; and
- (d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on 24 January 2011. The audit committee consists of three independent non-executive Directors, namely: Mr. Liu Yuquan (劉玉泉), Mr. Deng Huiqing (鄧惠青) and Mr. Chu Ho Hwa, Howard (朱賀華), with Mr. Chu Ho Hwa, Howard (朱賀華) being the chairman of the committee.

The primary duties of the audit committee are to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on 24 January 2011. The remuneration committee consists of an executive Director and two independent non-executive Directors, namely: Ms. Chen Tao (陳濤), Mr. Liu Yuquan (劉玉泉) and Mr. Deng Huiqing (鄧惠青), with Ms. Chen Tao (陳濤) being the chairman of the committee.

The primary duties of the remuneration committee are to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.4.4 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules on 24 January 2011. The nomination committee consists of an executive Director and two independent non-executive Directors, namely: Ms. Chen Tao (陳濤), Mr. Liu Yuquan (劉玉泉) and Mr. Deng Huiqing (鄧惠青), with Ms. Chen Tao (陳濤) being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors.

DIRECTORS' REMUNERATION

Our Directors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration paid by our Company to the five highest paid individuals for each of the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010 was approximately RMB281,000, RMB433,000 and RMB1,435,000, respectively.

For each of the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009, none of the executive Directors and independent non-executive Directors of the Company received remuneration from our Company. For the eleven months ended 30 November 2010, the aggregate remuneration paid to our executive Directors by our Company amounted to RMB744,000. Further, none of our Directors waived any remuneration during that period.

We expect the annual Directors' fee and other emoluments payable by our Company for the year ended 31 December 2011 to be RMB5.5 million.

Save as disclosed in the section headed "Relationship with Controlling Shareholders" in this Prospectus, none of our Controlling Shareholders, Directors and their respective associates are interested in any business which competes or is likely to compete with our business.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons (other than our Directors) will, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme), have interests or short positions in our Shares or underlying Shares of the Company which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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:

Interest in Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in the Company immediately upon completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full (assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option is not exercised)
Mr. Huang ^{(1), (2), (3) and (4)}	Interest in controlled corporation	1,313,926,277	65.7%
Wongs Investment ^{(1), (2), (3) and (4)} . .	Beneficial Owner	1,313,926,277	65.7%
MS China 3 ^{(5) and (6)}	Beneficial Owner	106,073,723	5.3%

Notes:

- (1) Wongs Investment is wholly owned and controlled by Mr. Huang and Mr. Huang is therefore deemed to be interested in the Shares held by Wongs Investment.
- (2) Assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option is exercised in full, Wongs Investment will remain interested in an aggregate of 1,226,926,277 Shares, representing approximately 61.3% of the entire issued share capital of the Company.
- (3) Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is not exercised, Wongs Investment will remain interested in an aggregate of 1,348,756,455 Shares, representing approximately 67.4% of the entire issued share capital of the Company.
- (4) Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is exercised in full, Wongs Investment will remain interested in an aggregate of 1,261,756,455 Shares, representing approximately 63.1% of the entire issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS

- (5) MS China 3 is a wholly-owned subsidiary of Morgan Stanley Emerging Markets Inc., which in turn is wholly-owned by Morgan Stanley. Morgan Stanley is therefore deemed to be interested in the Shares held by MS China 3. Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is not exercised, MS China 3 will be interested in an aggregate of 71,243,545 Shares, representing approximately 3.6% of the entire issued share capital of the Company.
- (6) For the purpose of calculating the number of Shares to be exchanged by MS China 3, the exchange rate was made at US\$1.00 to HK\$7.7882 which was mutually agreed to between us and MS China 3.

Save as disclosed in this Prospectus, our Directors are not aware of any person (other than our Directors) who will, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to the exercise of the Over allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme), have interests or short positions in our Shares or underlying Shares of the Company which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

SHARE CAPITAL

Without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme, the Company's issued share capital immediately following completion of the Global Offering and the Capitalization Issue will be as follows:

	<u>(HK\$)</u>
Authorized share capital:	
5,000,000,000 Shares	500,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue:

<u>(Shares)</u>	<u>(HK\$)</u>
1 Share in issue as at the date of this Prospectus	0.1
1,499,999,999 Shares to be issued under the Capitalization Issue (including 80,000,000 Sales Shares and 87,000,000 additional Sale Shares subject to the Over-allotment Option in full)	149,999,999.9
500,000,000 Shares to be issued under the Global Offering	50,000,000
2,000,000,000 Shares in total	200,000,000

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and do not take into account any exercise of any options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme as described below. They take no account of Shares which may be allotted and issued or repurchased by the Company pursuant to the issue mandate and repurchase mandate as described below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue as mentioned in this Prospectus, and in particular, will rank in full for all dividends and other distributions declared, paid or made on the Shares after the date of this Prospectus, save for the entitlement under the Capitalization Issue.

THE PRE-IPO SHARE OPTION SCHEME AND THE SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Under the Pre-IPO Share Option Scheme, certain persons were conditionally granted options immediately prior to the Listing Date to subscribe for Shares. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the section headed "Pre-IPO Share Option Scheme" and "Share Option Scheme", respectively, in Appendix VII to this Prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal or par value not exceeding the sum of:

- (i) 20% of the aggregate nominal or par value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options that were granted under the Pre-IPO Share Option Scheme and the Share Option Scheme); and
- (ii) the aggregate nominal amount of the share capital of the Company repurchased by the Company (if any) pursuant to the repurchase mandate.

Our Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to (a) a rights issue; (b) the exercise of rights of subscription, exchange or conversion under the terms of any warrants or convertible securities issued by the Company or any securities which are exchangeable into Shares; (c) the exercise of the subscription rights under options granted under the Share Option Scheme or any other similar arrangement of the Company from time to time adopted for the grant or issue to officers and/or employees and/or consultants and/or advisers of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares; or (d) any scrip dividends or similar arrangement providing for allotment of Shares in lieu of the whole or part of a dividends on Shares in accordance with the Articles.

The issue mandate will expire at the earliest of:

- at the conclusion of the Company’s next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- upon the expiry of the period within which the Company is required by applicable laws of the Cayman Islands or the Articles to hold our next annual general meeting; or
- the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For further details of the issue mandate, see the section headed “Statutory and General Information — A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 24 January 2011” in Appendix VII to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal or par value of not more than 10% of the total nominal or par value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of any options that were granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). The repurchase mandate relates only to repurchases made on the Stock Exchange and/or on any other

SHARE CAPITAL

stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about the Company — 7. Repurchase by the Company of its own securities” in Appendix VII to this Prospectus.

The repurchase mandate will expire at the earliest of:

- at the conclusion of the Company’s next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- upon the expiry of the period within which the Company is required by applicable laws of the Cayman Islands or the Articles to hold our next annual general meeting; or
- the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For further information about the repurchase mandate, please refer to the section headed “Statutory and General Information — A. Further Information About the Company — 3. Written resolutions of the sole Shareholder passed on 24 January 2011” in Appendix VII to this Prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalization Issue (but not taking into account of any Shares which may be sold upon the exercise of the Over-allotment Option and may be issued upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), our Controlling Shareholders, Wongs Investment and Mr. Huang will remain the controlling shareholders of the Company with substantial control over its total issued share capital.

Mr. Huang is interested in certain other mining assets relating to coal. Our Company has a strong focus on marble as our core commodity and does not focus on coal business. Our Directors believe and Mr. Huang confirms that these companies engaged in the coal mining business do not compete with our Company's existing business. Mr. Huang does not intend to inject such coal mining assets into our Company.

Historically, the role of Mr. Huang, our Controlling Shareholder, has been to assist the Company in identifying and acquiring our initial strategic assets (i.e., marble mines). However, a team of professional management has been hired for our Company and hence Mr. Huang has neither been involved in the daily development of our marble mines nor in the operation of our Company. We have been operating independently from our Controlling Shareholders. Mr. Huang's role is expected to be limited to exerting influence on the Company at the shareholder level as he is, and will continue to be after the Listing, our Controlling Shareholder of the Company.

Qinghai Xiancheng Mining Joint Stock Company (青海賢成礦業股份有限公司) (previously known as Qinghai Xiancheng Industry Joint Stock Company) ("Qinghai Xiancheng"), a publicly-listed company listed on the Shanghai Stock Exchange of which Mr. Huang was a controlling shareholder and director, entered into a series of guarantee agreements (the "Guarantee Agreements") with commercial banks in China from 2002 to 2005. Under the Guarantee Agreements, Qinghai Xiancheng provided guarantees on loans totaling RMB94.5 million, RMB159.5 million, RMB602.5 million and RMB565 million, in 2002, 2003, 2004 and 2005, respectively. Such guarantees were not disclosed in Qinghai Xiancheng's periodic reports filed pursuant to the PRC Securities Law. The CSRC instituted an investigation against Qinghai Xiancheng for the failure to disclose such guarantees provided by Qinghai Xiancheng. Following the investigation, the CSRC issued a censure against Qinghai Xiancheng and all members of the board of directors of Qinghai Xiancheng, including Mr. Huang. Mr. Huang and a number of the directors were also subject to a fine ranging from RMB30,000 to RMB50,000.

Our Directors have confirmed that to the best of their knowledge, information and belief, our Controlling Shareholders and our Directors have no interests in businesses, other than our Group's businesses, which may directly or indirectly compete against the businesses of our Group.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of the Company, pursuant to which each of our Controlling Shareholders has jointly and severally irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (other than any member of our Company) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder,

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

partner, principal, agent, director, employee or otherwise) any business which is or may be in competition with the business of any member of our Company from time to time (the “Restricted Business”). Such non-compete undertaking does not apply to:

- (i) any interests in the shares of any member of our Company; or
- (ii) interests in the shares of a company other than the Company whose shares are listed on a recognized stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by our Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective associates in aggregate; or
 - (iii) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The “restricted period” stated in the Deed of Non-competition refers to the period during which: (i) the Shares of the Company remain listed and traded on the Stock Exchange; (ii) as far as each Controlling Shareholder is concerned, it or he or its or his associate holds an equity interest in the Company; and (iii) the relevant Controlling Shareholders and/or their respective associates are entitled to jointly or severally exercise or control the exercise of not less than 30% in aggregate of the voting rights at general meetings of the Company.

The Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (i) the independent non-executive Directors will review, on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;
- (ii) our Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of the Company; and
- (iv) our Controlling Shareholders will make confirmation on compliance with their undertaking under the Deed of Non-competition in the annual report of the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DIRECTORS

Each of our Directors confirms that he or she does not have any competing business with our Company. Moreover, pursuant to their service agreements, executive Directors shall not at any time during his or her term of service with our Company without the prior written consent of the Board be or become a director of any company (other than the Company or any other member of our Company) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Controlling Shareholders and their associates:

Management Independence

Our Board comprises of four executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- (i) each Director is aware of his/her fiduciary duties as a Director of the Company which requires, among other things, that he/she acts for the benefit and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum; and
- (iii) our Board comprises eight Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. Such composition is in line with or better than the current corporate governance best practices in Hong Kong according to the Listing Rules.

Financial Independence

Our Company has an independent financial system and makes financial decisions according to its own business needs. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering.

Operational Independence

Our Company has an independent work force to carry out its mining business and has not shared its operation team with our Controlling Shareholders. Although there had been certain transactions between us and our related parties during the Track Record Period, details of which are set out in Note 28 to the Accountants' Report set out in Appendix I to this Prospectus, our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on terms more favorable than terms available from an Independent Third Party. None of the historical related party transactions with our connected persons are expected to continue after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors have confirmed that they fully comprehend their obligations to act in the best interests of the Company and our Shareholders as a whole. To avoid potential conflicts of interest, we have adopted a system of corporate governance with the following principal components:

- as part of our preparation for the Global Offering, we have amended our Memorandum and Articles to comply with the Listing Rules. In particular, our Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. In addition, our Directors shall abstain from voting and shall not be counted in the quorum in respect of any proposals involving our Directors or any of their affiliates;
- we are committed that our Board should include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed Mr. Deng Huiqing, Mr. Liu Yuquan and Mr. Chu Ho Hwa, Howard as our independent non-executive Directors. We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” in this prospectus;
- we have appointed Guotai Junan Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors’ duties and internal controls;
- any transaction that is proposed between us and our connected persons will be conducted and disclosed in accordance with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent Shareholders’ approval requirements of those rules; and
- in addition, if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisers (including an independent financial adviser) at the costs of the Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders.

FINANCIAL INFORMATION

The following discussion of our financial condition and results of operations should be read in conjunction with (i) our consolidated statements of financial position as at 31 December 2008, 31 December 2009 and 30 November 2010, and (ii) consolidated statements of comprehensive income and consolidated cash flows statements for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, and, in each case, the related notes set out in the Accountants' Report included as Appendix I to this Prospectus (the "Consolidated Financial Information"). Our Consolidated Financial Information have been prepared in accordance with IFRS which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary financial information of: (i) our consolidated statements of financial position as at 31 December 2008, 31 December 2009 and 30 November 2010, and (ii) consolidated statements of comprehensive income and consolidated cash flows statements for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2009 and 2010, as set forth below, are derived from the Accountants' Report of our Company included in Appendix I to this Prospectus. For your convenience, we include in the summary financial information set forth below our consolidated statements of comprehensive income and consolidated cash flows statements for the eleven months ended 30 November 2009. The summary financial information is qualified in its entirety by reference to such Accountants' Report, including the notes thereto, and should be read in conjunction with the discussions included herein.

Summary Consolidated Statements of Comprehensive Income

	Period from 14 March 2008 to 31 December ⁽¹⁾	Year ended 31 December	Eleven months ended 30 November	
	2008	2009	2009	2010
	(RMB'000)			
Revenue	—	—	—	1,771
Cost of sales.	—	—	—	(717)
Gross profit	—	—	—	1,054
Other income	3	2	2	31
Selling and distribution costs	(63)	(270)	(244)	(472)
Administrative expenses	(1,200)	(2,610)	(2,181)	(23,134) ⁽²⁾
Other expenses	(720)	(690)	(203)	(728)
Finance costs	(25)	(2,042)	(1,780)	(2,129)
Loss before tax	(2,005)	(5,610)	(4,406)	(25,378)
Income tax benefit.	253	241	193	4,143
Loss for the year/period	(1,752)	(5,369)	(4,213)	(21,235)

FINANCIAL INFORMATION

Notes:

- (1) As a result of merger accounting, the financial information of Sichuan Jinshida is included in our Consolidated Financial Information as if the consolidation had occurred since 14 March 2008 when Sichuan Jinshida first came under control of our Controlling Shareholder. As the Controlling Shareholder obtained the control over Sichuan Jinshida on 14 March 2008 and there were no transactions between 1 January 2008 and 13 March 2008 impacting our financial information, our financial information is presented from 14 March 2008.
- (2) Our administrative expenses for the eleven months ended 30 November 2010 included expenses in relation to the Global Offering.

Summary Consolidated Statements of Financial Position

	As at 31 December		As at
	2008	2009	30 November
	(RMB'000)		2010
Non-current assets	40,389	50,455	112,326
Current assets	1,071	6,092	98,555
Current liabilities	24,208	44,675	83,162
Net current assets/(liabilities)	(23,137)	(38,583)	15,393
Total assets less current liabilities	17,252	11,872	127,719
Non-current liabilities	4,524	4,513	350
Net assets.	12,728	7,359	127,369
Total equity	12,728	7,359	127,369

Summary Consolidated Statements of Cash Flows

	Period from 14 March 2008 to 31 December	Year ended 31 December	Eleven months ended 30 November	
	2008	2009	2009	2010
	(RMB'000)			
Cash and cash equivalents at beginning of the year/period	972	739	739	5,670
Net cash flows used in operating activities	(1,588)	(1,966)	(1,802)	(19,178)
Net cash flows used in investing activities	(6,440)	(12,489)	(10,661)	(64,412)
Net cash flows from financing activities	7,795	19,386	11,847	167,209
Net increase/(decrease) in cash and cash equivalents.	(233)	4,931	(616)	83,619
Net foreign exchange difference . . .	—	—	—	(2,548)
Cash and cash equivalents at end of the year/period.	739	5,670	123	86,741

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a marble mining company at the initial stage of production. We currently own and operate one marble mine, the Zhangjiaba Mine, which is the largest beige marble mine in China in terms of marble reserves, according to a certification issued by CSMA in August 2010. The Zhangjiaba Mine, located in Sichuan Province of China, contains 44.2 million m³ of measured and indicated marble resources, which represents 16.8 million m³ of proved and probable marble reserves based on a block rate of 38%, according to the Competent Person's Report. Our mine contains high-quality beige marble reserves, and our principal products are premium beige marble slabs and blocks. We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010. We currently hold a mining permit for an initial term of 10 years granted in February 2011, covering an area of 0.44 km² with an elevation from 590 m to 938 m above MSL. On the Listing Date, we will be the first marble mining company listed on the Hong Kong Stock Exchange.

In addition to marble block mining, we plan to construct large-scale marble slab processing facilities in close proximity to our mine. Following the completion of our ramp-up plan in 2014, our mining capacity for marble blocks is expected to reach 150,000 m³ per annum and our marble slab processing capacity at our processing facilities are expected to reach 3.0 million m² per annum. The estimated mine life of our Zhangjiaba Mine is 112 years, based on our current marble reserves and planned marble block mining capacity at 150,000 m³. CSMA expects our mining capacity and processing capacity upon completion of our ramp-up plan to be the largest among marble mining companies in China.

Our principal products are marble slabs processed and blocks mined from our marble reserves. According to an independent panel review organized by CSMA, our Pure Beige and Mixed Beige products are premium marble products and our Wood Grain and Gray Net products are mid- to high-end marble products. Our Pure Beige, Mixed Beige, Wood Grain and Gray Net marble account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves, respectively, according to the Competent Person's Report. According to the same panel review organized by CSMA, our mine contains high-quality beige marble reserves, and the color and texture of our marble products are similar to those of well-recognized, premium international branded marble products currently available in the market, based on the physical specifications and the appearance of our marble samples. Due to these characteristics, our premium marble products are suitable for use in the decoration of high-end commercial and public buildings.

FINANCIAL INFORMATION

According to the Competent Person's Report, marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized. Commercially in the stone industry, and as used in this Prospectus, marble also includes limestone or dolomite that is rock of sedimentary origin primarily composed of calcium carbonate or calcium magnesium carbonate and is polishable. Our principal resource at Zhangjiaba Mine is limestone that is commercially classified as marble.

Basis of Presentation

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law on 29 March 2010. In preparation for the Global Offering, we have undergone a Corporate Reorganization. The Corporate Reorganization involved companies under common control and our Company is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the financial information set out in the Accountants' Report has been prepared using the principles of merger accounting. As a result of merger accounting, the financial information of Sichuan Jinshida is included in our Consolidated Financial Information as if the consolidation had occurred from 14 March 2008 when Sichuan Jinshida first came under control of our Controlling Shareholder. As the Controlling Shareholder obtained control over Sichuan Jinshida on 14 March 2008 and there were no transactions between 1 January 2008 and 13 March 2008 impacting our financial information, our financial information is presented from 14 March 2008.

To the extent of interest held by our Shareholders, the financial information has been prepared as if the current corporate structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Company as at 31 December 2008 and 2009 and 30 November 2010 have been prepared to present the assets and liabilities of our Company as at the respective dates and as if the current corporate structure had been in existence as at those dates. All income, expenses and unrealized gains and losses resulting from inter-company transactions and inter-company balances within our Company are eliminated on consolidation in full.

Factors Affecting Our Results of Operations and Financial Condition

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the following factors:

Prices of products

According to an independent panel review organized by CSMA, our Pure Beige and Mixed Beige products are premium marble products and our Wood Grain and Gray Net products are mid- to high-end marble products. Our Pure Beige, Mixed Beige, Wood Grain and Gray Net marble account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves, respectively, according to the Competent Person's Report. We typically set sales prices of our beige marble products by applying certain discount to the selling prices of imported premium beige marble products currently available in the domestic market. Actual sales price is adjusted based on other factors, such as the customer's purchase volume and delivery cycle. Based on the long-term sales contracts that we entered into with seven customers in 2010, our average ex-factory sales prices are RMB830 per m² for Pure Beige marble slabs, RMB540 per m² for Mixed Beige marble slabs and RMB520 per m² for other marble slabs during the terms of such contracts. These prices compare favorably to the average price of approximately RMB150 per m² for other PRC branded marble products, based on data from the Hatch Report, which we believe reflected the high quality of our products. Some of the top quality imported beige marble slabs are priced as high as RMB1,300 per m². The color and texture of our marble products are similar to those of the well-

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recognized, premium international branded marble products currently available in the market, including those priced at top end. Because of the high quality of our marble products, we believe that sales prices for our products will increase to a similar level of prices for well-recognized, premium international branded marble products currently available in the market, the average price of which is approximately RMB1,000 per m², after we reach our planned mining and processing capacities. We believe that our customers will recognize the high quality of our marble products, and coupled with the increase in our mining and processing capacities upon completion of our ramp-up plan, we expect that we will be able to strengthen our pricing power and narrow the price gap between imported premium marble products and our products.

However, change in our end customers' preference, fluctuations in the price of marble blocks and marble slabs, due to factors such as an imbalance in the supply and demand for marble stones in local, national and global markets, and the performance of the PRC's stone industry can also influence the sales price of our products. As at the Latest Practicable Date, we did not foresee any material movement of price trend caused by changes of customer preference.

Sales volume and production volume

The market demand for decorative surfacing marble products in China has been exceeding their supply. The sales volume of our products depends primarily on supply from our mine reserves and our mining and processing capacities. Our plans for expanding our business and operations are largely dependent on our ability to meet production, timing and cost estimates for our current mine development projects. Factors such as obtaining regulatory approval from the appropriate authorities and financing could affect the outlook of our current and future mine projects. The timeline below highlights our key development for our ramp-up plan:

Year	Total marble block mining capacity (m ³ per annum)	Total marble slab processing capacity (m ² per annum)
2010	1,145	—
2011	45,000	—
2012	90,000	1.8 million
2013	135,000	3.0 million
2014	150,000	3.0 million

In 2010, we secured long-term sales contracts. These sales contracts provide for an aggregate sales volume of 1,025,000 m², 1,610,000 m² and 2,015,000 m² of marble slabs in 2011, 2012 and 2013, respectively, representing 63%, 56% and 45%, respectively, of our total planned marble slab production in respective years according to the Competent Person's Report. Our customers are obliged to purchase a minimum of 90% of the volume set out in these sales contracts. See "Business — Customers and Contract Terms." We anticipate the domestic market demand for decorative surfacing marble products to continue to increase and our production volume will be consumed in full upon the commencement of our commercial production and after we reach the planned mining and processing capacities. As a result, we expect increases in sales volume to be one of the main drivers of our future revenue growth.

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Cash costs of production

Major components of our cash costs of production are directly related to production volume. Our cash costs of operation mainly include mining costs, processing costs, general and administrative costs, selling costs, environmental protection costs, production taxes, resource compensation levy and other cash cost items. Variations in production volume and the costs of sales associated with top flipping, disintegration, mining, hauling to the processing plants, shaping, slinging, cutting, repairing, polishing and ware-housing are key factors that affect our cash costs of production. We did not incur any cost of sales prior to the commencement of our commercial production in September 2010. In October and November 2010, we generated revenue of RMB1.8 million from sales of our marble products and increased cost of sales of RMB0.7 million. During the period from September to December 2010, our actual unit cash production cost of the third-party processed marble slabs was RMB325 per m², which was higher than the projected unit cash production costs of the third-party processed marble slabs upon reaching our full mining and processing capacities. The currently higher-than-projected unit cash cost is mainly the result of a combination of the relatively low production volume and high administrative expenses at the initial stage of production. During the period from September to November 2010, we incurred selling expenses and administrative expenses of RMB138,000 and RMB14.1 million (including expenses in relation to the Global Offering of RMB8.5 million), respectively. The actual unit cash production cost of the third-party processed marble slabs decreased to RMB196 per m² in December 2010 as a result of increased production volume during this month. In addition, according to the Competent Person's Report, when we reach the planned mining capacity of 150,000 m³ of marble blocks per annum and processing capacity of 3.0 million m² of marble slabs per annum in 2014, the unit cash cost for our self-processed marble slabs (calculated as the sum of mining operating cash cost, slab processing cost and administrative and selling expenses) is estimated to be approximately RMB124 per m², based on a slab-block ratio of 33.7, and our unit cash cost for marble slabs processed by third-party contractors (calculated as the sum of mining operating cash cost, contractor charges, transportation cost and administrative and selling expenses) is estimated to be approximately RMB131 per m² in 2014.

Product mix

As at the Latest Practicable Date, we entered into contracts to sell one-side-polished marble slabs to construction material suppliers, which in turn are expected to sell to property developers and construction companies. Where the market requires and if we deem commercially sensible, we may also sell marble blocks to third-party stone processing plants. Sales of marble slabs which are processed from our marble blocks usually generate higher margins than those generated from sales of marble blocks. Prior to the commencement of the commercial operations of our processing facilities, we engage third-party processing plants to process our marble blocks to marble slabs for sale. We expect to incur lower costs when processing marble slabs in our processing facilities than when engaging third-party stone processing factories to produce marble slabs for us.

We commenced commercial production at our Zhangjiaba Mine in September 2010. During the period from September to December 2010, we mined a total of 1,145 m³ of marble blocks. During the same period, we sold a total of 3,000 m² of Pure Beige marble slabs, 9,000 m² of Mixed Beige marble

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slabs and 24 m³ of marble blocks. The following table sets forth the sales volume, the revenue and the average selling price by product from 1 September 2010 to 3 January 2011, pursuant to a short-term sales contract of marble slabs we entered into with a construction material trading company in September 2010 and two individual transactions of marble blocks we entered into with two independent third parties who are engaged in stone processing:

	Marble Slabs			Marble Blocks
	Pure Beige	Mixed Beige	Total	
<i>1 September 2010 to 30 November 2010</i>				
Sales volume (m ³ (blocks)/m ² (slabs))	1,000	2,000	3,000	24
Revenue (RMB in millions)	0.72	0.97	1.69	0.08
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	563	3,414
<i>1 December 2010 to 3 January 2011</i>				
Sales volume (m ³ (blocks)/m ² (slabs))	2,000	7,000	9,000	—
Revenue (RMB in millions)	1.44	3.41	4.85	—
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	538	—
<i>1 September 2010 to 3 January 2011</i>				
Sales volume (m ³ (blocks)/m ² (slabs))	3,000	9,000	12,000	24
Revenue (RMB in millions)	2.16	4.38	6.54	0.08
Average selling price (RMB/m ³ (blocks)/ RMB/m ² (slabs)) ^{Note}	720	487	545	3,414

Note: The average selling price is calculated by dividing the revenue by the corresponding sales volume. Our revenue is net of VAT.

Revenue from 1 December 2010 to 3 January 2011 and revenue from 1 September 2010 to 3 January 2011 presented in the table above are estimates based on unaudited management accounts for the relevant periods. Accordingly, you should not place undue reliance on these estimates. For additional information regarding the various risks and uncertainties inherent in estimates of this type, see “Forward-Looking Statements.” Our estimated revenue for these periods is not indicative of our gross profit or net profit or net loss for such periods, nor is it indicative of our revenue, gross profit or net profit or net loss or other financial results for the year ended 31 December 2010 or any other periods. Our estimated net profit and gross profit for the month ended 31 December 2010 were in line with our expectations and consistent with our loss estimate for the year ended 31 December 2010 included in “— Loss Estimate for the Year Ended 31 December 2010” and “Appendix III — Loss Estimate.” Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Prospectus for information regarding trends and other factors that may influence our results of operations.

Following the ramp-up of our marble slab processing capacity, we plan to reduce the volume of marble blocks sold to third-party processing plants as well as the marble slabs outsourced to third-parties for processing to focus on sales of marble slabs that are processed in our own facilities. As a result, we believe that we will be able to generate higher profit margins upon ramp-up of our processing capacity.

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According to an independent panel review organized by CSMA, our Pure Beige and Mixed Beige products are premium marble products and our Wood Grain and Gray Net products are mid- to high-end marble products. Our Pure Beige, Mixed Beige, Wood Grain and Gray Net marble account for 51.0%, 32.7%, 6.4% and 9.9% of our marble reserves, respectively, according to the Competent Person's Report. Based on the long-term sales contracts we entered into with seven customers in 2010, our average ex-factory sales prices are RMB830 per m² for Pure Beige marble slabs, RMB540 per m² for Mixed Beige marble slabs and RMB520 per m² for other marble slabs during the terms of such contracts. In addition, the sales price for cut-to-size marble tiles is higher than that of one-side-polished marble slabs and thin marble slabs. As a result, our revenue and profit margin will depend on the composition of the type of marble and slabs we sell.

Economic growth and industry policy in the PRC

Demand for our decorative surfacing marble products is directly related to the level of activities in both private-sector and public-sector construction industries. Construction activities tend to increase when economies are strong, interest rates are favorable, government spending is encouraging and consumers feel confident in the overall economy. In recent years, China has become an important market, and its influence on the global stone industry, including marble, has been increasing. The demand for the high-end decorative surfacing marble products is primarily affected by the growth of the commercial real estate development industries in China, which could in turn be affected by a number of factors, such as the strength of the commercial and residential property markets, the level of disposable income, consumer confidence, unemployment rate, interest rates, credit availability and volatility in the stock markets. In addition, as a result of a loss of government funding, or a protracted delay or a significant reduction in national or provincial budgets, spending on publicly funded construction will also be reduced significantly. See the section headed "Industry Overview" in this Prospectus for further details of factors that could affect the demand for our products in the PRC and thus, our revenue and profits.

The PRC local, provincial and central authorities exercise a substantial degree of control over the mining industry in China. Our operations are subject to a range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, development, production, taxation, labor, occupational health and safety, waste treatment and environmental protection and operation management. The PRC Government has full authority to grant, renew and terminate exploration, mining and production permits. While we expect to be able to renew our mining and production permits, if for any reason we are unable to do so, our results of operations would be materially and adversely affected.

Critical Accounting Policies and Estimates

Our principal accounting policies are set forth in Section II Note 3.3 to the Accountants' Report as set out in Appendix I to this Prospectus. IFRS requires that we adopt accounting policies and make estimates and assumptions that our management believes are most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial condition. The preparation of our financial information requires management to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, the inherent uncertainty of these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets

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and liabilities affected in the future. We have identified below the accounting policies that we believe are the most critical to our Consolidated Financial Information and that involve the most significant estimate.

Goodwill impairment

We determine the impairment of goodwill on an annual basis or more frequently, if necessary. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. The value in use requires us to estimate the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2008 and 2009 and 30 November 2010 was RMB3.0 million.

Useful lives of property, plant and equipment

We estimate the useful lives and related depreciation charges for items of property, plant and equipment. This estimation is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of our competitors. Our management will increase the depreciation charge where useful lives are less than previously estimated, or we will record reserve for technically obsolete assets that have been abandoned.

Impairment of non-financial assets (other than goodwill)

We assess each cash-generating unit annually to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying amount of the property, plant and equipment, including mining infrastructure, and mining rights, are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the relevant accounting policy. Estimating the value in use requires us to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment as at 31 December 2008 and 2009 and 30 November 2010 were RMB16.1 million and RMB23.8 million and RMB83.3 million, respectively. The carrying amounts of mining rights as at 31 December 2008 and 2009 and 30 November 2010 were RMB21.4 million and RMB23.7 million and RMB23.7 million, respectively.

Mine reserves

Due to the significant degree of judgment involved in the estimation of our mine reserves the estimated amounts are inherently imprecise and represent only approximate amounts. Authoritative guidelines regarding the engineering criteria have to be met before estimated mine reserves can be designated as “proved” and “probable.” Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information of mine. In addition, as prices and cost levels change from year to year, estimations for proved and probable mine reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortization rates calculated on a units of production basis, and the time period for discounting the rehabilitation provision. Changes in the estimations for mine reserves are also taken into account in impairment assessments of non-current assets.

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Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as at 31 December 2008 and 2009 and 30 November 2010 were RMB629,000 and RMB852,000 and RMB5.0 million, respectively.

Description of Components of Results of Operations

Revenue

Revenue represents the net invoice value of goods sold, net of VAT, trade discounts and returns and various types of government surcharges, where applicable. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. As we focused on mine planning, construction and infrastructure development and only commenced commercial production in September 2010, there was no revenue, trade discount or returns prior to September 2010. For the eleven months ended 30 November 2010, our revenue was RMB1.8 million.

Cost of sales

Our cost of sales mainly includes energy costs, staff costs and retirement benefit scheme contributions, depreciation and amortization of land use rights and mining rights, auxiliary materials used in the production process, environmental protection fees, production safety fees and other production costs. We did not incur any cost of sales for the period from 14 March 2008 to 31 December 2008 and the year ended 31 December 2009 prior to the commencement of our commercial production in September 2010. For the eleven months ended 30 November 2010, our cost of sales was RMB0.7 million.

Other income

During the Track Record Period, we had other income, representing the interests of our interest-bearing bank deposits. We recorded other income of RMB3,000, RMB2,000 and RMB31,000 for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively.

Selling and distribution costs

Selling and distribution costs mainly represent costs related to transportation, sample costs, staff costs and other costs. We incurred selling and distribution costs of RMB63,000, RMB270,000 and RMB472,000 for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively.

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Administrative expenses

Administrative expenses mainly represent costs related to staff costs, office charges, consultation and service fees, entertainment costs, taxes other than income tax and other expenses, including provisions for individual income tax in relation to interests on certain borrowings provided by independent third-party individuals. We incurred administrative expenses of RMB1.2 million, RMB2.6 million and RMB23.1 million for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively.

Other expenses

Our other expenses historically mainly represented our donation for the Sichuan earthquake in May 2008 and loss on disposal of items of property, plant and equipment. We incurred other expenses of RMB720,000, RMB690,000 and RMB728,000 for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively.

Finance costs

Finance costs represent interest and surcharges on our borrowings. We incurred finance costs of RMB25,000, RMB2.0 million and RMB2.1 million for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively.

Income tax benefit

Income tax benefit represents current and deferred tax. Income tax benefit is recognized in the consolidated statements of comprehensive income, or in equity if it relates to items that are recognized in the same or a different period directly in equity.

Under the rules and regulations of the Cayman Islands and BVI, we are not subject to any income tax in the Cayman Islands and BVI. We have not made any provisions for Hong Kong profits tax as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

On 16 March 2007, the PRC Government promulgated the EIT Law and, on 6 December 2007, the *State Council of the PRC* issued Implementation Regulations. Under the EIT Law and the Implementation Regulations, effective 1 January 2008, a unified EIT rate is set at 25% for both domestic enterprises and foreign invested enterprises. As a result, our PRC subsidiaries are subject to PRC income tax at a tax rate of 25% for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010.

We recorded income tax benefit of RMB253,000, RMB241,000 and RMB4.1 million for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, respectively.

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Results of Operations

Eleven months ended 30 November 2010 compared with eleven months ended 30 November 2009

Revenue

For the eleven months ended 30 November 2009, as we focused on mine planning, construction and infrastructure development, we did not generate revenue from our operations. Because we commenced commercial production in September 2010, we had revenue of RMB1.8 million for the eleven months ended 30 November 2010.

Cost of sales

For the eleven months ended 30 November 2009, we did not incur any cost of sales prior to the commencement of our commercial production in September 2010. Consequently, for the eleven months ended 30 November 2010, we incurred cost of sales of RMB0.7 million.

Gross profit

For the eleven months ended 30 November 2009, we did not record gross profit because we have not commenced commercial production. For the eleven months ended 30 November 2010, we had gross profit of RMB1.1 million.

Other income

Our other income increased from RMB2,000 for the eleven months ended 30 November 2009 to RMB31,000 for the eleven months ended 30 November 2010 due to increased interest income as a result of the increase in bank deposits.

Selling and distribution costs

Our selling and distribution costs increased from RMB244,000 for the eleven months ended 30 November 2009 to RMB472,000 for the eleven months ended 30 November 2010. The increase was primarily due to the increase in advertisement of our products prior to our commercial production as well as staff costs.

Administrative expenses

Our administrative expenses increased from RMB2.2 million for the eleven months ended 30 November 2009 to RMB23.1 million for the eleven months ended 30 November 2010. The increase was primarily due to the increase in consultation and service fees in relation to our proposed Listing of the Shares on the Stock Exchange and staff costs as a result of our business expansion.

Other expenses

Our other expenses increased from RMB203,000 for the eleven months ended 30 November 2009 to RMB728,000 for the eleven months ended 30 November 2010. The increase was primarily due to foreign exchange losses incurred as a result of the depreciation of U.S. dollars during the eleven months ended 30 November 2010.

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Finance costs

Our finance costs increased from RMB1.8 million for the eleven months ended 30 November 2009 to RMB2.1 million for the eleven months ended 30 November 2010. The increase was primarily due to the increase in interest on loans as a result of the increase in the average balance of interest-bearing borrowings.

Income tax benefit

Our income tax benefit increased from RMB193,000 for the eleven months ended 30 November 2009 to RMB4.1 million for the eleven months ended 30 November 2010 due to an increase in loss before tax during the respective period.

Loss for the period

As a result of the foregoing factors, our loss increased from RMB4.2 million for the eleven months ended 30 November 2009 to RMB21.2 million for the eleven months ended 30 November 2010.

Year ended 31 December 2009 compared with period from 14 March 2008 to 31 December 2008

As a result of merger accounting, the financial statements of Sichuan Jinshida, the only PRC operating subsidiary having financial records within our Company during the Track Record Period, are included in our Consolidated Financial Information as if the consolidation had occurred from 14 March 2008 when Sichuan Jinshida first came under control of our Controlling Shareholder. As the Controlling Shareholder obtained the control over Sichuan Jinshida on 14 March 2008 and there were no transactions between 1 January 2008 to 13 March 2008 impacting the financial information, the financial information is presented from 14 March 2008. As a result, the comparisons of our operating results for the period from 14 March 2008 to 31 December 2008 and the year ended 31 December 2009 may not be meaningful.

Revenue

During the period from 14 March 2008 to 31 December 2008 and the year ended 31 December 2009, as we focused on mine planning, construction and infrastructure development and only commenced commercial production in September 2010, we did not generate revenue from our operations.

Cost of sales

During the period from 14 March 2008 to 31 December 2008 and the year ended 31 December 2009, we did not incur any cost of sales prior to the commencement of our commercial production in September 2010.

Other income

We recorded other income of RMB3,000 for the period from 14 March 2008 to 31 December 2008 and RMB2,000 for the year ended 31 December 2009, which were interests from bank deposits.

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Selling and distribution costs

We incurred selling and distribution costs of RMB63,000 for the period from 14 March 2008 to 31 December 2008 and RMB270,000 for the year ended 31 December 2009. Our selling and distribution costs in both periods mainly consisted of sample costs and related costs, such as transportation fees and staff costs.

Administrative expenses

We incurred administrative expenses of RMB1.2 million for the period from 14 March 2008 to 31 December 2008 and RMB2.6 million for the year ended 31 December 2009, mainly as a result of our business expansion in 2009, which required more administrative activities during the respective year. We incurred more administrative expenses in 2009 due to the increase in consultation and service fees in relation to (i) obtaining clearance on environmental protection, production safety and air pollution prevention for trial production and (ii) provisions for individual income tax in relation to interests on certain borrowings provided by independent third-party individuals. These borrowings have been repaid in full in June 2010.

Other expenses

We incurred other expenses of RMB720,000 for the period from 14 March 2008 to 31 December 2008 and RMB690,000 for the year ended 31 December 2009. The other expenses for the period from 14 March 2008 to 31 December 2008 included the donation we made during Sichuan earthquake in May 2008 and the losses on disposal of items of property, plant and equipment. We also incurred loss on disposal of an old equipment of RMB666,000 in 2009.

Finance costs

We incurred finance costs of RMB25,000 for the period from 14 March 2008 to 31 December 2008 and RMB2.0 million for the year ended 31 December 2009. The significant change was primarily due to the increase in interest on loans as a result of the increase in the average balance of interest-bearing borrowings and the increase in the interest rate in 2009.

Income tax benefit

We recorded income tax benefit of RMB253,000 for the period from 14 March 2008 to 31 December 2008 and RMB241,000 for the year ended 31 December 2009 due to an increase in loss resulted from increased expenses in 2009.

Loss for the year/period

As a result of the foregoing factors, we incurred loss of RMB1.8 million for the period from 14 March 2008 to 31 December 2008 and RMB5.4 million for the year ended 31 December 2009.

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Liquidity and Capital Resources

Our primary uses of liquidity are to invest in the development of our mine, to service our indebtedness and to fund our working capital. As at the Latest Practicable Date, we financed our cash requirements through a combination of advances from the Controlling Shareholder, interest-bearing bank borrowings, cash generated from operating activities, capital contributions by Wongs Investment using the proceeds from the issuance of the Exchangeable Note and other debt financing.

Cash flows

The following table sets forth a summary of our cash flows information for the periods indicated:

	Period from 14 March to 31 December ^{Note}	Year ended 31 December	Eleven months ended 30 November	
	2008	2009	2009	2010
	(RMB'000)			
Cash and cash equivalents at beginning of the year/period	972	739	739	5,670
Net cash flows used in operating activities	(1,588)	(1,966)	(1,802)	(19,178)
Net cash flows used in investing activities	(6,440)	(12,489)	(10,661)	(64,412)
Net cash flows from financing activities	7,795	19,386	11,847	167,209
Net increase/(decrease) in cash and cash equivalents	(233)	4,931	(616)	83,619
Net foreign exchange difference	—	—	—	(2,548)
Cash and cash equivalents at end of the year/period	<u>739</u>	<u>5,670</u>	<u>123</u>	<u>86,741</u>

Operating activities

Net cash outflows from operating activities for the eleven months ended 30 November 2010 were RMB19.2 million primarily as a result of a loss before tax for the period in the amount of RMB25.4 million, and adjusted for: (i) an interest on borrowings at RMB2.0 million primarily due to an increase in the balance of borrowing required for our business development; (ii) an increase in other payables and accruals of RMB5.7 million; and (iii) an increase in amount due from Wongs Investment of RMB1.3 million.

Net cash outflows from operating activities for the year ended 31 December 2009 were RMB2.0 million, primarily as a result of a loss before tax for the year in the amount of RMB5.6 million and adjusted for: (i) an interest on borrowings of RMB1.9 million primarily due to an increase in the balance of borrowings required for our business development; (ii) an increase in other payables and accruals of RMB964,000 primarily due to the accrual for staff cost; (iii) depreciation of property, plant and equipment of RMB873,000; (iv) depreciation of property, plant and equipment capitalized of RMB793,000; and (v) loss on disposal of items of property, plant and equipment of RMB666,000.

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Net cash outflows from operating activities for the period from 14 March 2008 to 31 December 2008 were RMB1.6 million, primarily as a result of a loss before tax for the period in the amount of RMB2.0 million and adjusted for: (i) loss on disposal of items of property, plant and equipment of RMB337,000; (ii) increase in other payables and accruals of RMB64,000; and (iii) increase in prepayments, deposits and other receivables of RMB61,000.

Investing activities

Net cash flows used in investing activities for the eleven months ended 30 November 2010 were RMB64.4 million due to purchase of items of property, plant and equipment of RMB62.2 million.

Net cash flows used in investing activities for the year ended 31 December 2009 were RMB12.5 million primarily due to: (i) purchase of items of property, plant and equipment of RMB11.5 million; and (ii) payment of mining rights premium of RMB2.3 million relating to the Zhangjiaba Mine; partly offset by proceeds from disposal of items of property, plant and equipment of RMB1.1 million. We received proceeds from government grants of RMB230,000 for the year ended 31 December 2009, which were granted by the local government for supporting the business development of Sichuan Jinshida under a post-earthquake restoration and reconstruction program launched by the local government.

Net cash flows used in investing activities for the period from 14 March 2008 to 31 December 2008 were RMB6.4 million due to purchase of items of property, plant and equipment of RMB6.5 million.

Financing activities

Net cash inflows from financing activities were RMB167.2 million for the eleven months ended 30 November 2010. Our cash inflows from financing activities during the period primarily consisted of: (i) capital injection of RMB143.4 million; (ii) advances from our Controlling Shareholder of RMB52.3 million to support our mine development; and (iii) proceeds from interest-bearing borrowings of RMB70.0 million; partly offset by (i) repayment of interest-bearing borrowings of RMB11.9 million; (ii) repayment to the Controlling Shareholder of RMB79.7 million; and (iii) payment of Global Offering costs of RMB4.9 million.

Net cash inflows from financing activities were RMB19.4 million for the year ended 31 December 2009. Our cash inflow from financing activities during the year primarily consisted of: (i) proceeds from interest-bearing borrowings of RMB11.1 million; and (ii) increase in amounts due to our Controlling Shareholder of RMB10.2 million due to advances from our Controlling Shareholder for the financial support of our mine development; partly offset by interest and guarantee costs paid of RMB1.9 million.

Net cash inflows from financing activities were RMB7.8 million for the period from 14 March 2008 to 31 December 2008. Our cash inflow from financing activities during the period primarily consisted of: (i) advances from our Controlling Shareholder of RMB7.0 million for the financial support of our mine development; and (ii) proceeds from interest-bearing borrowings of RMB0.8 million.

FINANCIAL INFORMATION

Working Capital

Taking into account the financial resources available to us, including the capital injection of RMB143.4 million from our Controlling Shareholder, revenue generated from our operations following the commencement of commercial production of our Zhangjiaba Mine and the estimated proceeds from the Global Offering, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have available sufficient working capital for 125% of our present requirements, that is for at least 12 months from the date of this Prospectus.

Discussion of Certain Items from the Statements of Financial Position

Intangible assets

The below table sets forth the net book value of our intangible assets as at each of the dates indicated:

	<u>Mining rights</u> (RMB'000)
Net carrying amount:	
As at 14 March 2008	21,360
As at 31 December 2008	21,360
As at 31 December 2009	23,677
As at 30 November 2010	23,676

Our mining rights represent rights for the mining of marble reserves in our Zhangjiaba Mine located in Jiangyou County, Sichuan Province, China. The Zhangjiaba Mine is operated by Sichuan Jinshida. The local government granted the mining permit to Sichuan Jinshida, expiring on 1 June 2017. The estimated useful life of the mining right is based on its unexpired period. No amortization was made before we commenced commercial production in September 2010.

We obtained the mining rights with permitted mining area of 0.289 km² as a result of our acquisition of Sichuan Jinshida in March 2008. In January 2009, we applied to further expand the total permitted mining area of our Zhangjiaba Mine from 0.289 km² to 0.495 km². In 2009, we applied to change the nature of our mine from cement aggregates to both decorative surfacing stones and cement aggregates. The application was approved in August 2009. As a result, the net book value of our intangible assets increased in 2009. In February 2011, we obtained our current mining permit covers an area of 0.44 km² within an elevation from 590 m to 938 m above MSL. Our mining permit for the Zhangjiaba Mine will expire in 2021 and is renewable upon expiration subject to certain statutory requirements and conditions.

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Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables represent prepayment for purchase of raw materials and utilities, deferred Global Offering costs, prepaid operating lease rentals, short-term deposits and other receivables. The following table sets forth the details of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December		As at
	2008	2009	30 November
	(RMB'000)		2010
Prepayments for purchase of:			
— Raw materials	7	87	267
— Utilities	10	68	133
— Deferred Global Offering costs	—	—	4,863
Prepaid operating lease rentals to be amortized within one year			
— Office	21	30	44
Deposits	108	102	—
Deductable VAT	—	—	3,946
Other receivables	186	135	584
Total current portion	332	422	9,837

The carrying amounts of prepayments, deposits and other receivables closely approximate their respective fair values. Deferred Global Offering costs represent legal and other professional fees relating to our proposed Listing of the Shares on the main board of the Stock Exchange, which will be deducted from equity when the Company completes the Listing. None of our prepayment, deposits and other receivables is past due or impaired. The financial assets included in the table above relate to receivables for which there was no recent history of default.

As at 30 November 2010, prepayments and other receivables mainly represent deferred Global Offering costs amounting to RMB4.9 million. Deferred Global Offering costs represent legal and other professional fees relating to the Listing which will be deducted from equity when we complete the Listing.

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Other payables and accruals

Our other payables and accruals mainly consist of accrual for the acquisition of property, plants and equipment and payroll and employee welfare payable to our employees as well as provisions for outstanding housing fund and social insurance. The following table sets forth the details of our other payables and accruals as at each of the dates indicated:

	As at 31 December		As at
	2008	2009	30 November
	(RMB'000)		2010
Advances from customers	97	97	116
Accruals related to:			
— Property, plant and equipment	2,967	1,758	3,589
— Taxes other than income tax	37	423	578
— Payroll and welfare	559	1,368	3,161
— Interest of borrowings	22	155	227
— Global Offering costs	—	—	3,786
Deposits received	400	100	176
Payable for rehabilitation	2,100	1,400	1,302
Other payables	26	95	103
	<u>6,208</u>	<u>5,396</u>	<u>13,038</u>

Our other payable and accruals are non-interest-bearing and have average terms of one to three months. The carrying amounts of other payables and accruals approximate to their fair value.

The accrual for property, plant and equipment decreased from RMB3.0 million as at 31 December 2008 to RMB1.8 million as at 31 December 2009 because we made certain payments in 2009. The accrual for payroll and welfare increased from RMB0.6 million as at 31 December 2008 to RMB1.4 million as at 31 December 2009 due to the significant increase in the numbers of our construction workers at our Zhangjiaba Mine in 2009.

The accrual for property, plant and equipment increased from RMB1.8 million as at 31 December 2009 to RMB3.6 million as at 30 November 2010 due to increased purchase of fixed assets in 2010. The accrual for payroll and welfare increased from RMB1.4 million as at 31 December 2009 to RMB3.2 million as at 30 November 2010 due to our recruitment of senior management and directors in 2010. As at 30 November 2010, we also had accrual related to Global Offering costs of RMB3.8 million, mainly consisting of consultation and service fees in relation to our proposed Listing of the Shares on the Stock Exchange.

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Interest-bearing borrowings

The following table sets forth the details of our interest-bearing borrowings as at each of the dates indicated:

	As at 31 December		As at 30 November	As at 31 January
	2008	2009	2010	2011
	(RMB'000)			
<i>Repayable within one year:</i>				
Bank loans				
— Unsecured	—	—	70,000	96,000 ⁽¹⁾
— Secured ⁽²⁾	—	—	—	3,295
— Secured and guaranteed .	—	4,000	—	—
Other borrowings				
— Unsecured	800	7,860	—	—
	<u>800</u>	<u>11,860</u>	<u>70,000</u>	<u>99,295</u>

Notes:

- (1) The additional unsecured bank loans was borrowed and used as our working capital.
- (2) A deposit of US\$500,000 was pledged as security for such short-term bank loan.

As at 31 December 2008, 31 December 2009 and 30 November 2010, our interest-bearing borrowings were denominated in RMB. The carrying amounts of our bank loans are approximate to their fair value.

As at 30 November 2010, our unsecured bank loans amounted to RMB70.0 million, which was borrowed from Guangdong Development Bank and China Construction Bank to repay the shareholder loans and bearing interest at fixed rates per annum in the range from 4.0% to 5.0%.

As at 31 December 2009, the bank loans bore interest at a fixed interest rate of 6.9% per annum and were guaranteed by Jiangyou Yintong Credit Guarantee Co., Ltd. (江油銀通信用擔保有限公司), which is a non-related party engaged in the guarantee business. In accordance with the guarantee agreement entered into among Sichuan Jinshida, Jiangyou Yintong Credit Guarantee Co., Ltd. and Jiucheng Mining, a related party of the Company, Sichuan Jinshida agreed to pay guarantee costs at a rate of 2% on the guaranteed loan principal, and to secure certain property, plant and equipment with a net book value of RMB5.0 million to Jiangyou Yintong Credit Guarantee Co., Ltd.; and Jiucheng Mining agreed to provide a counter-guarantee to Jiangyou Yintong Credit Guarantee Co., Ltd. free of charge. The guarantee was released in August 2010 when we fully repaid those bank loans.

We obtained guarantees from independent third parties during the Track Record Period. As a general practice in China, local commercial banks require guarantees from guarantee companies as a condition to provide bank loans to borrowers with limited scale of business operation. As our mine was in an early stage of development during the Track Record Period and we did not have sufficient assets that are acceptable to the commercial banks as collaterals, we had used third-party guarantees for the purposes of obtaining loans. These guarantees were fully released in August 2010. We do not expect to obtain guarantees from third parties after the Listing.

FINANCIAL INFORMATION

The other borrowings were borrowed from 13 individuals who are independent third parties, and bore interest at a fixed interest rate of 36% per annum. Such borrowings were provided through these individuals' personal funds. Our Controlling Shareholder, Mr. Huang, has also entered into a financial support agreement with the Company, which was terminated on 3 March 2011. During the period when Sichuan Jinshida was in its initial stage of development in 2007 and had little assets to be used as collateral to obtain bank loans, we had sought for alternative sources of funding, including personal loans from these Independent Third Parties, to finance its capital needs. We have not paid any individual income tax in relation to interests on these borrowings but has made provisions of approximately RMB4,000, RMB365,000 and RMB142,000 as at 31 December 2008, 31 December 2009 and 30 November 2010, respectively. The other borrowings were fully repaid in June 2010.

We have not experienced any default or withdrawal or request for early repayment of bank borrowings during the Track Record Period.

Current assets and current liabilities

The table below sets forth the breakdown of our current assets and current liabilities as at each of the statement of financial position dates:

	As at 31 December		As at 30 November	As at 31 January 2011, the latest practicable date for the purpose of this confirmation
	2008	2009	2010	
	(RMB'000)			(unaudited)
Current assets				
Cash and bank balances	739	5,670	86,741	103,856
Trade receivables	—	—	—	675
Prepayments, deposits and other receivable	332	422	9,837	14,082
Inventories	—	—	712	1,901
Due from Wongs Investment.	—	—	1,265	—
	<u>1,071</u>	<u>6,092</u>	<u>98,555</u>	<u>120,514</u>
Current liabilities				
Interest-bearing borrowings.	800	11,860	70,000	99,295
Trade payables	—	—	124	994
Other payables and accruals	6,208	5,396	13,038	14,622
Tax payable	—	—	—	183
Due to the Controlling Shareholder . .	<u>17,200</u>	<u>27,419</u>	<u>—</u>	<u>—</u>
	<u>24,208</u>	<u>44,675</u>	<u>83,162</u>	<u>115,094</u>
Net current assets/(liabilities)	<u>(23,137)</u>	<u>(38,583)</u>	<u>15,393</u>	<u>5,420</u>

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During the Track Record Period, we focused our business activities on mine planning and construction, and infrastructure development. Because we only recently commenced commercial production, we did not generate any revenue until October 2010. As a result, we recorded net current liabilities as at 31 December 2008 and 2009 and, as at 30 November 2010, we had net current assets of RMB15.4 million mainly because we received capital contributions from Wongs Investment using the proceeds from the issuance of the Exchangeable Note and generated revenue from sales of our marble products.

Related Party Transactions

During the Track Record Period, Jiucheng Mining, a related party controlled by the Controlling Shareholder of the Company, provided a counter-guarantee free of charge, to a third-party guarantee company, who provided guarantee for our Company's bank loans with a carrying amount of RMB4.0 million as at 31 December 2009. The Directors consider the counter-guarantee provided by the related party was conducted based on terms more favorable than terms available from an Independent Third Party. These guarantees were fully released in August 2010 and the Company does not expect to obtain guarantees from third parties after the Listing.

Mr. Huang is the Controlling Shareholder of the Company. Pursuant to a financial support agreement between Mr. Huang and Sichuan Jinshida dated 1 April 2008, Mr. Huang agreed to provide interest-free funding with a cap amount of RMB100.0 million to Sichuan Jianshida for its mining development for five years from 14 March 2008. The financial support agreement was terminated on 3 March 2011.

Balances with the Controlling Shareholder

Balances with the Controlling Shareholder are interest-free, unsecured and have no fixed term of repayment. The carrying amounts of balances with the Controlling Shareholder approximate to their fair values. The balance with Wongs Investment as at 30 November 2010 has been fully settled in December 2010.

The related party transactions during the Track Record Period are also set out in Note 22 and 28 of the Accountants' Report attached as Appendix I to this Prospectus.

Commitments and Contingent Liabilities

Capital commitments

We did not have capital commitments as at 31 December 2008 and 31 December 2009. As at 30 November 2010, we had capital commitment of RMB363,000 principally for the construction and purchase of property, plant and equipment.

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Operating lease arrangements

We lease certain land premises under operating lease arrangements, with lease terms negotiated ranging from eight to fifteen years with an option for renewal after that date, at which time all terms will be renegotiated. As at each of the statement of financial position dates, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		As at
	2008	2009	30 November
	(RMB'000)		2010
Within one year	14	27	249
In the second to fifth years, inclusive.	100	173	399
After five years.	180	259	554
	294	459	1,202

Contingent liabilities

On 13 August 2010, MS China 3 entered into a note purchase agreement (the “Note Purchase Agreement”) with the Company, Mr. Huang and Wongs Investment, pursuant to which MS China 3 agreed to purchase a note in the aggregate principal amount of US\$15.0 million issued by Wongs Investment on 19 August 2010, exchangeable into the Shares owned and held by Wongs Investment (the “Exchangeable Note”).

Pursuant to the Note Purchase Agreement, the Company has agreed to indemnify each of MS China 3’s stakeholder and their respective directors, officers and agents (collectively, the “Indemnified Persons”) against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, “Losses”) that any Indemnified Person may at any time become subject to or liable for in connection with claims by third parties by reason of the status of such stakeholder as stakeholder of the Company or of such director as a director of the Company, as the case may be, other than Losses arising from the gross negligence, willful misconduct, fraud or dishonesty of such Indemnified Person.

Moreover, the Company, Mr. Huang and Wongs Investment have agreed to jointly and severally indemnify, defend and hold harmless MS China 3 from and against any Losses resulting from or arising out of any claims against the Company or the Group relating to any tax liability that arose before the date hereof (whether or not (i) such claims have been disclosed to MS China 3, (ii) such claims arise before or after the date of the Note Purchase Agreement or (iii) MS China 3 has actual or constructive knowledge of such claims) for which full provision or reserve has not been made in the accounts and our management accounts as provided to MS China 3 prior to the date of the Note Purchase Agreement. All of our indemnity obligations will be terminated upon Listing.

Except as disclosed above, we did not have any material contingent liabilities or guarantees as at 3 January 2011, the latest practicable date for the purposes of this confirmation.

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Capital expenditures

We incurred capital expenditures for the construction, development, technology upgrade of the Zhangjiaba Mine and our marble slab processing facilities during the Track Record Period. The table below sets forth details of our capital expenditures for the dates indicated:

	Period from 14 March 2008 to 31 December 2008	Year ended 31 December			
	2008	2009	2010E	2011E	2012E
			(RMB'000)		
Property, plant and equipment	9,535	9,612	64,816	225,207	228,383
Intangible assets .	—	2,317	2,398	70,626	40,000
	<u>9,535</u>	<u>11,929</u>	<u>67,214</u>	<u>295,833</u>	<u>268,383</u>

We commenced commercial production and revenue generating activities for the Zhangjiaba Mine in September 2010. As at the Latest Practicable Date, we financed the development of the Zhangjiaba Mine through a combination of advances from the Controlling Shareholder, interest-bearing bank borrowings, cash generated from operating activities, capital contributions by Wongs Investment using the proceeds from the issuance of the Exchangeable Note and other debt financing.

Indebtedness

For details of our borrowings, see “— Discussion of Certain Items from the Statements of Financial Position — Interest-bearing borrowings.”

As at 31 January 2011, being the latest practicable date for the purpose of this indebtedness statement, our interest-bearing borrowings were RMB99.3 million. Our Directors confirm there have been no material changes to our indebtedness since 31 January 2011.

Off-balance sheet arrangements

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Qualitative and quantitative disclosure about market risk

We are exposed to various types of market risks in the ordinary course of our business. The main risks arising from our financial instruments are liquidity risk, interest rate risk and credit risk. We manage our exposure to these and other market risks through regular operating and financial activities. The Board regularly reviews these risks and our financial risk management policy seeks to ensure that adequate resources are available to manage the market risks summarized below and to create value for our Shareholders.

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Liquidity risk

We monitor our exposure to a shortage of funds by considering the maturity of both our financial instruments and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and advances from our Controlling Shareholder.

Interest rate risk

Our exposure to interest rate risk relates primarily to our bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Section II Note 19 to the Accountants' Report as set out in Appendix I to this Prospectus. We manage our interest rate exposure from all of our interest-bearing borrowings through the use of fixed rates.

In addition, we do not consider that we have any significant exposure to the risk of changes in market interest rates from our bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on our consolidated statements of comprehensive income during the Track Record Period.

Market price risk

The market prices for marble stones have a significant effect on our results of operation. The fluctuations in prices may be influenced by factors and events that are beyond our control.

Credit risk

We have no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets.

Our cash and cash equivalents are mainly deposits with state-owned banks in the PRC. The credit risk of our other financial assets, which comprise other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. We have no other financial assets which carry significant exposure to credit risk.

During the Track Record Period, we had no concentration of credit risk with any single counterparty.

Foreign currency risk

Our exposure to foreign currency risk relates to our bank deposits denominated in U.S. dollars.

We have not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors our foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in Renminbi against U.S. dollars. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of our exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets at the end of each reporting period for a 5.0% of change in Renminbi against U.S. dollars, with all other variables held constant, of our profit before tax (due to changes in the fair value of cash and cash equivalents denominated in U.S. dollars).

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	Period from 14 March to 31 December 2008	Year ended 31 December 2009	<u>Eleven months ended 30 November</u>	
	RMB'000	RMB'000	2009 RMB'000	2010 RMB'000
Increase/(decrease) in profit before tax:				
If RMB weakens against US\$	—	—	—	3,390
If RMB strengthens against US\$	—	—	—	(3,390)

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of our financial instruments approximated to their fair values due to the short-term to maturity at each of the statement of financial position dates.

Capital management

Our objectives for managing capital are to safeguard our ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, our Directors review the capital structure on a regular basis. During the early stages of our mine development, the equity holders of the Company contributed capital based on the needs of these entities. The dividend policy will be established when we start to generate revenues from its activities. Our management will regularly review the capital structure.

The primary objective of our capital management is to ensure that we maintain a strong credit rating and healthy capital ratios in order to support our business and maximize Shareholders' value.

We manage our capital structure and make adjustments in accordance with changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to Shareholders or raise new capital from our investors.

No changes were made in the objectives, policies or processes for managing financial risk during the Track Record Period.

LOSS ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2010

The following loss estimate is based on the bases set out in "Appendix III — Loss Estimate" to this Prospectus.

Estimated consolidated loss attributable to owners of our Company ⁽¹⁾	HK\$25.6 million (RMB22.0 million)
Unaudited pro forma estimated loss per Share ⁽²⁾	HK\$0.013 (RMB0.011)

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Notes:

- (1) The estimate consolidated loss attributable to owners of the Company for the year ended 31 December 2010 is extracted from “Financial information — Loss Estimate” section in the Prospectus. The bases on which the above loss estimate for the year ended 31 December 2010 had been prepared are summarized in Appendix III to this Prospectus.
- (2) The calculation of unaudited pro forma estimate loss per Share is based on the estimate consolidated loss attributable to owners of the Company for the year ended 31 December 2010 of RMB22.0 million and on the assumption that the Company has been listed since 30 November 2010 and a total number of 2,000,000,000 Shares were in issue during the year ended 31 December 2010.
- (3) The unaudited pro forma estimate loss per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8598.

DIVIDEND POLICY

Following completion of the Global Offering, our Shareholders will be entitled to receive any dividends we declare. The payment and amount of any dividends will be at the discretion of the Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory restrictions, and other factors that our Board deems relevant. The payment of any dividends will also be subject to the Companies Law and our constitutional documents, which indicate that payment of dividends out of our Share premium account is possible on the condition that we are able to pay our debts when they fall due in the ordinary course of business at the time the proposed dividends are to be paid.

Our ability to declare future dividends will also depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Pursuant to the PRC laws, dividends may only be paid out of distributable profits, defined as the retained earnings after tax payments as determined under the PRC GAAP less any recovery of accumulated losses and the required allocations to statutory reserves made by our PRC operating subsidiaries. In general, we will not declare dividends in a year where we do not have any distributable earnings.

We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business, primarily through production ramp-up and selective acquisitions. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.

DISTRIBUTABLE RESERVES

As at 30 November 2010, the aggregate amount of reserves available for the distribution to the equity holders of the Company amounted to RMB124.8 million.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as at 31 December 2010. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix IV to this Prospectus.

FINANCIAL INFORMATION

The table below sets forth the reconciliation between the net book value of our Group's property interests as at 30 November 2010 and the valuation of such property interest as at 31 December 2010:

	RMB
Net book value of property interests as at 30 November 2010 ⁽¹⁾	3,892,000
Movements for the period ended from 1 December 2010 to 31 December 2010	(13,000)
Add: Additions during the period from 1 December 2010 to 31 December 2010. . .	—
Less: Depreciation during the period from 1 December 2010 to	
31 December 2010	(13,000)
Net book value of property interests as at 31 December 2010	3,879,000
Valuation surplus as at 31 December 2010	74,000
Valuation as at 31 December 2010 as per Appendix IV to this Prospectus ⁽²⁾	3,953,000

Notes:

- (1) The net book value of property interests as at 30 November 2010 consists of the value of RMB2,500,000 for buildings and the value of RMB1,392,000 for land use rights.
- (2) The aggregate capital value of RMB1,392,000 as at 31 December 2010 plus the value of RMB2,561,000 for reference purpose as stated in page IV-5 of Appendix IV to this Prospectus are in the amount of RMB3,953,000.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 November 2010. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as at 30 November 2010 or any future dates.

	Consolidated net tangible assets attributable to equity holders of the Company as at 30 November 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	(RMB '000)	(RMB '000)	(RMB '000)	(RMB '000)	(HK\$)
Based on Offer					
Price at HK\$2.25					
per Share	100,727	913,121	1,013,848	0.507	0.590
Based on Offer					
Price at HK\$3.35					
per Share	100,727	1,369,454	1,470,181	0.735	0.855

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as at 30 November 2010 is extracted from the Accountants' Report as set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets attributable to owners as at 30 November 2010 of RMB127.4 million with an adjustment for intangible assets of RMB26.6 million as at 30 November 2010.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK\$2.25 per Share or HK\$3.35 per Share after deduction of the underwriting fees and related expenses payable by the Group. For the purpose of the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into Renminbi was made at the rate of HK\$1 to RMB0.85979, the exchange rate prevailing on 30 November 2010.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share are based on 2,000,000,000 Shares expected to be in issue following the completion of the Global Offering.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this Prospectus, we confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

As at the date of this Prospectus, our Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of our Company since 30 November 2010, the date of the latest audited financial statements of our Company.

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since 30 November 2010, and there has been no events since 30 November 2010 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the sections headed “Business — Business Strategies” and “Business — Future Plans for Ramping-Up Mining and Processing Capacities” in this Prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$1,287 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK\$2.80 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 70%, or HK\$901 million, is expected to be used from 2011 through 2014 to finance the construction of the main production facilities of the Zhangjiaba Mine and marble slab processing facilities, procure mining and processing equipment, and acquire land use rights. See “Business — Future Plans for Ramping-Up Mining and Processing Capacities”;
- approximately 20%, or HK\$257 million, is expected to be used from 2011 through 2015 to establish distribution channels and networks to sell our marble products and to build our brands. See “Business — Business Strategies — Establish a strong customer base and strengthen customer relationships”; and
- approximately 10%, or HK\$129 million, is expected to be used from 2012 through 2015 primarily to acquire and develop additional marble reserves, including the payment of considerations for the acquired exploration and mining rights and the financing of construction and development of the acquired reserves. See “Business — Business Strategies — Expand our marble resources through further expansion and selective acquisitions”.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions in Hong Kong or China.

If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to increase the amount of net proceeds allocated for the acquisition and development of additional marble reserves. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to decrease the amount of net proceeds allocated for general corporate purposes and the acquisition and development of additional marble reserves.

The Selling Shareholder will be selling a portion of its Shares in the Global Offering. The net proceeds of the Global Offering to the Selling Shareholder (after deducting underwriting commissions payable by the Selling Shareholder in connection with the Global Offering and assuming an Offer Price of HK\$2.80 per Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$216 million, assuming the Over-allotment Option is not exercised. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering or pursuant to the exercise of the Over-allotment Option.

THE CORNERSTONE PLACING

We have entered into agreements with five cornerstone investors (the “Cornerstone Investors” and each a “Cornerstone Investor”) who in aggregate have agreed to subscribe for up to US\$48.0 million worth of our Shares at the Offer Price (collectively, the “Cornerstone Placing”). Assuming an Offer Price of HK\$2.80 (being the mid-point of the indicative Offer Price range set out in this Prospectus), the total number of Shares subscribed by the Cornerstone Investors will be approximately 133,113,000, which represents approximately 6.7% of the Shares outstanding immediately following completion of the Global Offering and approximately 23.0% of the total number of Offer Shares. Each of the Cornerstone Investors is an Independent Third Party and none of them will be a substantial shareholder of the Company upon the Listing and during the six-month lock-up period as described below. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement in respect of the Hong Kong Public Offering to be issued by the Company on or around 17 March 2011.

The Cornerstone Placing forms part of the International Offering. None of the Cornerstone Investors will subscribe for any Offer Shares under the International Offering other than pursuant to the respective cornerstone investor agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of the Company. None of the Cornerstone Investors has or will have a representative on the Board. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any adjustment of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this Prospectus.

Each of the Cornerstone Investors has covenanted with and undertaken to the Company and the Sole Global Coordinator that unless it has obtained prior written consent of each of the Company and the Sole Global Coordinator to do otherwise, it will not at any time during the period of six months following the Listing Date dispose of any Shares subscribed for pursuant to the respective cornerstone investor agreement or any interest in any company or entity holding any of the Shares. Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to any direct or indirect subsidiary of the Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

Cornerstone Investor	Investment amount (US\$ in million)	Number of Shares ⁽¹⁾	Percentage of total number of Offer Shares ⁽¹⁾	Percentage of interest in the issued share capital immediately following the Global Offering ⁽¹⁾	Number of Shares ⁽²⁾	Percentage of total number of Offer Shares ⁽²⁾	Percentage of interest in the issued share capital immediately following the Global Offering ⁽²⁾
Chow Tai Fook Nominee Limited . .	10	34,511,000	6.0%	1.7%	23,179,000	4.0%	1.2%
Mr. Li Sze Lim	10	34,511,000	6.0%	1.7%	23,179,000	4.0%	1.2%
Mr. Hui Ka Yan	10	34,511,000	6.0%	1.7%	23,179,000	4.0%	1.2%
Bondic International Holdings Limited . .	10	34,511,000	6.0%	1.7%	23,179,000	4.0%	1.2%
Golden Feather Corporation	8	27,609,000	4.8%	1.4%	18,543,000	3.2%	0.9%

Notes:

- (1) Rounded down to the nearest board lot of Shares and assuming a minimum Offer Price of HK\$2.25 and assuming any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.
- (2) Rounded down to the nearest board lot of Shares and assuming a maximum Offer Price of HK\$3.35 and assuming any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.

We set out below a brief description of each of our Cornerstone Investors:

Chow Tai Fook Nominee Limited

Chow Tai Fook Nominee Limited (“CTF”) has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US\$10 million at the Offer Price. Assuming a mid-point Offer Price of HK\$2.80, CTF will subscribe for 27,732,000 Shares, which represents approximately (i) 1.4% of the Shares outstanding immediately following completion of the Global Offering, and (ii) 4.8% of the total number of Offer Shares, both assuming that the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.

CTF is a company incorporated in Hong Kong and is principally engaged in the investment holding business. It is wholly and beneficially owned by Dato’ Dr. Cheng Yu-Tung.

Mr. Li Sze Lim

Mr. Li Sze Lim has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US\$10.0 million at the Offer Price. Assuming a mid-point Offer Price of HK\$2.80, Mr. Li Sze Lim will subscribe for 27,732,000 Shares, which represents approximately (i) 1.4% of the Shares outstanding immediately following completion of the Global Offering, and (ii) 4.8% of the total number of Offer Shares, assuming that any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.

Mr. Li Sze Lim is an individual Cornerstone Investor. Mr. Li Sze Lim is the founder, controlling shareholder and chairman of the board of directors of Guangzhou R&F Properties Co., Ltd. (stock code: 2777), a company listed on the Main Board of the Stock Exchange.

Mr. Hui Ka Yan

Mr. Hui Ka Yan has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US\$10.0 million at the Offer Price. Assuming a mid-point Offer Price of HK\$2.80, Mr. Xu Jiayin will subscribe for 27,732,000 Shares, which represents approximately (i) 1.4% of the Shares outstanding immediately following completion of the Global Offering, and (ii) 4.8% of the total number of Offer Shares, assuming that any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.

Mr. Hui Ka Yan is an individual Cornerstone Investor. Mr. Hui Ka Yan is the founder, controlling shareholder and chairman of board of directors of Evergrande Real Estate Group Limited (stock code: 3333), a company listed on the Main Board of the Stock Exchange.

Bondic International Holdings Limited

Bondic International Holdings Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US\$10.0 million at the Offer Price. Assuming a mid-point Offer Price of HK\$2.80, Bondic International Holdings Limited will subscribe for 27,732,000 Shares, which represents approximately (i) 1.4% of the Shares outstanding immediately following completion of the Global Offering, and (ii) 4.8% of the total number of Offer Shares, assuming that any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.

Bondic International Holdings Limited is a company incorporated in the BVI and is wholly and beneficially owned by Mr. Cheung Chung Kiu (“Mr. Cheung”). Mr. Cheung is the founder and chairman of Yugang International Limited and chairman of C C Land Holdings Limited, YT Realty Group Limited and The Cross-Habour (Holdings) Limited. All of these companies are publicly listed on the Stock Exchange. Bondic International Holdings Limited is an investment holding company.

Golden Feather Corporation

Golden Feather Corporation has agreed to subscribe for such number of Offer Shares (rounded down to the nearest board lot) as may be purchased with US\$8.0 million at the Offer Price. Assuming a mid-point Offer Price of HK\$2.80, Golden Feather Corporation will subscribe for 22,185,000 Shares, which represents approximately (i) 1.1% of the Shares outstanding immediately following completion of the Global Offering, and (ii) 3.8% of the total number of Offer Shares, assuming that any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.

Golden Feather Corporation is a company incorporated in the BVI and is wholly and beneficially owned by Mr. Zhu Xing Liang (“Mr. Zhu”). Mr. Zhu is the founder and controlling shareholder of Suzhou Gold Mantis Construction Decoration Co., Ltd. (002081.SZ), a company listed on the Shenzhen Stock Exchange. Golden Feather Corporation is an investment holding company.

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UNDERWRITERS

Hong Kong Underwriters

Citigroup Global Markets Asia Limited
Sun Hung Kai International Limited
Haitong International Securities Company Limited

International Underwriters

Citigroup Global Markets Limited
CLSA Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is initially offering 58,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, happens or comes into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development concerning or relating to:
 - (i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, Canada, any member of the European Union, Japan, the Cayman Islands or any other jurisdiction relevant to the Company and its subsidiaries (each a “Relevant Jurisdiction”); or

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- (ii) any local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars) in or affecting any Relevant Jurisdiction); or
- (iii) any change or development in the conditions of Hong Kong or international equity securities or other financial markets; or
- (iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes or lock-outs (whether or not covered by insurance), fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, accident or interruption or delay in transportation, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
- (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (vi) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Hong Kong or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or
- (vii) any taxation or exchange controls (or the implementation of any exchange control, currency exchange rates or foreign investment regulations) in any Relevant Jurisdiction adversely affecting an investment in the Shares;
- (viii) any change or development involving a change on the condition, financial or otherwise, or in the earnings, business affairs, business prospectus or trading position of our Group; or
- (ix) any executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action;
- (x) any contravention by any member of our Group of the Companies Ordinance, or companies law of Cayman Islands or the Listing Rules; or

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- (xi) the issue or requirement to issue by our Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or
 - (xii) the occurrence of any events described in any of the risks set out in the section headed “Risk Factors” in this prospectus; or
 - (xiii) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
 - (xiv) any material litigation or claim being threatened or instigated against the Company or any member of the Group or any Director; or
 - (xv) any event, act or omission which gives or may give rise to any liability of the Company, the Controlling Shareholders, or the Selling Shareholder pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
 - (xvi) any breach of any of the obligations or undertakings of the Company, the Controlling Shareholders, or the Selling Shareholder under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - (xvii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of the Prospectus, not having been disclosed in the Prospectus, constitutes a material omission therefrom;
- and which, in any such case and in the sole opinion of the Sole Global Coordinator (for themselves and on behalf of the other Hong Kong Underwriters),
- (A) is or may or will be materially adverse to, or materially and prejudicially affect, the general affairs or management or the business or financial or trading or prospects of our Company and its subsidiaries taken as a whole; or
 - (B) has or may have or will have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering or the International Offering to be performed or implemented as envisaged; or
 - (C) makes or will or may make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice or the offering circular in relation to the Global Offering; or

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- (D) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:
 - (i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) either (i) there has been a breach of any of the representations, Warranties, undertakings or provisions given by the Company, or any of the Controlling Shareholders, or the Selling Shareholder in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or (ii) any of the representations, Warranties, undertakings or provisions given by the Company, or any of the Controlling Shareholders, or the Selling Shareholder in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or might when repeated be) being untrue or misleading or inaccurate in any respect; or
 - (iii) any of our reporting accountants, our property valuer, our independent technical consultant, our independent industry consultant, our independent industry association, or any of our counsels in relation to the Global Offering, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (iv) approval in principle from the Hong Kong Stock Exchange for the listing of, and permission to deal in the Shares, including any additional Shares sold pursuant to the exercise of the Over-allotment Option, the Shares in issue on the Hong Kong Stock Exchange and any Shares which may be issued upon exercise of options granted and to be granted pursuant to the share option schemes adopted by the Company, is refused or not granted, other than subject to customary conditions imposed by the Hong Kong Stock Exchange in relation to requirements to be satisfied by 8:00 a.m. on the First Dealing Date, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions imposed by the Hong Kong Stock Exchange in relation to requirements to be satisfied by 8:00 a.m. on the First Dealing Date) or withheld; or
 - (v) our Company withdraws any of this prospectus, the Applications Forms, the preliminary offering circular or the final offering circular or the Global Offering;

then the Sole Global Coordinator may, on behalf of the Hong Kong Underwriters, in their sole discretion and upon giving notice to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

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Undertakings

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which includes the issue of Shares pursuant to the Share Option Scheme.

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, except as pursuant to the Global Offering or any share option schemes of any members of our Group, we will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) (subject to the requirements set out in the Listing Rules) and unless permitted by the Stock Exchange, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date:

- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired (the “Held Interests”));
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i) (ii) or (iii) above; whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Held Interests, in cash or otherwise.

Each of our Controlling Shareholders has undertaken with each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option, (C) any share option schemes of any members of our Group, (D) if applicable, stock borrowing arrangements that may be entered into with the Stabilizing Manager (or its agent), or (E) any transfer of Shares from the Controlling Shareholders to MS China 3 pursuant to the exchange of the exchangeable note held by MS China 3 in the manner referred to in the “History and Corporate Development — The Exchangeable Note” section in this prospectus, our Controlling Shareholder will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless permitted by the Stock Exchange, at any time:

- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any

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of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein whether now owned or hereinafter acquired, owned directly by any Controlling Shareholders (including holding as a custodian) or with respect to which such Controlling Shareholder has beneficial ownership (the “Controlling Shareholder Lock-up Shares”). The foregoing restriction is expressly agreed to preclude any Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such Controlling Shareholder Lock-up Shares even if such Shares would be disposed of by someone other than a Controlling Shareholder. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of such Controlling Shareholder Lock-up Shares or with respect of any security that includes, relates to, or derives any significant part of its value from such Shares; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Controlling Shareholder Lock-up Shares; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (i), (ii) or (iii) above; whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Controlling Shareholder Lock-up Shares, in cash or otherwise.

Notwithstanding the foregoing, and subject to compliance with Rule 10.07(1) of the Listing Rules, a Controlling Shareholder may transfer (i) the Controlling Shareholder Lock-up Shares with the prior written consent of the Sole Global Coordinator; and (ii) the share capital of the Company to any wholly-owned subsidiary of such corporation, provided that in such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of the Hong Kong Underwriting Agreement and there shall be no further transfer of such capital stock except in accordance with the agreement, and provided further that any such transfer shall not involve a disposition for value.

The lock-up period will commence on the date of the Hong Kong Underwriting Agreement up to and including the date falling thirty-six months from the Listing Date.

Similar undertakings are expected to be given by us and our Controlling Shareholder and the Selling Shareholder to the International Underwriters under the International Underwriting Agreement.

In accordance with Rule 10.07(1)(a) of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, (i) it will not, at any time during the period commencing from the Listing Date, and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this Prospectus to be the beneficial owner; and (ii) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options,

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rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the controlling shareholder (as defined under the Listing Rules) of the Company. Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder (as defined under the Listing Rules) from using the shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Our Controlling Shareholder has further undertaken to the Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of the Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and
- (b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder or their shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder or its shareholders.

MS. China 3 has agreed and undertaken with the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that it will not, without the prior written consent of the Sole Global Coordinator, at any time during the First Six-month Period:

- (i) offer, pledge, charge, sell, lend, mortgage, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by MS China 3 (including holding as a custodian by any of them) or with respect to which MS China 3 has beneficial ownership (collectively the “Investor Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude MS China 3 from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Investor Lock-up Shares even if such Shares would be disposed of by someone other than MS China 3. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Investor Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

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- (ii) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer, agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Notwithstanding the foregoing, MS China 3 may transfer the Lock-up Shares with the prior written consent of the Sole Global Coordinator. In addition, notwithstanding the foregoing, MS China 3 may transfer without the written consent of the Sole Global Coordinator the share capital of the Company to any wholly-owned subsidiary of MS China 3, provided, however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of the deed of lock-up and there shall be no further transfer of such capital stock except in accordance with the deed of lock-up, and provided further that any such transfer shall not involve a disposition for value.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the Selling Shareholder, our Controlling Shareholders, the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, the Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in “— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings.”

Under the International Underwriting Agreement, the Selling Shareholder expects to grant to the International Underwriters the Over-allotment Option, exercisable by the Stabilizing Manager (or its agent), for the accounts of the Sole Global Coordinator, on behalf of the International Underwriters at any time from the Listing Date, up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 87,000,000 Sale Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

It is expected that each of our Controlling Shareholders and MS China 3 will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in the

UNDERWRITING

Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in “— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings.”

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive a gross commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters, the SFC transaction levies, Stock Exchange trading fees, and the seller's stamp duties in respect of the Offer Shares will be borne by the Company and the Selling Shareholder in relation to the New Shares to be issued in relation to the Global Offering and the Sale Shares to be offered in the Global Offering respectively. The Company and the Selling Shareholder may also in the Company's sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 1.0% of the Offer Price multiplied by the total number of Offer Shares. We will bear legal and other professional fees and other expenses relating to the Global Offering, which in aggregate are estimated to be approximately HK\$64 million.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this Prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 58,000,000 New Shares (subject to adjustment) in Hong Kong as described under “Structure of the Global Offering — The Hong Kong Public Offering”; and
- the International Offering of 522,000,000 Shares (subject to adjustment and the Over-allotment Option), of which 442,000,000 Shares are to be offered by the Company and 80,000,000 Sale Shares are to be offered by the Selling Shareholder in the United States with QIBs in reliance on Rule 144A or other exemptions and outside the United States in reliance on Regulation S.

Citi is the Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager of the Global Offering.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve private placements of the International Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, as well as to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares in jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective professional, institutional and other investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to adjustment as described in the section headed “Structure of the Global Offering — Pricing and Allocation.”

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters), the Selling Shareholder and the Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 11 March 2011 and in any event, no later than Wednesday, 16 March 2011.

The Offer Price will be not more than HK\$3.35 per Share and is expected not to be less than HK\$2.25 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be lower than the indicative Offer Price range stated in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) and with the consent of the Selling Shareholder and the Company consider the number of Offer Shares being offered under the Global Offering that is stated in this Prospectus and/or if appropriate, the indicative Offer Price range that is stated in Application Forms may be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on Thursday, 10 March 2011 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this Prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this Prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Global Coordinator.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing of the Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, 17 March 2011 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.kingstonemining.com.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Hong Kong Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Stock Exchange granting the Listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be sold pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) (subject only to allotment and dispatch of the share certificates in respect thereof and such other normal conditions acceptable to the Company and the Sole Global Coordinator, on behalf of the Underwriters) not later than 8:00 a.m., Friday, 18 March 2011 (or such later date as the Company and the Sole Global Coordinator on behalf of the Hong Kong Underwriters may agree) and such Listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

If for any reason, the Offer Price is not agreed by Wednesday, 16 March 2011 between the Sole Global Coordinator (on behalf of the Underwriters), the Selling Shareholder and the Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Thursday, 17 March 2011 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Friday, 18 March 2011, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this Prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

The Company is initially offering 58,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 580,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.9% of our total issued share capital immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

The Offer Price will not be more than HK\$3.35 and is expected to be not less than HK\$2.25. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$3.35 per Share plus brokerage of 1% SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus.

For allocation only, the 58,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A comprising 29,000,000 Hong Kong Offer Shares and Pool B comprising 29,000,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5.0 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK\$5.0 million and up to the total value of Pool B, will fall into Pool B.

STRUCTURE OF THE GLOBAL OFFERING

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 58,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 29,000,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 174,000,000, 232,000,000 and 290,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this Prospectus as "Mandatory Reallocation." In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. References in this Prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription or sale under the International Offering will be 522,000,000 Shares, representing 90% of the Offer Shares under the Global Offering. The Offer Shares initially offered under the International Offering include 442,000,000 Shares to be issued by us and 80,000,000 Sale Shares to be offered by the Selling Shareholder. As at the date of this Prospectus, our Controlling Shareholders hold Shares representing 100% of our issued share capital. Immediately following completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full, our Controlling Shareholders will hold approximately 66.7% of the issued share capital of the Company assuming an Offering Price of HK\$2.80 per share, being the mid point of the estimated Offering Price range, and no exercise of the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

The Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require the Selling Shareholder to sell up to 87,000,000 additional Sale Shares representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager or any person acting for it may choose to borrow Shares from our Controlling Shareholder, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with our Controlling Shareholder will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from our Controlling Shareholder under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to our Controlling Shareholder or its nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to our Controlling Shareholder by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, Citi, as Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 87,000,000 Sale Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the Securities and Futures Ordinance includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 9 April 2011, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

STRUCTURE OF THE GLOBAL OFFERING

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 87,000,000 Sale Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 18 March 2011, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Friday, 18 March 2011.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and the Company on the Price Determination Date.

We expect that the Company, the Selling Shareholder, and the Controlling Shareholder will, on or about Friday, 11 March 2011, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sole Global Coordinator (or its respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Sole Global Coordinator, or the designated White Form eIPO Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

CHANNELS TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the White Form eIPO Service Provider, referred to herein as the "**White Form eIPO**" service; or
- **electronically instructing** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** Service or by giving **electronic application instructions** to HKSCC.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.
- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name.
- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 7 March 2011 until 12:00 noon on Thursday, 10 March 2011 from:

Any of the Following Addresses of the Hong Kong Offer Underwriters

Citigroup Global Markets Asia Limited, 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, Bank of Communications Co., Ltd. Hong Kong Branch and Standard Chartered Bank (Hong Kong) Limited:

Industrial and Commercial Bank of China (Asia) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Queen's Road Central Branch	122–126 Queen's Road Central, Central
	Sheung Wan Branch	Shop F, G/F., Kai Tak Commercial Building, 317–319 Des Voeux Road Central, Sheung Wan
	Wanchai Branch	117–123 Hennessy Road, Wanchai
	North Point Branch	G/F, 436–438 King's Road, North Point
Kowloon	Tsimshatsui East Branch	Shop B, G/F., Railway Plaza, 39 Chatham Road South, Tsimshatsui
	Mongkok Branch	G/F., Belgian Bank Building, 721–725 Nathan Road, Mongkok
	Kwun Tong Branch	G/F., Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong
New Territories	Sha Tsui Road Branch	Shop 4, G/F., Chung On Building, 297–313 Sha Tsui Road, Tsuen Wan

Standard Chartered Bank (Hong Kong) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Central Branch	Shop no. 16, G/F. and Lower G/F., New World Tower, 16–18 Queen's Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Causeway Bay Branch	G/F., Yee Wah Mansion, 38–40A Yee Wo Street, Causeway Bay
Kowloon	Kwun Tong Hoi Yuen Road	G/F., Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F. & 2/F., 617–623 Nathan Road, Mongkok
New Territories	Tuen Mun Town Plaza Branch	Shop No. G047–G052, Tuen Mun Town Plaza Phase I, Tuen Mun
	Yuen Long Fung Nin Road Branch	Shop B at G/F. and 1/F., Man Cheong Building, 247 Castle Peak Road, Yuen Long
	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2–16 Wang Pok Street, Shatin

HOW TO APPLY FOR HONG KONG OFFER SHARES

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	King's Road Sub-Branch	67–71 King's Road
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon	Tsimshatsui Sub-Branch	Shop 1–3, G/F., 22–28 Mody Road
	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B–G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 7 March 2011 to 12:00 noon on 10 March 2011 from:

- the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this Prospectus available.

WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on 10 March 2011, or, if the Application Lists are not open on that day, by the time and date stated in the section headed “Effect of bad weather conditions on the Opening of the Application Lists” below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed “Where to collect the Application Forms” at the following times:

Monday, 7 March 2011 — 9:00 a.m. to 5:00 p.m.
Tuesday, 8 March 2011 — 9:00 a.m. to 5:00 p.m.
Wednesday, 9 March 2011 — 9:00 a.m. to 5:00 p.m.
Thursday, 10 March 2011 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

Electronic Application Instructions to HKSCC

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Monday, 7 March 2011	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 8 March 2011	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 9 March 2011	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 10 March 2011	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on 7 March 2011 until 12:00 noon on 10 March 2011 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on 10 March 2011 or if the Application Lists are not open on that day, by the time and date stated in the section headed “Effect of bad weather conditions on the Opening of the Application Lists” below.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on 7 March 2011 until 11:30 a.m. on 10 March 2011 or such later time as described under the section headed “Effect of bad weather conditions on the Opening of the Application Lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 10 March 2011, the last application day, or, if the Application Lists are not open on that day, then by the time and date stated in the section headed “Effect of bad weather conditions on the Opening of the Application Lists” below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon.

Application Lists

The Application Lists will be opened from 11:45 a.m. to 12:00 noon on 10 March 2011, except as provided in the section headed “— Effect of bad weather conditions on the Opening of the Application Lists” below. No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made before 10 March 2011.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Bad Weather Conditions on the Opening of the Application Lists

The Application Lists will be opened between 11:45 a.m. and 12:00 noon on 10 March 2011, subject only to weather conditions. The Application Lists will not open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 10 March 2011. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

Obtain a WHITE or YELLOW Application Form

You should read the instructions in this Prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying check(s) or banker’s cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$3.35 per Public Offer Share, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 29,000,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 1,000 Shares. Application for more than 1,000 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, the Company and Citi, as Sole Global Coordinator for the Hong Kong Public Offering (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one check or one banker’s cashier order.

If you pay by check, the check must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- show your account name, which must either be pre-printed on the check, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to “**ICBC (Asia) Nominee Limited — China Kingstone Mining Public Offer**”; and
- be crossed “Account Payee Only.”

Your application is liable to be rejected if your check does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker’s cashier order the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to “**ICBC (Asia) Nominee Limited — China Kingstone Mining Public Offer**”; and
- be crossed “Account Payee Only.”

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. Please refer to the section headed “How many applications you can make” below.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this Prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Selling Shareholder, the Sole Global Coordinator, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- (ii) you agree that the Company, the Selling Shareholder, the Sole Global Coordinator, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisers are liable only for the information and representations contained in this Prospectus and any supplement thereto;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares, nor otherwise participate in the International Offering; and
- (iv) you agree to disclose to us, the Selling Shareholder, the Hong Kong Share Registrar, the Sole Sponsor, receiving bankers, advisers, agents and the Sole Global Coordinator, the Hong Kong Underwriters and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- **If you are applying as an individual CCASS Investor Participant:**
 - you must fill in your name and your Hong Kong identity card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a joint individual CCASS Investor Participant:**
 - you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a corporate CCASS Investor Participant:**
 - you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we, the Selling Shareholder and the Sole Global Coordinator, as our agent, may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We, the Selling Shareholder and the Sole Global Coordinator, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” an identification number for each beneficial owner.

Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by the Sole Global Coordinator, the Hong Kong Underwriters, the Company, the Selling Shareholder, the Hong Kong Share Registrar, receiving bankers, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee**, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number: or
- another identification number

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the **WHITE** or **YELLOW** Application Form or by **electronic application instructions** is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or to the White Form eIPO Service Provider through the **White Form eIPO** Service or
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** Service, and that you are duly authorized to sign the Application Form as that other person’s agent.
- (b) **All** of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider through the **White Form eIPO** Service (www.eipo.com.hk);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through the **White Form eIPO** Service (www.eipo.com.hk);
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider through the **White Form eIPO** Service (www.eipo.com.hk) to apply for more than 29,000,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially being offered for subscription by the public); or
 - apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offer Shares.
- (c) All of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on the Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

APPLY THROUGH WHITE FORM eIPO

- (a) If you are an individual and meet the criteria set out in “How to Apply for Hong Kong Offer Shares — Who Can Apply for Hong Kong Offer Shares”, you may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to the Company.
- (c) In addition to the terms and conditions set out in this Prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk.

You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (d) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to the Company and our Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.
- (f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the section headed “How to Apply for Hong Kong Offer Shares — When to Apply for the Hong Kong Offer Shares — **White Form eIPO**.”
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 10 March 2011, or such later time as described under the section headed “When to Apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the Opening of the Application Lists” the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**
- (h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (i) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. **Our company, our Directors, the Sole Global Coordinator, Bookrunner, Sponsor and Lead Manager take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to the Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “**China Kingstone Mining Holdings Limited**” **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **White Application Form**. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **White Application Form**. See “How to Apply for Hong Kong Offer Shares — How Many Applications You Can Make.”

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** Service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F., Infinitus Plaza
199 Des Voeux Road
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to the Company and the Hong Kong Share Registrar.

Minimum Subscription Amount and Permitted Numbers

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees does all the things on behalf of each of such persons who:
 - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by the Company, the Directors, the Selling Shareholder and the Sole Global Coordinator in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
 - authorizes the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/ or refund money in accordance with the arrangements separately agreed between the Company and HKSCC;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirms that that person has read the terms and conditions and application procedures set out in this Prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this Prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither the Company, Directors, the Selling Shareholder, the Sole Global Coordinator, the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- agrees that the Company, the Sole Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- agrees to disclose that person's personal data to the Company, the Selling Shareholder and Hong Kong Share Registrar, receiving bankers, advisers, agents, the Sole Global Coordinator and the Underwriters and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the expiration of the fifth day after the time of opening of the Application Lists (excluding for this purpose anyday which is Saturday, Sunday or public holiday) in Hong Kong, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of opening of the Application Lists (excluding for this purpose anyday which is Saturday, Sunday or public holiday) in Hong Kong except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Thursday, 17 March 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) through a variety of channels as stated in the paragraph headed “How to Apply for Hong Kong Offer Shares — Results of Allocations” in this prospectus on Thursday, 17 March 2011. The basis of allotment of the Hong Kong Public Offering will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, 17 March 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 March 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 17 March 2011. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 17 March 2011. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Warning

Application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Selling Shareholder, the Sole Global Coordinator, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

- (a) submit the **WHITE** or **YELLOW** Application Form (as appropriate); or
- (b) go to HKSCC's Customer Service Centre to complete an application instruction input request form for **electronic application instructions** before 12:00 noon on 10 March 2011 or such later time as described in the section headed “— Effect of bad weather conditions on the Opening of the Application Lists” above.

RESULTS OF ALLOCATIONS

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC and the White Form eIPO Service Provider which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from the Stock Exchange's website at www.hkexnews.hk;
- Results of allocations will also be available from our website at www.kingstonemining.com and our results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on 17 March 2011 to 12:00 midnight on 23 March 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from 17 March 2011 to 20 March 2011;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from 17 March 2011 to 19 March 2011 at all the receiving bank branches and sub-branches at the addresses set out in the section headed “How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applicants on **WHITE** and **YELLOW** Application Forms or by **White Form eIPO** service, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or
- (b) for applicants on **WHITE** and **YELLOW** Application Forms, refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest.
- (c) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment account.
- (d) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund check(s) will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant’s own risk.

Subject as mentioned below, refund checks for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under the **WHITE** Application Form or to the White Form eIPO Service Provider via the **White Form eIPO** service are expected to be posted on or about Thursday, 17 March 2011. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of check(s).

(a) *If you apply using a WHITE Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund check(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 March 2011. If you are an

HOW TO APPLY FOR HONG KONG OFFER SHARES

individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund check(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund check(s) (where applicable) will be dispatched to the address on your Application Form on or about Thursday, 17 March 2011 by ordinary post and at your own risk.

(b) *If you apply using a YELLOW Application Form:*

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 17 March 2011, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering through a variety of channels as stated in the paragraph headed "How to Apply for Hong Kong Offer Shares — Results of Allocations" on Thursday, 17 March 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 March 2011 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund check (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund check(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Thursday, 17 March 2011, by ordinary post and at your own risk.

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(c) *If you apply through White Form eIPO service:*

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 March 2011, or such other date as notified by the Company in the newspapers as the date of dispatch of e-Refund payment instructions/refund check(s)/share certificate(s). If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider on or around Thursday, 17 March 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to the application payment account on or around Thursday, 17 March 2011.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund check(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider on or around 17 March 2011, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated set out in this section headed “Apply Through **White Form eIPO** — Additional Information” of this Prospectus.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf through the **White Form eIPO** Service), and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) *If your application is revoked:*

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** Service, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the Application Lists. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge

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your Application Form or give your **electronic application instruction** to the White Form eIPO Service Provider through the **White Form eIPO** Service or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before 17 March 2011, being the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday) except by means of one of the procedures referred to in this Prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before 17 March 2011 if a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this Prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominee on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) *If the allotment of Hong Kong Offer Shares is void:*

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing of the Application Lists.

(c) *If you make applications under the Hong Kong Public Offering as well as the International Offering:*

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** Service electronically, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong Public Offering from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(d) *If the Company, the Selling Shareholder, the Sole Global Coordinator, the White Form eIPO Service Provider or their respective agents exercise their discretion:*

The Company, the Selling Shareholder, the Sole Global Coordinator, White Form eIPO Service Provider (where applicable) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(e) *Your application will be rejected or not be accepted if:*

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Offering;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Hong Kong Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any of, but not limited to, the above reasons, the Company will refund your application monies, including brokerage, SFC transaction levy and Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, the Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund monies will be retained for the benefit of the Company.

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In a contingency situation involving a substantial over-subscription, at the discretion of the Company, the Selling Shareholder and the Sole Global Coordinator checks for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Thursday, 17 March 2011 in accordance with the various arrangements as described above.

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 18 March 2011.
- The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 1380.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Stock Exchange grants the Listing of, and permission to deal in the Shares and the Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

7 March 2011

The Directors

China Kingstone Mining Holdings Limited

Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information regarding China Kingstone Mining Holdings Limited (the “Company”) and its subsidiaries (hereafter collectively referred to as the “Group”), prepared on the basis set out in Note 2 of Section II below, for the period from 14 March 2008 (date of the business combination of the Group under common control) to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010 (the “Relevant Periods”) and the financial information for the eleven months ended 30 November 2009 (the “30 November 2009 Financial Information”), for inclusion in the prospectus of the Company dated 7 March 2011 (the “Prospectus”) in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands on 29 March 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the “Reorganization”), details of which are further described in the “History and Corporate Development — Reorganization” section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Reorganization became effective on 30 July 2010.

The Group is principally engaged in the production and sale of marble stones and marble related products and started commercial production in September 2010.

Particulars of the subsidiaries of the Company at the date of this report are set out below:

<u>Company name</u>	<u>Place and date of incorporation/ registration</u>	<u>Nominal value of issued and paid-up share/ registered paid-up capital</u>	<u>Percentage of equity interests attributable to the Company</u>	<u>Principal activities</u>
			%	
<i>Subsidiaries</i>				
Directly held:				
Kingstone Industrial Investment Limited ^{(1), (3)} ("Kingstone Industrial")	British Virgin Islands 7 April 2010	US\$50,000	100	Investment holding
Indirectly held:				
Kingstone (HK) Group Limited ^{(1), (3)} ("HK Kingstone") 金石(香港)集團有限公司	Hong Kong 14 April 2010	HK\$10,000	100	Investment holding
Kingstone (Guangzhou) Stone Industry Co., Ltd. ^{(1), (3)} ("Guangzhou Kingstone") 金石(廣州)石業有限公司	People's Republic of China ("PRC") 26 May 2010	US\$30,000,000	100	Investment holding
Sichuan Jiangyou Golden Time Stone Co., Ltd. ⁽²⁾ ("Sichuan Jinshida") 四川江油金時達石業有限公司	PRC 20 September 2005	RMB10,000,000	100	Mining, development

Notes:

- (1) As at the date of this report, no audited financial statements of these companies have been prepared since their dates of incorporation as these companies have not carried on any business other than the Reorganization described in the "History and Corporate Development — Reorganization" section in the Prospectus.
- (2) The statutory financial statements of Sichuan Jinshida for the year ended 31 December 2008 were audited by Sichuan Sanzheng Certified Public Accountants Co., Ltd. (四川三正會計師事務所有限責任公司), certified public accountants registered in the PRC. The statutory financial statements of Sichuan Jinshida for the year ended 31 December 2009 were audited by Sichuan Huazheng Certified Public Accountants Co., Ltd. (四川華正會計師事務所有限責任公司), certified public accountants registered in the PRC.
- (3) On 13 August 2010, MS China 3 Limited ("MS China 3"), an independent third party, entered into a note purchase agreement (the "Note Purchase Agreement") with the Company, the controlling shareholder of the Company and Wongs Investment Development Holdings Group Limited ("Wongs Investment"), the holding company of the Company, pursuant to which MS China 3 agreed to purchase a note in the aggregate principal amount of US\$15 million issued by Wongs Investment, exchangeable into the shares of the Company owned and held by Wongs Investment (the "Exchangeable Note").

Pursuant to the Note Purchase Agreement, the shares of Wongs Investment, Kingstone Industrial, HK Kingstone, Guangzhou Kingstone and the Company are pledged to MS China 3 as the security of the Exchangeable Note. All such securities granted under the Note Purchase Agreement shall be fully released upon Listing.

The English names of certain subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

All the companies now comprising the Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared by the Company since the date of its incorporation as it was newly incorporated and has not carried out any

business other than the Reorganization. The statutory audited financial statements of Sichuan Jinshida were prepared in accordance with generally accepted accounting principles and the relevant financial regulations of the PRC.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the companies now comprising the Group for the Relevant Periods (the “IFRS Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”).

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods, and the consolidated statements of financial position of the Group as at 31 December 2008 and 2009 and 30 November 2010, and the statement of financial position of the Company as at 30 November 2010 together with the notes thereto (collectively the “Financial Information”) have been prepared based on the IFRS Financial Statements on the basis set out in Note 2 under Section II “Notes to Financial Information” below, for the purpose of preparing this report for inclusion in the Prospectus.

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information, the 30 November 2009 Financial Information and the contents of the Prospectus in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and making accounting estimates that are reasonable in the circumstances. In preparing the Financial Information and the 30 November 2009 Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied.

It is our responsibility to form an independent opinion and a review conclusion, based on our audit and review on the Financial Information and the 30 November 2009 Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary to adjust the Financial Information in the preparation of this report for inclusion in the Prospectus.

PROCEDURES PERFORMED IN RESPECT OF THE 30 NOVEMBER 2009 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the 30 November 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, 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 HKSA 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 on the 30 November 2009 Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information prepared on the basis of presentation set out in Note 2 of Section II below gives, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group for each of the Relevant Periods and of the state of affairs of the Group as at 31 December 2008 and 2009 and 30 November 2010 and of the Company as at 30 November 2010.

REVIEW CONCLUSION IN RESPECT OF THE 30 NOVEMBER 2009 FINANCIAL INFORMATION

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the 30 November 2009 Financial Information, for the purpose of this report and on the basis set out in note 2 of Section II below, does not give a true and fair view of the consolidated results and cash flows of the Group for the eleven months period ended 30 November 2009.

I. FINANCIAL INFORMATION*Consolidated statements of comprehensive income*

		Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	Notes	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Revenue	5	—	—	—	1,771
Cost of sales		—	—	—	(717)
Gross profit		—	—	—	1,054
Other income	5	3	2	2	31
Selling and distribution costs		(63)	(270)	(244)	(472)
Administrative expenses		(1,200)	(2,610)	(2,181)	(23,134)
Other expenses		(720)	(690)	(203)	(728)
Finance costs	6	(25)	(2,042)	(1,780)	(2,129)
Loss before tax	6	(2,005)	(5,610)	(4,406)	(25,378)
Income tax benefit	8	253	241	193	4,143
Loss for the year/period		(1,752)	(5,369)	(4,213)	(21,235)
Other comprehensive loss:					
Exchange differences on translation of foreign operations		—	—	—	(2,113)
Total comprehensive loss for the year/period attributable to owners of the Company		<u>(1,752)</u>	<u>(5,369)</u>	<u>(4,213)</u>	<u>(23,348)</u>
Loss per share attributable to ordinary equity holders of the Company:					
— Basic	9	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Consolidated statements of financial position

		31 December		30 November
		2008	2009	2010
	Notes	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	10	16,063	23,812	83,292
Intangible assets	11	21,360	23,677	23,676
Prepaid land lease payments	12	—	—	2,392
Goodwill	14	2,966	2,966	2,966
		<u>40,389</u>	<u>50,455</u>	<u>112,326</u>
Current assets				
Cash and cash equivalents	16	739	5,670	86,741
Prepayments, deposits and other receivables	17	332	422	9,837
Inventories	18	—	—	712
Due from the holding company	22	—	—	1,265
		<u>1,071</u>	<u>6,092</u>	<u>98,555</u>
Current liabilities				
Interest-bearing borrowings	19	800	11,860	70,000
Trade payables	20	—	—	124
Other payables and accruals	21	6,208	5,396	13,038
Due to the controlling shareholder	22	17,200	27,419	—
		<u>24,208</u>	<u>44,675</u>	<u>83,162</u>
Net current assets/(liabilities)		<u>(23,137)</u>	<u>(38,583)</u>	<u>15,393</u>
Total assets less current liabilities		<u>17,252</u>	<u>11,872</u>	<u>127,719</u>
Non-current liabilities				
Deferred income	23	—	230	210
Deferred tax liabilities	15	4,524	4,283	140
		<u>4,524</u>	<u>4,513</u>	<u>350</u>
Net assets		<u>12,728</u>	<u>7,359</u>	<u>127,369</u>
Equity				
Equity attributable to owners of the Company				
Share capital	24	—	—	—
Reserves	25	12,728	7,359	127,369
Total equity		<u>12,728</u>	<u>7,359</u>	<u>127,369</u>

Consolidated statements of changes in equity

	Share capital	Capital reserve*	Contributed reserve*	Foreign currency translation reserve*	Accumulated losses*	Total equity
	RMB'000 Note 24	RMB'000 Note 25(a)	RMB'000 Note 25(b)	RMB'000	RMB'000	RMB'000
At 14 March 2008	—	—	14,480	—	—	14,480
Total comprehensive loss for the period	—	—	—	—	(1,752)	(1,752)
At 31 December 2008 and 1 January 2009	—	—	14,480	—	(1,752)	12,728
Total comprehensive loss for the year	—	—	—	—	(5,369)	(5,369)
At 31 December 2009 and 1 January 2010	—	—	14,480	—	(7,121)	7,359
Issue of ordinary share**	—	—	—	—	—	—
Capital injection	—	143,358	—	—	—	143,358
Total comprehensive loss for the period	—	—	—	(2,113)	(21,235)	(23,348)
At 30 November 2010	—	143,358	14,480	(2,113)	(28,356)	127,369
(Unaudited)						
At 1 January 2009	—	—	14,480	—	(1,752)	12,728
Total comprehensive loss for the period	—	—	—	—	(4,213)	(4,213)
At 30 November 2009	—	—	14,480	—	(5,965)	8,515

* These reserve accounts comprise the combined reserves in the consolidated statements of financial position.

** On 29 March 2010, the Company issued one share with a par value of HK\$0.10.

Consolidated statements of cash flows

		Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	Notes	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Cash flows from operating activities					
Loss before tax		(2,005)	(5,610)	(4,406)	(25,378)
Adjustments for:					
Depreciation of property, plant and equipment	6, 10	345	873	805	1,235
Less: Depreciation capitalized	6	(287)	(793)	(733)	(1,047)
		58	80	72	188
Amortization of intangible assets	6	—	—	—	1
Amortization of prepaid land lease payments	6	—	—	—	6
Loss on disposal of items of property, plant and equipment	6	337	666	169	256
Interest on borrowings	6	22	1,946	1,690	1,959
Guarantee costs	6	—	80	80	120
Foreign exchange loss	6	—	—	—	435
Interest income	5	(3)	(2)	(2)	(25)
Deferred income released		—	—	—	(20)
		(1,591)	(2,840)	(2,397)	(22,458)
Increase in prepayments, deposits and other receivables		(61)	(90)	(79)	(606)
Increase in inventories		—	—	—	(712)
Increase in trade payables		—	—	—	124
Increase in amount due from the holding company		—	—	—	(1,265)
Increase in other payables and accruals		64	964	674	5,739
Net cash flows used in operating activities		(1,588)	(1,966)	(1,802)	(19,178)
Cash flows from investing activities					
Purchase of items of property, plant and equipment		(6,503)	(11,521)	(9,687)	(62,214)
Proceeds from disposal of items of property, plant and equipment		60	1,117	1,111	175
Purchase of mining rights		—	(2,317)	(2,317)	—
Payment for prepaid land lease payments		—	—	—	(2,398)
Proceeds from government grants*		—	230	230	—
Interest received		3	2	2	25
Net cash flows used in investing activities		(6,440)	(12,489)	(10,661)	(64,412)

		Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
				2009	2010
Notes		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from financing activities					
Proceeds from interest-bearing borrowings		800	11,060	11,060	70,000
Capital injection		—	—	—	143,358
Repayment of interest-bearing borrowings		—	—	—	(11,860)
Advance from the controlling shareholder		6,995	11,594	3,789	52,260
Repayment to the ultimate controlling shareholder		—	(1,375)	(1,375)	(79,679)
Payment of global offering costs		—	—	—	(4,863)
Interest and guarantee costs paid		—	(1,893)	(1,627)	(2,007)
Net cash flows from financing activities		<u>7,795</u>	<u>19,386</u>	<u>11,847</u>	<u>167,209</u>
Net increase/(decrease) in cash and cash equivalents					
		(233)	4,931	(616)	83,619
Cash and cash equivalents at beginning of year/period		<u>972</u>	<u>739</u>	<u>739</u>	<u>5,670</u>
Net foreign exchange difference		—	—	—	(2,548)
Cash and cash equivalents at end of year/period					
		<u><u>739</u></u>	<u><u>5,670</u></u>	<u><u>123</u></u>	<u><u>86,741</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	16	<u><u>739</u></u>	<u><u>5,670</u></u>	<u><u>123</u></u>	<u><u>86,741</u></u>

* The proceeds were granted by the local government for supporting the mining development of Sichuan Jinshida under the post-quake restoration and reconstruction program launched by the local government.

The statement of financial position of the Company

		30 November 2010
	Notes	RMB'000
Non-current assets		
Investments in subsidiaries	13	—
Due from subsidiaries	13	139,974
		<u>139,974</u>
Current assets		
Cash and cash equivalents	16	395
Prepayments, deposits and other receivables	17	4,863
		<u>5,258</u>
Current liabilities		
Other payables and accruals	21	4,582
Due to subsidiaries	13	15,463
Due to the holding company	22	387
		<u>20,432</u>
Net current assets/(liabilities)		<u>(15,174)</u>
Total assets less current liabilities		<u>124,800</u>
Net assets		<u>124,800</u>
Equity		
Share capital	24	—
Reserves		124,800
Total equity		<u>124,800</u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANIZATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands under the name of China Kingstone Mining Holdings Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is principally engaged in the production and sale of marble stones and marble related products and started its commercial production in September 2010.

Pursuant to the Reorganization as described in the “History and Corporate Development — Reorganization” section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group on 30 July 2010.

The holding company of the Company is Wongs Investment Development Holdings Group Limited, which is incorporated in the British Virgin Islands, and the ultimate controlling shareholder of the Company is Mr. Huang Xianyou.

2. BASIS OF PRESENTATION

The Reorganization involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information as set out in this report has been prepared on a consolidated basis by applying the principles of merger accounting.

The Financial Information has been prepared as if the current Group structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

For subsidiaries historically acquired by the Group during the Relevant Periods, their financial statements are consolidated from their respective dates of acquisition. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Except for Sichuan Jinshida, all other companies now comprising the Group are newly incorporated and engaged in investment holding. As the ultimate controlling shareholder obtained the control over Sichuan Jinshida on 14 March 2008, and there were no transactions between 1 January 2008 and 13 March 2008 having impact on the Financial Information, the Relevant Periods commenced from 14 March 2008.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise standards and interpretations issued by the International Accounting Standards Board (the “IASB”), and interpretations of the International Financial Reporting Interpretations Committee. All IFRSs effective for the accounting periods commencing from 1 January 2008, 2009 and 2010, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods, except for IFRS 3 (Revised) and IAS 27 (Revised) that have been adopted by the Group from 1 January 2010.

The accounting policies set out in Note 3.3 of Section II below have been applied consistently to the Financial Information throughout the Relevant Periods, except for those that have been applied from 1 January 2010. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared on a historical cost basis and presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IAS 32 Amendment	<i>Presentation — Classification of Rights Issues</i> ¹
IFRS 1 Amendment	<i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i> ²
IFRS 1 Amendment	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ⁴
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²
IAS 24 (Revised)	<i>Related Party Disclosures</i> ³
IFRIC 14 Amendments	<i>Prepayments of a Minimum Funding Requirement</i> ³
IFRS 7 Amendments	<i>Financial Instruments: Disclosures — Transfers of Financial Assets</i> ⁴
IFRS 9	<i>Financial Instruments</i> ⁶
IAS 12 Amendments	<i>Deferred Tax: Recovery of Underlying Assets</i> ⁵

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1 February 2010
- ² Effective for annual periods beginning on or after 1 July 2010
- ³ Effective for annual periods beginning on or after 1 January 2011
- ⁴ Effective for annual periods beginning on or after 1 July 2011
- ⁵ Effective for annual periods beginning on or after 1 January 2012
- ⁶ Effective for annual periods beginning on or after 1 January 2013

The IFRS 1 Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced by *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7) issued in March 2009. As the Group is not a first-time adopter of IFRSs when IFRS 1 becomes effective, the amendment will not have any financial impact on the Group.

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories as currently required by IAS 39, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirement of IAS 39.

In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. The adoption of the revised standard is unlikely to have any significant impact on the related party disclosures of the Group. The Group is not a government entity.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding

requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the IFRIC 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are a consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognized in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation will only have a material financial impact on the Group in the event that it undertakes such a transaction in the future.

IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets, including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and the comparative disclosures are not required for any period beginning before that date.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt all these amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies and additional disclosures, none of these amendments are expected to have a significant financial impact on the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Group controls, directly or indirectly, so as to obtain benefits from its activities.

Business combination and goodwill

Business combination from 1 January 2010

Business combinations not under common control are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the date through profit or loss.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses in the consolidated statements of financial position as an asset. The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment testing of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit (or group of cash-generating units) retained.

Business combination prior to 31 December 2009

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

Impairment of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10–15 years
Plant and machinery	5–15 years
Office equipment	5 years
Motor vehicles	5–10 years

Depreciation of mining infrastructure is calculated using the Units of Production (“UOP”) method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalized in property, plant and equipment as part of the cost of constructing the mine, and subsequently amortized over the life of the mine on a UOP basis.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

The estimated useful life of the mining right is based on its unexpired period, i.e., no later than 1 June 2017.

Leases

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments represent the acquisition cost of state-owned land use rights in Mainland China. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include cash and bank balances, deposits and other receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in profit or loss. The loss arising from impairment is recognized in profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the controlling shareholder and interest-bearing borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that

are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, conveyor or other delivery mechanisms.

Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in RMB, as this is the principal currency of the economic environment on which the Group operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into RMB at the rate of exchange prevailing at end of the reporting period and their income and expenses are translated at the weighted average exchange rates of each reporting period. The exchange differences arising on the translation are recognized in other comprehensive income.

Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

3.4 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, the inherent uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Goodwill impairment

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 and 2009 and 30 November 2010 was RMB2,966,000. More details are given in Note 14.

(b) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than those previously estimated, or it will record reserve for technically obsolete assets that have been abandoned.

(c) Impairment of non-financial assets (other than goodwill)

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying amount of the property, plant and equipment, including mining infrastructure, and mining rights are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment as at 31 December 2008 and 2009 and 30 November 2010 were RMB16,063,000, RMB23,812,000, and RMB83,095,000, respectively. The carrying amounts of mining rights as at 31 December 2008 and 2009 and 30 November 2010 were RMB21,360,000, RMB23,677,000 and RMB23,676,000, respectively.

(d) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortization rates calculated on a UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(e) Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as at 31 December 2008 and 2009 and 30 November 2010 were RMB629,000, RMB852,000 and RMB4,851,000, respectively.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services. The Group has one operating segment, which is mining development, during the Relevant Periods. Further, all the principal assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is provided.

Revenue from one customer amounted to RMB1,689,000 arising from sales of marble slabs during the eleven months ended 30 November 2010.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. The Group commenced its commercial production in September 2010, before when there were no revenue, trade discounts or returns.

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Sales revenue				
Marble slabs	—	—	—	1,689
Marble blocks	—	—	—	82
Total operating sales revenue	—	—	—	1,771
Other Income	3	2	2	31

Other income mainly represents bank interest income during the Relevant Periods.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Staff costs (including directors' remuneration (Note 7)):				
Wages and salaries	870	1,838	1,627	4,368
Pension scheme contributions				
— Defined contribution scheme	174	368	325	493
Other staff benefits	208	434	373	664
	1,252	2,640	2,325	5,525
Less: Staff costs capitalized	(724)	(1,965)	(1,771)	(2,838)
	528	675	554	2,687
Global offering costs	—	—	—	14,848
Interest on borrowings wholly repayable within five years	22	1,946	1,690	1,959
Guarantee costs*	—	80	80	120
Bank charges	3	16	10	50
Total finance costs	25	2,042	1,780	2,129
Auditors' remuneration	1	1	1	1
Amortization of intangible assets	—	—	—	1
Amortization of prepaid land lease payments	—	—	—	6
Depreciation of items of property, plant and equipment (Note 10)	345	873	805	1,235
Less: Depreciation capitalized	(287)	(793)	(733)	(1,047)
	58	80	72	188
Foreign exchange loss	—	—	—	435
Operating lease rentals for office	23	31	28	274
Loss on disposal of items of property, plant and equipment	337	666	169	256

* Guarantee costs represented guarantee fees paid to third party guarantors who provided guarantee for the Group's interest-bearing bank loans (Note 19)

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	—	—	—	744
Pension scheme contributions	—	—	—	—
	—	—	—	744

(a) Independent non-executive directors

The independent non-executive directors are Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Eleven months ended 30 November 2010:				
Executive:				
Chen Tao	—	651	—	651
Lin Yuhua	—	34	—	34
Liao Yuanshi	—	19	—	19
Xiong Wenjun	—	40	—	40
	—	744	—	744

(c) Five highest paid employees

The five highest paid employees during the Relevant Periods fall into the following categories:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
			2009	2010
Directors	—	—	—	1
Non-directors	5	5	5	4
	5	5	5	5

Details of directors' remuneration are set out in Note 7 (b) above.

Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods are as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Salaries, allowances and benefits in kind	244	369	255	784
Pension scheme contributions	37	64	41	—
	<u>281</u>	<u>433</u>	<u>296</u>	<u>784</u>

The remuneration of each of the individuals in each year/period during the Relevant Period is below HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. INCOME TAX BENEFIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for the PRC corporate income tax ("CIT") is based on the respective CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the Relevant Periods. The Group's subsidiaries located in Mainland China are subject to the PRC CIT rate of 25% from 2008.

The major components of income tax benefit for the Relevant Periods are as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Current — Mainland China				
PRC CIT for the year/period	—	—	—	—
Deferred tax movement (<i>Note 15</i>)	(253)	(241)	(193)	(4,143)
Total tax credit for the year/period	<u>(253)</u>	<u>(241)</u>	<u>(193)</u>	<u>(4,143)</u>

A reconciliation of income tax benefit applicable to loss before tax at the applicable income tax rate in the PRC to income tax benefit of the Group for each of the Relevant Periods is as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Loss before tax	(2,005)	(5,610)	(4,406)	(25,378)
Tax at the applicable tax rate of companies within the Group	(501)	(1,403)	(1,102)	(6,345)
Expenses not deductible for tax*	248	1,162	909	2,202
Income tax credit at the Group's effective rate	<u>(253)</u>	<u>(241)</u>	<u>(193)</u>	<u>(4,143)</u>

* Expenses not deductible for tax mainly represent: (i) individual income tax concerning the interest of loans from independent third party individuals. The Company did not withhold the individual income tax when paying the interests for the loans from independent third party individuals. As a result, such provision for individual income tax cannot be deductible for tax; (ii) global offering costs, incurred by the Company for the eleven months ended 30 November 2010 are not expected to be tax deductible.

9. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2 above.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 14 March 2008	362	2,195	144	403	—	4,314	7,418
Additions	—	6,270	18	—	—	3,534	9,822
Transfers	27	—	—	—	—	(27)	—
Disposals	—	(498)	—	—	—	—	(498)
At 31 December 2008 and 1 January 2009	389	7,967	162	403	—	7,821	16,742
Additions	—	464	17	292	—	9,632	10,405
Disposals	—	(2,304)	(5)	(101)	—	(13)	(2,423)
At 31 December 2009 and 1 January 2010	389	6,127	174	594	—	17,440	24,724
Additions	35	22,318	211	5,787	—	32,795	61,146
Transfers	3,137	—	—	—	21,908	(25,045)	—
Disposals	(27)	—	(2)	(500)	—	—	(529)
At 30 November 2010	3,534	28,445	383	5,881	21,908	25,190	85,341
Accumulated depreciation:							
At 14 March 2008	6	354	19	56	—	—	435
Provided for the period	29	264	19	33	—	—	345
Disposals	—	(101)	—	—	—	—	(101)
At 31 December 2008 and 1 January 2009	35	517	38	89	—	—	679
Provided for the year	40	754	31	48	—	—	873
Disposals	—	(575)	(2)	(63)	—	—	(640)
At 31 December 2009 and 1 January 2010	75	696	67	74	—	—	912
Provided for the period	48	902	46	225	14	—	1,235
Disposals	(5)	—	(5)	(88)	—	—	(98)
At 30 November 2010	118	1,598	108	211	14	—	2,049
Net carrying amount							
At 14 March 2008 (Note 26)	356	1,841	125	347	—	4,314	6,983
At 31 December 2008	354	7,450	124	314	—	7,821	16,063
At 31 December 2009	314	5,431	107	520	—	17,440	23,812
At 30 November 2010	3,416	26,847	275	5,670	21,894	25,190	83,292

As at 31 December 2009, certain property, plant and equipment of the Group with a net carrying amount of approximately RMB4,963,000 were pledged to non-related party guarantors who provided guarantee for the Group's interest-bearing bank loans (Note 19).

11. INTANGIBLE ASSETS

	<u>Mining rights</u> RMB'000
Cost:	
At 14 March 2008	21,360
Additions	—
At 31 December 2008 and 1 January 2009	21,360
Additions	2,317
At 31 December 2009 and 1 January 2010	23,677
Additions	—
Transfers	—
At 30 November 2010	<u>23,677</u>
Accumulated amortization:	
At 14 March 2008, 31 December 2008, 31 December 2009	—
Provided for the period	(1)
At 30 November 2010	<u>(1)</u>
Net carrying amount:	
At 14 March 2008 (<i>Note 26</i>)	<u>21,360</u>
At 31 December 2008	<u>21,360</u>
At 31 December 2009	<u>23,677</u>
At 30 November 2010	<u>23,676</u>

The mining rights represent rights for the mining of marble reserves in the Zhangjiaba Mine which is located in Jiangyou County, Sichuan Province, the PRC. The Mine is operated by Sichuan Jinshida. The local government granted the mining permit to Sichuan Jinshida for a term of 10 years to 1 June 2017.

12. PREPAID LAND LEASE PAYMENTS

	<u>Prepaid land lease payments</u> RMB'000
Cost:	
At 14 March 2008, 31 December 2008, 31 December 2009	—
Additions	2,398
At 30 November 2010	<u>2,398</u>
Accumulated amortization:	
At 14 March 2008, 31 December 2008, 31 December 2009	—
Provided for the period	(6)
At 30 November 2010	<u>(6)</u>
Net carrying amount:	
At 14 March 2008, 31 December 2008 31 December 2009	—
At 30 November 2010	<u>2,392</u>

Prepaid land lease payments represent the acquisition cost of state-owned land use rights in Mainland China, which is held under a medium term lease.

13. INVESTMENTS IN SUBSIDIARIES

**30 November
2010**
RMB'000

At cost:

Kingstone Industrial*

* The cost of the investment in Kingstone Industrial is US\$1.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

The Directors of the Company are of the opinion that the amount due from subsidiaries will not be collected within the next twelve months.

14. GOODWILL

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At cost:			
At beginning and end of year/period (<i>Note 26</i>)	2,966	2,966	2,966

Goodwill arose on the acquisition of Sichuan Jinshida which represented the excess of the cost of the business combination over the Group's interest in the net fair value of Sichuan Jinshida's identifiable assets and liabilities as at the date of the acquisition. Goodwill has been allocated to the Sichuan Jinshida cash-generating unit.

Impairment testing of goodwill

The recoverable amount of the cash-generating unit to which goodwill is allocated has been determined based on value-in-use calculation, using cash flow projections based on financial budgets covering a period to the expiry of the existing mining right, i.e., 1 June 2017. The discount rate applied to the cash flow projections is 13.36%.

Key assumptions were used in the value-in-use calculation of the cash-generating unit for each end of reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Estimated prices — the basis used to determine the value assigned to the estimated prices is based on market research and sales contracts signed with potential customers subsequent to 30 November 2010.

Estimated production volume and cost — the basis used to determine the value assigned to the estimated production volume and cost based on the current mining and processing development plan.

Estimated gross margins — the basis used to determine the value assigned to the estimated gross margins is based on estimated prices less production costs determined as explained above.

Discount rates — the discount rate used is before tax and reflects specific risks relating to the relevant unit.

15. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Excess tax depreciation over book value of property, plant and equipment	Losses available for off-setting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000
At 14 March 2008 (<i>Note 26</i>)	50	321	371
Deferred tax credited to the consolidated statement of comprehensive income during the period (<i>Note 8</i>)	13	245	258
At 31 December 2008 and 1 January 2009	63	566	629
Deferred tax credited/(charged) to the consolidated statement of comprehensive income during the year (<i>Note 8</i>)	(40)	263	223
At 31 December 2009 and 1 January 2010	23	829	852
Deferred tax credited to the consolidated statement of comprehensive income during the period (<i>Note 8</i>)	(21)	4,170	4,149
At 30 November 2010	2	4,999	5,001

The movements in deferred tax liabilities are as follows:

	Fair value adjustments arising from acquisition of a subsidiary
	RMB'000
At 14 March 2008 (<i>Note 26</i>)	(5,148)
Deferred tax charged to the consolidated statement of comprehensive income during the period (<i>note 8</i>)	(5)
At 31 December 2008 and 1 January 2009	(5,153)
Deferred tax credited to the consolidated statement of comprehensive income during the year (<i>Note 8</i>)	18
At 31 December 2009 and 1 January 2010	(5,135)
Deferred tax credited to the consolidated statement of comprehensive income during the period (<i>Note 8</i>)	(6)
At 30 November 2010	(5,141)

As mentioned in Note 8, deferred tax assets and liabilities related to the PRC subsidiaries have been provided at an enacted corporate income tax rate of 25%.

For the presentation purpose, deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognized in the consolidated statements of financial position	629	852	5,001
Deferred tax liabilities recognized in the consolidated statements of financial position	(5,153)	(5,135)	(5,141)
	(4,524)	(4,283)	(140)

16. CASH AND CASH EQUIVALENTS

Group

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at banks	739	5,670	86,741

The Group's cash and bank balances are all denominated in RMB at each end of reporting period, except for the following:

	RMB equivalent	
	31 December	30 November
	2008	2009
	RMB'000	RMB'000
Cash at banks (HK\$)	—	69
Cash at banks (US\$)	—	67,809

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Company

	RMB equivalent
	30 November
	2010
	RMB'000
Cash at banks (HK\$)	9
Cash at banks (US\$)	386
Cash at banks	395

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the consolidated statements of financial position approximate to their fair values.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
<i>Prepayments:</i>			
Prepayment for purchase of			
— Raw materials	7	87	267
— Utilities	10	68	133
— Deferred global offering costs	—	—	4,863
Prepaid operating lease rentals to be amortized within one year			
— Office	21	30	44
<i>Deposits</i>	108	102	—
<i>Deductable VAT</i>	—	—	3,946
<i>Other receivables</i>	186	135	584
Total	332	422	9,837

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

Deferred global offering costs represent legal and other professional fees relating to the proposed issuance of the shares of the Company, which will be listed on the main board of the Stock Exchange, and they will be deducted from equity when the Company completes the listing of its shares (the "Listing").

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

Company

As at November 30, 2010, prepayments, deposits and other receivables mainly represent deferred global offering costs amounting to RMB4,863,000. Deferred global offering costs represent legal and other professional fees relating to the Listing which will be deducted from equity when the Company completes the Listing.

18. INVENTORIES

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At cost:			
Marble blocks and slabs	—	—	294
Materials and supplies	—	—	418
Total inventories	—	—	712

19. INTEREST-BEARING BORROWINGS

	Notes	31 December		30 November
		2008	2009	2010
		RMB'000	RMB'000	RMB'000
<i>Repayable within one year:</i>				
Bank loans				
— unsecured	(a)	—	—	70,000
— secured and guaranteed	(b)	—	4,000	—
Other borrowings — unsecured	(c)	800	7,860	—
		800	11,860	70,000

At each end of reporting period, all interest-bearing borrowings of the Group are denominated in RMB. The carrying amounts of the Group's bank loans approximate to their fair values.

- (a) These unsecured bank loans are borrowed from Guangdong Development Bank and China Construction Bank, with amounts of RMB60,000,000 and RMB10,000,000, respectively, and bear interest at fixed rate per annum in the range from 4% to 5%.
- (b) As at 31 December 2009, bank loans bore interest at a fixed interest rate of 6.903% per annum and was guaranteed by Jiangyou Yintong Credit Guarantee Co., Ltd. (江油銀通信用擔保有限公司), which is a non-related party engaged in the guarantee business. In accordance with the guarantee agreement entered into among Sichuan Jinshida, Jiangyou Yintong Credit Guarantee Co., Ltd. and Guangzhou Jiucheng Mining Co., Ltd. ("Jiucheng Mining"), a related party of the Company, Sichuan Jinshida agreed to pay guarantee costs at a rate of 2% of the guaranteed loan principal, and to secure certain of its property, plant and equipment with a net carrying amount of approximately RMB4,963,000 (Note 10) to Jiangyou Yintong Credit Guarantee Co., Ltd.; and Jiucheng Mining agreed to provide a counter-guarantee to Jiangyou Yintong Credit Guarantee Co., Ltd. free of charge.

The guarantee was fully released in August 2010 when the Group fully repaid this bank loan.

- (c) The other borrowings were borrowed from several independent third party individuals and bore interest at a fixed interest rate of 36% per annum. The other borrowings were fully repaid in June 2010.

20. TRADE PAYABLES

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables	—	—	124

The carrying amounts of trade payables closely approximate to their fair values.

Trade payables are non-interest-bearing and are normally settled in 180 days.

An aged analysis of trade payables, based on the invoice date, is as follows:

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:			
Within 180 days	—	—	124

21. OTHER PAYABLES AND ACCRUALS

Group

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Advances from customers	97	97	116
Accruals related to:			
Property, plant and equipment	2,967	1,758	3,589
Taxes other than income tax	37	423	578
Payroll and welfare	559	1,368	3,161
Interest of borrowings	22	155	227
Global offering costs	—	—	3,786
Deposits received	400	100	176
Payable for rehabilitation	2,100	1,400	1,302
Other payables	26	95	103
	6,208	5,396	13,038

Company

	30 November
	2010
	RMB'000
Accruals related to:	
Payroll and welfare	796
Global offering costs	3,786
	4,582

Other payables and accruals are non-interest-bearing and have average terms of one to three months.

The carrying amounts of other payables and accruals approximate to their fair values.

22. BALANCES WITH RELATED PARTIES*Group and Company*

Balances with related parties are interest-free, unsecured and have no fixed term of repayment.

The carrying amounts of the balances with related parties approximate to their fair values.

The balances with the holding company as at 30 November 2010 were fully settled at the end of 2010.

23. DEFERRED INCOME

Deferred income balance represents government grants in relation to certain machinery with a useful life of 10 years.

24. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 29 March 2010, with authorized share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each. Save for the Reorganization, the Company has not conducted any business since the date of its incorporation. As at 30 November 2010, one ordinary share was issued and fully paid by the holding company, with a par value of HK\$0.1.

25. RESERVES**(a) Capital reserve**

During the period ended 30 November 2010, the holding company has made additional capital injections aggregating to US\$21 million. However, the Company has not issued new ordinary shares to the holding company and temporarily recorded the capital injections in the capital reserve. Pursuant to a written resolution of the sole shareholder on 24 January 2011, the Directors of the Company are authorized to allot and issue a total of 1,499,999,999 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on 24 January 2011 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalization of the sum of HK\$149,999,999.90 standing to the credit of the share premium account of the Company and the shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued shares.

(b) Contributed reserve

The contributed reserve of the Group resulted from the preparation of the Financial Information on the basis of preparation set out in Note 2 of Section II. It represents the aggregate amount of the consideration of RMB24,480,000 paid to the former owners of Sichuan Jinshida by the controlling shareholder to obtain the control over Sichuan Jinshida by 14 March 2008 after netting off the investment cost of RMB10 million paid by the Group on the acquisition of the entire equity interest in Sichuan Jinshida from the controlling shareholder pursuant to the Reorganization, as if the acquisition had been completed from the beginning of the Relevant Periods. The corresponding liability of the investment cost of RMB10 million payable to the controlling shareholder arising from the acquisition pursuant to the Reorganization was classified as a current liability as at 31 December 2008 and 2009 and the balance was settled in November 2010.

26. BUSINESS COMBINATION

On 14 March 2008, the controlling shareholder completed the acquisition of a 100% equity interest in Sichuan Jinshida from independent third parties and Sichuan Jinshida was then under the control of the controlling shareholder. The total consideration for the acquisition was in the form of cash of RMB24,480,000 that was determined by an arm's length negotiation among the acquisition parties by reference to the then prevailing market price of marble and the mining reserve stated in the mining certificate.

The fair values of the identifiable assets and liabilities of Sichuan Jinshida as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

		Fair value recognized on acquisition	Previous carrying value
	Notes	RMB'000	RMB'000
Property, plant and equipment	10	6,983	7,360
Intangible assets	11	21,360	391
Deferred tax assets	15	371	371
Cash and cash equivalents		972	972
Prepayments, deposits and other receivables		271	271
Other payables and accruals		(3,090)	(3,090)
Due to the controlling shareholder		(205)	(205)
Deferred tax liabilities	15	(5,148)	—
Net assets		21,514	6,070
Goodwill on acquisition	14	2,966	
Satisfied by cash		24,480	

27. COMMITMENTS AND CONTINGENCY

(a) Capital commitments

The Group did not have capital commitments at 31 December 2008 and 2009. As at 30 November 2010, The Group had the following capital commitments principally for the construction and purchase of property, plant and equipment.

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Authorized, but not contracted for	—	—	—
Contracted, but not provided for	—	—	363

(b) Operating lease arrangements

As lessee

The Group leases certain land premises under operating lease arrangements, with leases negotiated for terms ranging from 8 to 15 years with an option for renewal after that date, at which time all terms will be renegotiated.

At each end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	14	27	249
In the second to fifth years, inclusive	100	173	399
After five years	180	259	554
	294	459	1,202

(c) Contingency

On 13 August 2010, MS China 3 Limited ("MS China 3") entered into the Note Purchase Agreement with the Company, its holding company, Wongs Investment, and the controlling shareholder of the Company, pursuant to which MS China 3 agreed to purchase the Exchangeable Note in the aggregate principal amount of US\$15 million issued by Wongs Investment, exchangeable into the shares of the Company owned and held by Wongs Investment.

Pursuant to the Note Purchase Agreement, the Company has indemnified each of MS China 3's stakeholder and their directors, officers and agents (collectively, the "Indemnified Persons") against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, "Losses") that any Indemnified Person may at any time become subject to or liable for in connection with claims by third parties by reason of the status of such stakeholder as stakeholder of the Company or of such director as a director of the Company, as the case may be, other than Losses arising from the gross negligence, willful misconduct, fraud or dishonesty of such Indemnified Person.

Moreover, the Company, Wongs Investment and the controlling shareholder have undertaken to jointly and severally indemnify, defend and hold harmless MS China 3 from and against any Losses resulting from or arising out of any claims against the Company or the Group relating to any tax liabilities that arose before the date of the Note Purchase Agreement (whether or not (i) such claims have been disclosed to MS China 3, (ii) such claims arise before or after the date hereof or (iii) MS China 3 has actual or constructive knowledge of such claims) for which full provision or reserve has not been made in the accounts and the management accounts of the Group as provided to MS China 3 prior to the date of the Note Purchase Agreement. All of the indemnify obligations will be terminated upon Listing.

28. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

- (i) As mentioned in Note 19, Jiucheng Mining, a related party controlled by the controlling shareholder of the Company, provided a counter-guarantee free of charge, to a third party guarantee company, which provided guarantee for the Group's bank loans with a carrying amount of RMB4,000,000 as at 31 December 2009. The Directors consider that the counter-guarantee provided by a related party was conducted based on terms more favorable than terms available from an independent third party. These guarantees were fully released in August 2010 and the Company does not expect to obtain guarantee from third parties after the Listing.
- (ii) Mr. Huang Xianyou is the controlling shareholder of the Company. Pursuant to a financial support agreement entered into between Mr. Huang and Sichuan Jinshida on 1 April 2008, Mr. Huang agreed to provide interest-free funding with a cap amount of RMB100 million to Sichuan Jinshida for its mining development for five years from 14 March 2008. The Directors consider that the interest-free financial support provided by the controlling shareholder was conducted based on terms more favorable than terms available from an independent third party. The above financial support agreement was terminated on 3 March 2011.

(b) Outstanding balances with related parties:

Details of the Group's balances with related parties at each end of reporting period are disclosed in Note 22.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, other payables, amounts due to the controlling shareholder, and interest-bearing borrowings.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarized below.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and advances from the controlling shareholder.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payment, is as follows:

31 December 2008

	<u>On demand</u>	<u>less than 3 months</u>	<u>3 to less than 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Interest bearing bank and other borrowings	—	—	1,064	—	1,064
Financial liabilities under other payables and accruals	—	5,489	—	—	5,489
Due to the controlling shareholder	17,200	—	—	—	17,200
	<u>17,200</u>	<u>5,489</u>	<u>1,064</u>	<u>—</u>	<u>23,753</u>

31 December 2009

	<u>On demand</u>	<u>less than 3 months</u>	<u>3 to less than 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Interest bearing bank and other borrowings	—	4,644	8,864	—	13,508
Financial liabilities under other payables and accruals	—	3,413	—	—	3,413
Due to the controlling shareholder	27,419	—	—	—	27,419
	<u>27,419</u>	<u>8,057</u>	<u>8,864</u>	<u>—</u>	<u>44,340</u>

30 November 2010

	<u>On demand</u>	<u>less than 3 months</u>	<u>3 to less than 12 months</u>	<u>Over 1 year</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Interest bearing bank and other borrowings	—	—	73,905	—	73,905
Trade payables	—	124	—	—	124
Financial liabilities under other payables and accruals	—	8,853	—	—	8,853
	<u>—</u>	<u>8,977</u>	<u>73,905</u>	<u>—</u>	<u>82,882</u>

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 19. The Group manages its interest rate exposure from all of its interest-bearing borrowings through the use of fixed rates.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated statements of comprehensive income during the Relevant Periods.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's cash and cash equivalents are mainly deposits with state-owned banks in Mainland China. The credit risk of the Group's other financial assets, which comprise other receivables, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

During the Relevant Periods, the Group had no concentration of credit risk with any single counterparty.

Foreign currency risk

The Group's exposure to foreign currency risk relates to the Group's bank deposits denominated in US\$.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US\$. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets at the end of each reporting period for a 5.0% of change in RMB against US\$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and cash equivalents denominated in US\$).

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
	RMB'000	RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Increase/(decrease) in profit before tax:				
If RMB weakens against US\$	—	—	—	3,390
If RMB strengthens against US\$	—	—	—	(3,390)

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values due to the short-term maturity at each end of reporting period.

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Directors review the capital structure on a regular basis. During the start-up stage of the Group, the equity holders of the Company contributed capital based on the needs of the Group. The dividend policy will be established when the Group starts to generate significant revenues from its activities. Management will regularly review the capital structure.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital risk during the Relevant Periods.

30. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2011, written sole shareholder's resolutions were passed to approve matters described in the paragraph headed "Statutory and General Information — Further Information about the Company — Written Resolutions of the sole Shareholder passed on 24 January 2011" attached as Appendix VII to the Prospectus.

In February 2011, the Group obtained a new mining permit that covers substantially the same mining area as the permit obtained in 2009. This mining permit covers a mining area of 0.44 km² with an elevation from 590 m to 938 m above mean sea level.

On 3 March 2011, Mr. Huang Xianyou, the controlling shareholder of the Company, and Sichuan Jinshida signed an agreement to terminate the financial support agreement dated 1 April 2008.

III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF SICHUAN JINSHIDA

Pre-acquisition financial information of Sichuan Jinshida for the year ended 31 December 2007 and the period ended 13 March 2008 (the date prior to the effective date of acquisition of Sichuan Jinshida) (the "Pre-acquisition Periods") has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as the "Financial Information of Sichuan Jinshida".

Sichuan Jinshida was established in the PRC on 20 September 2005 as a limited liability company. Sichuan Jinshida was in its preliminary marble mining development stage during the Pre-acquisition Periods.

1. FINANCIAL INFORMATION*Statements of comprehensive income*

		Year ended 31 December 2007	Period from 1 January to 13 March 2008
	Notes	RMB'000	RMB'000
Revenue	2.2	—	—
Cost of sales		—	—
Gross profit		—	—
Other income	2.2	14	5
Selling and distribution costs		(30)	—
Administrative expenses		(828)	(502)
Other expenses		(8)	(20)
Finance costs	2.3	(1)	—
Loss before tax	2.3	(853)	(517)
Income tax benefit	2.4	175	122
Loss for the year and total comprehensive loss for the year/period attributable to owners of the Company		(678)	(395)

Statements of financial position

		31 December 2007	13 March 2008
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	2.5	5,452	7,360
Intangible assets	2.6	391	391
Deferred tax assets	2.7	249	371
		<u>6,092</u>	<u>8,122</u>
Current assets			
Cash and cash equivalents	2.8	2,833	972
Prepayments, deposits and other receivables	2.9	98	271
		<u>2,931</u>	<u>1,243</u>
Current liabilities			
Other payables and accruals	2.10	2,353	3,090
Due to the controlling shareholder	2.11	205	205
		<u>2,558</u>	<u>3,295</u>
Net current assets/(liabilities)		<u>373</u>	<u>(2,052)</u>
Total assets less current liabilities		<u>6,465</u>	<u>6,070</u>
Net assets		<u>6,465</u>	<u>6,070</u>
Equity			
Equity attributable to owners of the Company			
Share capital		10,000	10,000
Accumulated losses		<u>(3,535)</u>	<u>(3,930)</u>
Total equity		<u>6,465</u>	<u>6,070</u>

Statements of changes in equity

	Share capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
At 1 January 2007	4,000	(2,857)	1,143
Capital injection	6,000	—	6,000
Total comprehensive loss for the year	<u>—</u>	<u>(678)</u>	<u>(678)</u>
At 31 December 2008 and 1 January 2008	10,000	(3,535)	6,465
Total comprehensive loss for the period	<u>—</u>	<u>(395)</u>	<u>(395)</u>
At 13 March 2008	<u>10,000</u>	<u>(3,930)</u>	<u>6,070</u>

Statements of cash flows

		Year ended 31 December 2007	Period from 1 January to 13 March 2008
	Notes	RMB'000	RMB'000
Cash flows from operating activities			
Loss before tax		(853)	(517)
Adjustments for:			
Depreciation of property, plant and equipment	2.3, 2.5	260	92
Less: Depreciation capitalized	2.3	(255)	(87)
		5	5
Interest income	2.2	(14)	(5)
Decrease/(increase) in prepayments, deposits and other receivables		389	(173)
Increase/(decrease) in other payables and accruals		(173)	84
Net cash flows from operating activities		(646)	(606)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(3,234)	(1,260)
Purchase of mining rights		(391)	—
Interest received		14	5
Net cash flows used in investing activities		(3,611)	(1,255)
Cash flows from financing activities			
Proceeds from capital injection		6,000	—
Advance from the controlling shareholder		205	—
Net cash flows from financing activities		6,205	—
Net increase/(decrease) in cash and cash equivalents		1,948	(1,861)
Cash and cash equivalents at beginning of year/period		885	2,833
Cash and cash equivalents at end of year/period		<u>2,833</u>	<u>972</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	2.8	<u>2,833</u>	<u>972</u>

2. NOTES TO THE FINANCIAL INFORMATION OF SICHUAN JINSHIDA

2.1 Principal accounting policies

The financial information of Sichuan Jinshida has been prepared in accordance with the accounting policies set out in Section II, Note 3.3 of this report: Summary of significant accounting policies.

2.2 Revenue and other income

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. As Sichuan Jinshida had not commenced commercial production, there were no revenue, trade discounts or returns during the Pre-acquisition Periods.

Other income represents bank interest income during the Pre-acquisition Periods.

2.3 Loss before tax

Sichuan Jinshida's loss before tax is arrived at after charging:

	Year ended 31 December 2007	Period from 1 January to 13 March 2008
	RMB'000	RMB'000
Staff costs:		
Wages and salaries	493	245
Pension scheme contributions		
— Defined contribution scheme	84	61
Other staff benefits	65	66
	642	372
Less: Staff costs capitalized	(252)	(116)
	390	256
Bank charges	1	—
Auditors' remuneration	7	1
Depreciation of items of property, plant and equipment (<i>Note 2.5</i>)	260	92
Less: Depreciation capitalized	(255)	(87)
	5	5
Operating lease rentals for office	12	7

2.4 Income tax benefit

In accordance with the relevant PRC income tax rules and regulations, prior to 1 January 2008, Sichuan Jinshida was subject to the PRC corporate income tax ("CIT") at a statutory rate of 33% on its taxable income.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the new PRC CIT Law was approved and became effective on 1 January 2008. The new PRC CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic-invested and foreign-invested enterprises at 25%.

The major components of income tax benefit for the Pre-acquisition Periods are as follows:

	Year ended 31 December 2007	Period from 1 January to 13 March 2008
	RMB'000	RMB'000
Current — Mainland China		
PRC CIT for the year/period	—	—
Deferred tax movement (<i>Note 2.7</i>)	(175)	(122)
Total tax credit for the year/period	(175)	(122)

A reconciliation of income tax benefit applicable to loss before tax at the applicable income tax rate in the PRC to income tax benefit of Sichuan Jinshida for each of the Pre-acquisition Periods is as follows:

	Year ended 13 December 2007	Period from 1 January to 13 March 2008
	RMB'000	RMB'000
Loss before tax	(853)	(517)
Tax at the applicable tax rate of Sichuan Jinshida	(281)	(129)
Expenses not deductible for tax	106	7
Income tax credit at Sichuan Jinshida's effective rate	(175)	(122)

2.5 Property, plant and equipment

	Buildings	Plant and machinery	Office equipment	Motor vehicles	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2007	—	921	124	37	965	2,047
Additions	417	741	333	93	2,187	3,771
Transfers	—	7	—	—	(7)	—
At 31 December 2007 and 1 January 2008	417	1,669	457	130	3,145	5,818
Additions	—	565	—	6	1,429	2,000
At 13 March 2008	417	2,234	457	136	4,574	7,818
Accumulated depreciation:						
At 1 January 2007	—	(94)	(11)	(1)	—	(106)
Provided for the year	(9)	(207)	(33)	(11)	—	(260)
At 31 December 2007 and 1 January 2008	(9)	(301)	(44)	(12)	—	(366)
Provided for the period	(7)	(63)	(15)	(7)	—	(92)
At 13 March 2008	(16)	(364)	(59)	(19)	—	(458)
Net carrying amount:						
At 1 January 2007	—	827	113	36	965	1,941
At 31 December 2007	408	1,368	413	118	3,145	5,452
At 13 March 2008	401	1,870	398	117	4,574	7,360

As at 31 December 2007 and 13 March 2008, there were no pledged property, plant and equipment.

2.6 Intangible assets

	<u>Mining rights</u> <u>RMB'000</u>
Cost:	
At 1 January 2007	—
Additions	391
At 31 December 2007 and 1 January 2008	391
Additions	—
At 13 March 2008	391
Accumulated amortization:	
At 1 January 2007 and 13 March 2008	—
Net carrying amount:	
At 1 January 2007	—
At 31 December 2007	391
At 13 March 2008	391

The mining rights represent rights for the mining of marble reserves in the Zhangjiaba Mine which is located in Jiangyou County, Sichuan Province, the PRC. The Mine is operated by Sichuan Jinshida. The local government granted the mining permit to Sichuan Jinshida for a term of 10 years to 30 April 2017. No amortization was made as the mine had not yet commenced commercial production.

2.7 Deferred tax

The movements in deferred tax assets are as follows:

	<u>Excess tax depreciation over book value of property, plant and equipment</u> <u>RMB'000</u>	<u>Losses available for off-setting against future taxable profits</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
At 1 January 2007	12	62	74
Deferred tax credited to statement of comprehensive income during the year (<i>Note 2.4</i>)	24	151	175
At 31 December 2007 and 1 January 2008	36	213	249
Deferred tax credited to statement of comprehensive income during the period (<i>Note 2.4</i>)	14	108	122
At 13 March 2008	50	321	371

As mentioned in Note 2.4, deferred tax assets that are expected to be realized and settled in 2008 and onwards have been provided at an enacted CIT rate of 25%.

2.8 Cash and cash equivalents

	<u>31 December 2007</u> <u>RMB'000</u>	<u>13 March 2008</u> <u>RMB'000</u>
Cash at banks	2,833	972

Sichuan Jinshida's cash and bank balances are all denominated in RMB at each end of Pre-acquisition Periods.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the statement of financial position approximate to their fair values.

2.9 Prepayments, deposits and other receivables

	31 December 2007	13 March 2008
	RMB'000	RMB'000
Prepayments:		
Prepayment for purchase of		
— Raw materials	2	144
— Utilities	9	36
Prepaid operating lease rentals to be amortized within one year		
— Office	19	12
Deposits	3	1
Other receivables	65	78
Total	<u>98</u>	<u>271</u>

The carrying amounts of prepayments, deposits and other receivables closely approximate to their respective fair values.

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

2.10 Other payables and accruals

	31 December 2007	13 March 2008
	RMB'000	RMB'000
Advances from customers	97	97
Accruals related to:		
Property, plant and equipment	—	622
Taxes other than income tax	11	18
Payroll and welfare	124	214
Deposits received	2	2
Payable for rehabilitation	2,100	2,100
Other payables	19	37
	<u>2,353</u>	<u>3,090</u>

Other payables and accruals are non-interest-bearing and have average terms of one to three months.

The carrying amounts of other payables and accruals approximate to their fair values.

2.11 Balances with the controlling shareholder

Balances with the controlling shareholder are interest-free, unsecured and have no fixed terms of repayment.

The carrying amounts of balances with the controlling shareholder approximate to their fair values.

2.12 Related party transactions

- (a) During the Pre-acquisition Periods, Sichuan Jinshida had no material transactions with related parties.
- (b) Outstanding balances with the controlling shareholder:

Details of the Group's balances with the controlling shareholder at each end of Pre-acquisition Periods are disclosed in Note 2.11.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 30 November 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is include here in for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and "Appendix I — Accountants' Report".

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide the investors with further information about (i) how the proposed listing might have affected the consolidated net tangible assets of the Group as if the Global Offering had occurred on 30 November 2010; and (ii) how the proposed listing might have affected the unaudited pro forma estimate loss per share of the Group for the year ended 31 December 2010 as if the Global Offering had taken place on 1 January 2010.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position or results of operations.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial results and positions following the completion of the Global Offering.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared based on the consolidated net tangible assets attributable to owners of the Company as at 30 November 2010 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and is adjusted as described below.

The unaudited pro forma adjusted consolidated net tangible assets of the Group have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of the financial position of the Group.

The following unaudited pro forma adjusted combined net tangible assets of the Group have been prepared to show the effect on the consolidated net tangible assets of the Group as at 30 November 2010 as if the Global Offering had occurred on 30 November 2010.

	Consolidate net tangible assets attributable to owners of shareholders of the Company as at 30 November 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB)	(HK\$)
Based on an Offer Price of HK\$2.25 per Share.	100,727	913,121	1,013,848	0.507	0.590
Based on an Offer Price of HK\$3.35 per Share.	100,727	1,369,454	1,470,181	0.735	0.855

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as at 30 November 2010 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to owners as at 30 November 2010 of RMB127,369,000 with an adjustment for intangible assets of RMB26,642,000 as at 30 November 2010.
- (2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK\$2.25 per Share or HK\$3.35 per Share after deduction of the underwriting fees and related expenses payable by the Group. For the purpose of the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into Renminbi was made at the rate of HK\$1 to RMB0.85979, the exchange rate prevailing on 30 November 2010.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share are based on 2,000,000,000 Shares expected to be in issue following the completion of the Global Offering.

(B) UNAUDITED PRO FORMA ESTIMATE LOSS PER SHARE

The unaudited pro forma estimate loss per share of the Group for the year ended 31 December 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. This unaudited pro forma estimate loss per share has been prepared for illustrative purposes only and, because of its nature, may not give true picture of the financial results of the Group following the Global Offering.

Estimate consolidated loss attributable to owners of the Company for the year ended 31 December 2010 (*Note 1*) not more than RMB22.0 million
(approximately HK\$25.6 million)

Unaudited pro forma estimate loss per Share for the year ended 31 December 2010 (*Note 2*) not more than RMB0.011
(approximately HK\$0.013)

Notes:

- (1) The estimate consolidated loss attributable to owners of the Company for the year ended 31 December 2010 is extracted from “Financial information — Loss Estimate” section in the Prospectus. The bases on which the above loss estimate for the year ended 31 December 2010 had been prepared are summarized in Appendix III to this Prospectus.
- (2) The calculation of unaudited pro forma estimate loss per Share is based on the estimate consolidated loss attributable to owners of the Company for the year ended 31 December 2010 of RMB22.0 million and on the assumption that the Company has been listed since 30 November 2010 and a total number of 2,000,000,000 Shares were in issue during the year ended 31 December 2010.
- (3) The unaudited pro forma estimate loss per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.85979.

(C) LETTER FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this Prospectus, in respect of the Group's unaudited pro forma financial information.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

7 March 2011

The Directors

China Kingstone Mining Holdings Limited

Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted net tangible assets (the “Unaudited Pro Forma Financial Information”) of China Kingstone Mining Holdings Limited (the “Company”) together with its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purpose only, to provide information about how the proposed offering of the shares of the Company on the Main Board of the Hong Kong Stock Exchange (“Global Offering”) might have affected the relevant financial information of the Group presented, for inclusion in Part A of Appendix II to the prospectus of the Company dated 7 March 2011 (the “Prospectus”). The basis of presentation of the Unaudited Pro Forma Financial Information is set out in Part A of Appendix II to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 November 2010 or any future dates; or
- the estimated loss per share of the Group for the year ended 31 December 2010 or any future periods.

OPINION

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The estimate of the consolidated loss after taxation and minority interests but before extraordinary items of our Company for the year ended 31 December 2010 is set out in the paragraph headed “Loss Estimate For The Year Ended 31 December 2010” in the section headed “Financial Information” in this Prospectus.

(1) BASES

The Directors have prepared the estimate of consolidated loss attributable to owners of our Company for the year ended 31 December 2010 based on the audited consolidated results of our Group for the eleven months ended 30 November 2010 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2010.

The estimate has been prepared on a bases consistent in all material respects with the accounting policies currently adopted by our Group as summarized in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

(2) LETTERS

Set out below are texts of letters received by the Directors from (i) Ernst & Young, the auditors and reporting accountants of the Company, and (ii) the Sole Sponsor prepared for the purpose of incorporation in this Prospectus in connection with the loss estimate of the Company for the year ended 31 December 2010.

(a) *Letter from Ernst & Young*

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

7 March 2011

The Directors

China Kingstone Mining Holdings Limited

Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the calculations and accounting policies adopted in arriving at the estimate of the consolidated loss attributable to owners of China Kingstone Mining Holdings Limited (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group”) for the year ended 31 December 2010 (the “Loss Estimate”), as set out in the paragraph headed “Loss Estimate” under the section headed “Financial Information” in the prospectus of the Company dated 7 March 2011 (the “Prospectus”), for which the directors of the Company (the “Directors”) are solely responsible.

The Loss Estimate has been prepared by the Directors based on the audited consolidated results of the Group for the eleven months ended 30 November 2010 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2010.

In our opinion, so far as the calculation and accounting policies are concerned, the Loss Estimate has been properly compiled in accordance with the bases made by the Directors as set out in Part (A) of Appendix III of this prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants’ Report dated 7 March 2011, the text of which is set out in Appendix I of this prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

(b) Letter from the Sole Sponsor

The following is the text of a letter, prepared for inclusion in this prospectus, which we have received from Citigroup Global Markets Asia Limited, the Sole Sponsor, in connection with the estimate of the consolidated loss of China Kingstone Mining Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) attributable to equity holders of the Company for the year ending 31 December 2010.



Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road, Central
Hong Kong

7 March 2011

The Directors
China Kingstone Mining Holdings Limited

Dear Sirs,

We refer to the estimated consolidated loss attributable to owners of China Kingstone Mining Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2010 (the “Loss Estimate”) as set out in the prospectus issued by the Company dated 7 March 2011 (the “Prospectus”). We understand that the Loss Estimate, for which the directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the eleven months ended 30 November 2010 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2010. We have discussed with you the bases as set out in part A of Appendix III to the Prospectus, to the extent applicable, upon which the Loss Estimate has been made. We have also considered, and relied upon, the letter dated 7 March 2011 addressed to yourselves and ourselves from Ernst & Young (the “Reporting Accountants”) regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountants, we are of the opinion that the Loss Estimate, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of

Citigroup Global Markets Asia Limited
Richard Zhang
Managing Director
Head of Greater China Metals and Mining

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at December 31, 2010 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

7 March 2011

The Board of Directors
China Kingstone Mining Holdings Limited
Cricket Square, Hutchins Drive
P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instruction to value the properties in which China Kingstone Mining Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), 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 December 31, 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "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".

Due to the nature of the building of property no. 1 and the particular location in which it is situated, there are unlikely to be relevant market comparable sales available, the property interest therefore has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset 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 replacing 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.

We have attributed no commercial value to the property interests in Group II, which are leased by the Group, 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 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

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 shown copies of various documents including State-owned Land Use Rights Certificates 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 adviser — Commerce & Finance, 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 at 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).

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
Chief Valuation Adviser

Sam B. Q. Zhu
MRICS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

Sam B. Q. Zhu is a Chartered Surveyor who has 13 years' experience in the valuation of properties in the PRC.

SUMMARY OF VALUES

Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Capital value in existing states as at December 31, 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at December 31, 2010 RMB
1.	2 parcels of land and an office building located at Groups 1 and 3 Zhenjiang Village Xiangshui Town Jiangyou City Sichuan Province The PRC	1,392,000	100%	1,392,000
Sub-total:		<u>1,392,000</u>		<u>1,392,000</u>

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at December 31, 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at December 31, 2010 RMB
2.	35 parcels of land located at Zhenjiang Village Xiangshui Town Jiangyou City Sichuan Province The PRC	No commercial value	100%	No commercial value
3.	Units 1413 to 1414, 1417 to 1420 on Level 4, Jinpeng Modern City No. 288 Shicheng Road Jiangyou City Sichuan Province The PRC	No commercial value	100%	No commercial value

No.	Property	Capital value in existing state as at December 31, 2010	Interest attributable to the Group	Capital value attributable to the Group as at December 31, 2010
		RMB		RMB
4.	Unit D3 of a single-storey building No. 4 Jingquan 3rd Road Yong He Area Econ-Tech Development Zone Guangzhou City Guangdong Province The PRC	No commercial value	100%	No commercial value
	Sub-total:	<u>Nil</u>		<u>Nil</u>
	Grand total:	<u><u>1,392,000</u></u>		<u><u>1,392,000</u></u>

VALUATION CERTIFICATE

Group I — Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at December 31, 2010
				RMB
1.	2 parcels of land and an office building located at Groups 1 and 3 Zhenjiang Village Xiangshui Town Jiangyou City Sichuan Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 9,275.9 sq.m. and an office building with a gross floor area of approximately 826 sq.m. erected thereon which was completed in September 2010. The land use rights of the property have been granted for a term with expiry date on October 11, 2060 for industrial use.	The property is currently occupied by the Group for office purpose.	1,392,000 100% interest attributable to the Group: RMB1,392,000

Notes:

- As advised by the Group, Sichuan Jiangyou Jinshida Stone Industry Co., Ltd. ("Sichuan Jinshida") is an indirectly wholly-owned subsidiary of the Company.
- Pursuant to 2 State-owned Land Use Rights Grant Contracts — Nos. 510601-2010-0262 and 510601-2010-0263 dated 12 October 2010 entered into between Jiangyou City Bureau of State-owned Land and Resources (江油市國土資源局) and Sichuan Jinshida, the land use rights of 2 parcels of land with a total site area of 9,277 sq.m. were contracted to be granted to Sichuan Jinshida for a term of 50 years expiring on October 10, 2060 for industrial use. The total land premium was RMB1,113,600.
- Pursuant to 2 State-owned Land Use Rights Certificates dated October 20, 2010 — Jiang Guo Yong (2010) Di Nos. 2500025 and 2500026 (江國用(2010)第2500025和2500026號), the land use rights of 2 parcels of land with a total gross floor area of approximately 9,275.9 sq.m. have been granted to Sichuan Jinshida expiring on October 11, 2060 for industrial use.
- Pursuant to a Construction Land Planning Permit dated April 6, 2010 — Di Zi Di No. 10002 issued by Jiangyou City Planning & Construction Bureau, permission towards the planning of a parcel of land with a site area of approximately 13.92 mu (9,280.05 sq.m.) has been granted to Sichuan Jinshida.
- Pursuant to a Construction Work Planning Permit dated April 6, 2010 — Jian Zi Di No. 10083 issued by Jiangyou City Planning & Construction Bureau, an office building with a planned gross floor area of approximately 826 sq.m. has been approved for construction.
- Pursuant to a Construction Work Commencement Permit dated August 11, 2010 — Jian Shi Di (2010) No. 274 in favour of Sichuan Jinshida, permission by Jiangyou City Planning & Construction Bureau was given to commence the construction work of the building.
- We have not been provided with any Building Ownership Certificate of the building.
- 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:
 - Sichuan Jinshida has obtained the land use rights of the property and has rights to occupy, use, lease, mortgage and transfer the land use rights of the property in accordance with the valid term stipulated in the State-owned Land Use Rights Certificate legally;
 - Sichuan Jinshida has obtained all requisite construction permits for the property; and
 - The likelihood that Sichuan Jinshida is penalized by Jiangyou City State-owned Land and Resources Bureau for occupying and using the 2 parcels of land of the property before obtaining the State-owned Land Use Rights Certificates is low.
- We have relied on the aforesaid legal opinion and attributed no commercial value to the building. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land element) as at the date of valuation would be RMB2,561,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

VALUATION CERTIFICATE

Group II — Property interests leased and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at December 31, 2010 RMB
2.	35 parcels of land located at Zhenjiang Village Xiangshui Town Jiangyou City Sichuan Province The PRC	The property comprises 35 parcels of land with a total site area of approximately 153.921 mu (102,614.51 sq.m.), which includes a parcel of forestland with a site area of approximately 128.106 mu. (85,404.43 sq.m.) The property is leased to Sichuan Jiangyou Jinshida Stone Industry Co., Ltd. (“Sichuan Jinshida”, an indirectly wholly-owned subsidiary of the Company) from various independent third parties (refer to notes 1 to 2).	The property is currently occupied by the Group for ancillary purpose.	No commercial value

Notes:

- Pursuant to 34 Land Lease Agreements entered into between Sichuan Jinshida and various independent third parties, 34 parcels of land with a total site area of approximately 25.815 mu (17,210.09 sq.m.) (“**Land A**”) are leased to Sichuan Jinshida for various terms with the expiry dates between May 30, 2021 and December 25, 2028 in consideration of annual rent as 400–500 kgs yellow millet per mu or RMB1,100 per mu.

According to the opinion of the Company’s PRC legal advisers, pursuant to relevant approvals issued by Jiangyou City Land and Resources Bureau which indicate that the land use rights in respect of Land A have been approved to be used by Sichuan Jinshida temporarily for a term of 2 years, Sichuan Jinshida has the rights to use Land A in accordance with such approvals and relevant lease agreements within the valid period stipulated by such approvals.

- Pursuant to a Confirmation Letter dated July 30, 2010 issued by Jiangyou City Forestry Bureau, Jiangyou City Forestry Bureau has approved Sichuan Jinshida to use a parcel of forestland with a site area of approximately 128.106 mu (85,404.43 sq.m.) (“**Land B**”) temporarily for a term expiring on July 30, 2012.

Pursuant to a Forestland Lease Agreement entered into between Sichuan Jinshida and an independent third party, a parcel of forestland with a site area of approximately 312 mu (208,001.04 sq.m.) (“**Forestland**”) (including Land B) is leased to Sichuan Jinshida for a term of 8 years expiring on 10 May 2016 at a total rent of RMB660 per mu subject to a 3% increase biennially.

According to the opinion of the Company’s PRC legal advisers, (i) pursuant to (a) relevant approvals issued by Jiangyou City Land and Resources Bureau which indicate that the land use rights in respect of Land B have been approved to be used by Sichuan Jinshida temporarily for a term of 2 years and (b) the aforesaid Confirmation Letter, Sichuan Jinshida has the rights to use Land B in accordance with such approvals, confirmation letter and relevant lease agreement within the valid period stipulated by such approvals and confirmation letter; and (ii) as Sichuan Jinshida has not obtained any proper approvals from local authorities for the remaining portion of Forestland with a site area of approximately 183.894 mu (122,596.61 sq.m.) (“**Land C**”), the lease relating to this portion has not become effective.

- Pursuant to 111 agreements entered into between Sichuan Jinshida and various independent third parties, there are 111 parcels of land/forestland which adjoin the property and are leased by Sichuan Jinshida, comprising (a) 54 parcels of land with a total site area of approximately 252.44 mu (168,294.17 sq.m.) leased to Sichuan Jinshida for various terms with the expiry dates between April 25, 2023 and August 12, 2059 in consideration of annual rent as 400-500 kgs yellow millet per mu or RMB44 per mu to RMB1,032.64 per mu; and (b) 57 parcels of forestland with a total site area of approximately 402.74 mu (268,494.68 sq.m.) leased to Sichuan Jinshida for various terms with the expiry dates between April 16, 2016 and February 2, 2040 at an annual rent of RMB20 per mu to RMB400 per mu or RMB82.5 per mu subject to a 3% increase biennially.

4. Pursuant to a Mining Permit dated February 21, 2011 issued by the State-owned Land and Resources Bureau of Sichuan Province, the mining permit rights with a mining area of approximately 0.4436 sq.km. are authorized to Sichuan Jinshida for a term commencing from February 21, 2011 and expiring on February 21, 2021. As advised by the Group, portions of the land/forestland parcels mentioned in note 3 with a total site area of approximately 565.714 mu (377,144.55 sq.m.) are included in the mining area prescribed by the Mining Permit (“Land Within Mining Area”); and the remaining portion with a site area of approximately 89.466 mu (59,644.30 sq.m.) and Land C are located at the outside of mining area (“Land Outside Mining Area”).
5. According to the opinion of the Company’s PRC legal advisers, the leases relating to the above mentioned 111 parcels land/forestland will become effective on conditions that (a) Sichuan Jinshida has obtained proper approvals from local authorities for using the Land Within Mining Area; and (b) Sichuan Jinshida has obtained relevant short-term permits and signed required agreements with all landlords for using the Land Outside Mining Area.
6. We have relied on the aforesaid legal opinion and excluded the remaining portion mentioned in note 2 and the 111 parcels land/forestland mentioned in note 3 together having a total site area of approximately 839.074 mu (559,385.46 sq.m.) from our valuation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at December 31, 2010
				RMB
3.	Units 1413 to 1414, 1417 to 1420 on Level 4 Jinpeng Modern City No. 288 Shicheng Road Jiangyou City Sichuan Province The PRC	The property comprises 6 units on Level 4 of an 8-storey office building completed in about 2005. The property has a total lettable area of approximately 218.82 sq.m. The property is leased to Sichuan Jiangyou Jinshida Stone Industry Co., Ltd. ("Sichuan Jinshida", an indirectly wholly-owned subsidiary of the Company) from 2 independent third parties for a term of one year expiring on September 30, 2011 at an annual rent of RMB27,572, exclusive of water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to 2 Lease Agreements, the property is leased to Sichuan Jinshida from 2 independent third parties for a term of one year expiring on September 30, 2011 at an annual rent of RMB27,572, exclusive of water and electricity charges.
2. We have been provided with a legal opinion on the legality of the lease agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessors have the legal rights to lease the property;
 - b. The Lease Agreements are legal, valid and binding on both signing parties; and
 - c. Sichuan Jinshida has the rights to use and occupy the property in accordance with the Lease Agreements.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at December 31, 2010
				RMB
4.	Unit D3 of a single-storey building No. 4 Jingquan 3rd Road Yong He Area Econ-Tech Development Zone Guangzhou City Guangdong Province The PRC	The property comprises an office unit of a single-storey office building completed in about 2004. The unit has a lettable area of approximately 25 sq.m. The property is leased to Kingstone (Guangzhou) Stone Industry Co., Ltd. ("Guangzhou Kingstone", an indirectly wholly-owned subsidiary of the Company.) from an independent third party for a term of one year expiring on May 10, 2011 with free rent.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Building Lease Agreement, the property is leased to Guangzhou Kingstone from an independent third party for a term of one year expiring on May 10, 2011 at nil rent.
2. We have been provided with a legal opinion on the legality of the lease agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessor has the legal rights to lease the property;
 - b. The Building Lease Agreement is legal, valid and binding on both signing parties;
 - c. Guangzhou Kingstone has the rights to use and occupy the property in accordance with the Building Lease Agreement; and
 - d. Lack of the registration will not affect the legality of the Building Lease Agreement. However, the relevant parties of the lease may be ordered to rectify this non-compliance within a prescribed period by the relevant government authority. If such non-compliance can not be rectified in due course, there may be imposed a fine of RMB1,000 to RMB10,000 on the relevant parties.

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7 March, 2011

The Directors
China Kingstone Mining Holdings Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Gentlemen,

Behre Dolbear Asia, Inc. (“BDASIA”), a wholly owned subsidiary of Behre Dolbear & Company, Inc. (“Behre Dolbear”), herewith submits a competent person’s report (“CPR”) on the Independent Technical Review of the Jiangyou Limestone Dimension Stone Project (the “Jiangyou Project”) in Jiangyou City, Sichuan Province, the People’s Republic of China. The address for BDASIA is noted above. This letter of transmittal is part of the CPR.

This CPR covers the Jiangyou Project in Jiangyou City, Sichuan Province in China that is 100% owned and operated by Sichuan Jiangyou Jinshida Company Limited, which is an indirectly 100%-owned subsidiary of China Kingstone Mining Holdings Limited (the “Company”). This mining property constitutes the primary mining asset of the Company. The Jiangyou Project is a limestone dimension stone mining project currently under construction. BDASIA’s project team visited the Jiangyou Project in March 2010 and June–July 2010.

The purpose of this CPR is to provide an independent technical assessment of the Company’s Jiangyou Project to be included in the prospectus for the Company’s initial public offering (“IPO”) on the main board of The Stock Exchange of Hong Kong Limited (“SEHK”). This CPR has been prepared in accordance with the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”). The reporting standard adopted by this CPR is the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005. The limestone resources and reserves defined for the property have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Minerals Council of Australia in 1999 and revised in 2004.

The evidence upon which the estimated limestone resources and reserves are based includes the deposit geology, drilling and sampling information, and project economics. BDASIA formed its view of the limestone resource and reserve estimates based on the site visits of BDASIA's professionals to the subject mining property, interviews with the Company's management, site personnel and outside consultants, analysis of the drilling and sampling database, and the procedures and parameters used for the estimates by the Company's outside consultants.

The BDASIA project team consisted of senior-level mining professionals from Behre Dolbear's Denver office and New York office in the United States and the Sydney office in Australia. The scope of work conducted by BDASIA included site visits to the reviewed mining property, technical analysis of the project geology, limestone resource and reserve estimates, and review of limestone dimension stone mining, limestone slab and other by-products production, operating costs, capital costs, environmental and social management and occupational health and safety.

BDASIA did not audit the Company's data, re-estimate the limestone resources, or review the tenement status with respect to any legal or statutory issues.

BDASIA's CPR comprises an Introduction, followed by reviews of the technical aspects of Geology, Limestone Resources and Reserves, Limestone Dimension Stone Mining, Limestone Slab and Other By-Products Production, Operating and Capital Costs, Environmental and Social Management, and Occupational Health and Safety, and a Risk Analysis of the mining property. BDASIA believes that the CPR adequately and appropriately describes the technical aspects of the mining project and addresses issues of significance and risk.

BDASIA is independent of the Company and its Jiangyou Project. Neither BDASIA nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in the Company or its Jiangyou Project. BDASIA is to receive a fee for its services (the work product of which includes this CPR) at its normal commercial rate and customary payment schedules. The payment of BDASIA's professional fee is not contingent on the outcome of this CPR.

The effective date of this CPR is December 31, 2010 and the Company has advised BDASIA that there is no material change for the Jiangyou Project since the effective date. The sole purpose of this CPR is for the use of the Directors of the Company and its sponsor and advisers in connection with the Company's IPO prospectus and should not be used or relied upon for any other purpose. Neither the whole nor any part of this CPR nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDASIA's written consent to the form and context in which it appears. BDASIA consents to the inclusion of this CPR in the Company's IPO prospectus for the purpose of the IPO on the SEHK.

Yours faithfully,

BEHRE DOLBEAR ASIA, INC.

Qingping Deng, *Ph.D., CPG*
Project Manager

Behre Dolbear Project 10-051

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1.0 INTRODUCTION

China Kingstone Mining Holdings Limited (the “Company”) is a company registered in the Cayman Islands. Through its subsidiaries, the Company owns a 100% interest in the Jiangyou limestone (commercially referred to as marble) dimension stone project (the “Jiangyou Project”) in Jiangyou City, Sichuan Province of the People’s Republic of China (“PRC” or “China”) that is 100%-owned and operated by the Company’s indirect subsidiary, Sichuan Jiangyou Jinshida Company Limited (“Jinshida”). The location of the Jiangyou Project is shown in Figure 1.1.

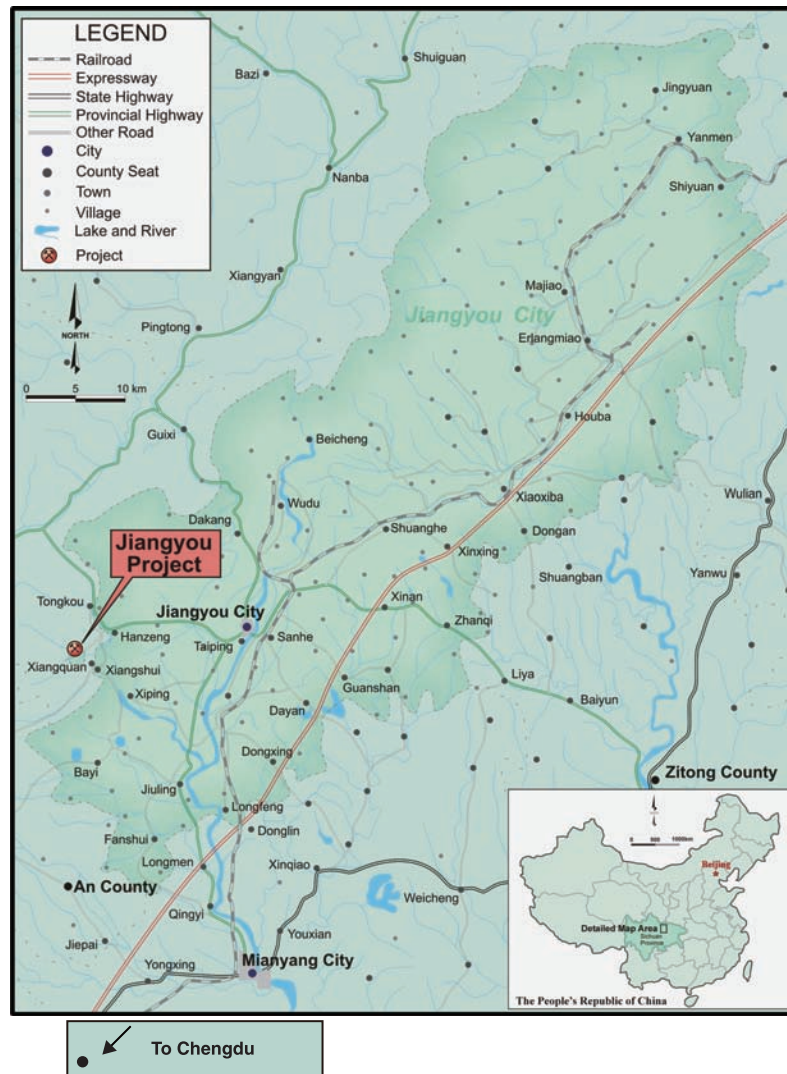


Figure 1.1 Location map of the Jiangyou Project

Geologically, limestone is rock of sedimentary origin primarily composed of calcium carbonate without or with limited magnesium; dolomite is a rock of sedimentary origin primarily composed of calcium magnesium carbonate; marble is defined as metamorphosed limestone or dolomite that is thoroughly recrystallized and much or all of the sedimentary and biologic textures are obliterated. However, commercially in the stone industry, marble also includes unmetamorphosed limestone and dolomite that is capable of taking a polish. The limestone resources and reserves discussed in this CPR refer to limestone that is commercially classified as marble in the stone industry.

The Jiangyou Project is a limestone dimension stone mining project currently under development. The project will have a designed production capacity of 150,000 cubic meters per annum ("m³pa") of limestone blocks, 3.0 million square meters per annum ("Mm²pa") of limestone slabs, including standard 2-centimeter ("cm") thick one-side-polished limestone slab, 2-cm thick cut-to-size limestone tiles, and 1-cm thick one-side-polished limestone slabs, and 200,000 pieces per annum of shaped stone products. In addition, the large quantity of smaller pieces of limestone that are generated from the limestone block and slab production process can be used to produce smaller cut-to-size limestone tiles and raw materials for calcium carbonate powders and cement production. There will also be some contract limestone slab production on an as needed basis. The project will use a combination of block cutting techniques in open pits, including diamond wire cutting, chain saw cutting, and disc saw cutting to produce limestone blocks. Limited preliminary mine construction for the Jiangyou Project started in July 2008, but full-scale mine construction did not start until January 2010. Mine construction is expected to be completed at the end of 2013. Limited commercial production of limestone blocks from the Jiangyou started in September 2010; mine production for limestone blocks is forecasted to ramp up from 45,000 cubic meters ("m³") in 2011, to 90,000 m³ in 2012, to 135,000 m³ in 2013, and to 150,000 m³ in 2014. Construction of the limestone slab processing plant will start in early 2011 and is expected to be partially completed in December 2011 and totally completed in December 2012. Limestone slab production from the plant is expected to start in early 2012 and to ramp up from 1.8 Mm²pa in 2012 to 3.0 Mm²pa in 2013.

The Company proposes to prepare a prospectus to be issued in support of an initial public offering ("IPO") for a listing on the main board of The Stock Exchange of Hong Kong Limited ("SEHK") and to raise capital for project development, expansion and acquisition.

The Board of Directors of the Company engaged Behre Dolbear Asia, Inc. ("BDASIA"), a wholly-owned subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical adviser to undertake an independent technical review of the Company's Jiangyou Project and to prepare a competent person's report ("CPR") in connection with the Company's IPO. This BDASIA CPR is intended to be included in the Company's IPO prospectus.

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver, Colorado and New York, New York in the United States and Sydney in Australia. Behre Dolbear personnel contributing to the study and to this CPR include:

- **Dr. Qingping Deng** (B.S., M.S. and Ph.D.), a senior associate of BDASIA, was BDASIA's **Project Manager** and a **Project Geologist** for this technical review. Dr. Deng is a geologist with more than 26 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central, and South America; Asia; Australia; Europe; and Africa. Dr. Deng is a Certified Professional Geologist with the American Institute of Professional Geologists, a Qualified Professional

Member of The Mining and Metallurgical Society of America and a Registered Member of The Society of Mining, Metallurgy, and Exploration, Inc. (“SME”) and meets all the requirements for “Competent Person” as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“the JORC Code”) and all the requirements for “Qualified Person” as defined in Canadian National Instrument 43-101. In recent years, he has managed a number of CPR studies for filing with SEHK and other securities exchanges. Dr. Deng is fluent in both English and Chinese. He was the President and Chairman of the board of directors of BDASIA before June 30, 2010.

- **Mr. Reinis Sipols** (B.S.), a senior associate of Behre Dolbear’s New York office, was BDASIA’s **Project Mining Engineer** for this review. Mr. Sipols is a mining engineer with over 20 years of operational experience in the mining and construction materials industry with most of those managing urban mining operations. Responsibilities included mine planning, operations management, budgeting, capital improvement project management, environmental compliance, safety and public relations. He was Operations Manager for Tilcon New York with responsibility for integrating and consolidating several acquired companies with a transaction value of US\$200 million. Since moving into the consulting industry, he was a Vice President of Spectra Environmental Group responsible for the 30-person Poughkeepsie, New York office from 2002 to 2006; he was a Business Development Manager for Behre Dolbear & Company, Inc., then the President and CEO for Behre Dolbear & Company (USA), Inc. from 2006 to 2010. Mr. Sipols holds Professional Engineer licenses in New York, New Jersey and Pennsylvania. He is a licensed blaster in the State of New York, a member of Society of Mining, Metallurgy and Exploration and Society of Explosive Engineers.
- **Mr. Sergio Matteoli** (B.S. and M.S.), a senior consultant of Behre Dolbear’s Denver office, was BDASIA’s **Project Limestone Dimension Stone Geology, Mining and Processing Specialist** for this review. Mr. Matteoli is a dimension stones and industrial minerals specialist, based in San Miniato, Italy, with more than 27 years of professional experience in the field of geology and processing of ornamental stones and industrial minerals. He has extensive worldwide experience in the evaluation of deposits for ornamental stone production, and in the establishment of ornamental stone quarries. Mr. Matteoli is a founder and technical director of Geofield srl in Italy, an internationally recognized firm of geological, geo-mechanical and market consultants specializing in the dimension stones and industrial minerals industries. He is a Certified Professional Geologist with the Italian Professional Geologists Association and a member of the Italian Mining Engineers Association. Mr. Matteoli has published extensively on the geology, production and marketing of ornamental stones and industrial minerals and he still cooperate with the Pisa and Florence universities with workshops and seminars dedicated to the post-degree students.
- **Ms. Janet Epps** (B.S. and M.S.), a senior associate of Behre Dolbear’s Sydney, Australia office, was BDASIA’s **Project Environmental, Social, Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, government and the United Nations, the World Bank, the IFC, and the Multilateral Investment Guarantee Agency (“MIGA”), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and

environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America, and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy.

- **Mr. David Abbott, Jr.** (A.B. and M.S.), a senior associate of Behre Dolbear's Denver, Colorado, USA office, was BDASIA's **Project Adviser** for this study. His expertise is in reserve and resource definition and classification, securities disclosure requirements, and professional ethics and practices. He spent 21 years as a geologist with the U.S. Securities and Exchange Commission ("SEC") prior to joining Behre Dolbear in 1996. Much of his work at the SEC involved the investigation of and litigation support for precious and base metals, coal, and industrial minerals mining frauds. Since joining Behre Dolbear, Mr. Abbott has worked on a number of ore reserve audits for financial institutions and/or for filings to be made with the SEC, on due diligence inquiries, and mineral property valuations. He has also worked on litigation support cases involving ore reserve estimates and mining claim validity. Mr. Abbott is a Certified Professional Geologist by the American Institute of Professional Geologists, is a Fellow of and a Chartered Professional (Geology) by the Australasian Institute of Mining and Metallurgy, and is a licensed Professional Geologist in Texas, Utah, and Wyoming. He meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Abbott, traveled to China to visit the Company's Jiangyou Project in Jiangyou, Sichuan that is reviewed in this CPR. Dr. Deng visited the Jiangyou Project from March 23 to March 24, 2010. Dr. Deng, Messrs Sipols and Matteoli, and Ms Epps visited the Jiangyou Project from June 29 to July 2, 2010. During BDASIA's visits, discussions were held with technical and management personnel of Jinshida as well as with Jinshida's outside consultants. Budgets and forecasts from 2010 to 2014 were reviewed, together with longer-term development plans.

This BDASIA CPR contains forecasts and projections prepared by BDASIA, based on information provided by the Company. BDASIA's assessment of the projected production schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this CPR. The currency used is the Chinese Yuan ("RMB") and/or the United States dollar ("US\$"). The exchange rate used in the CPR is RMB6.62 for US\$1.00, the rate of the People's Bank of China prevailing on December 31, 2010.

2.0 QUALIFICATIONS OF BEHRE DOLBEAR

Behre Dolbear & Company, Inc. is an international minerals industry advisory group which has operated continuously in North America and worldwide since 1911. Behre Dolbear and its parent, Behre Dolbear Group Inc., currently have offices in Beijing, Denver, Guadalajara, London, New York, Santiago, Sydney, Toronto, Vancouver, and Hong Kong.

The firm specializes in performing mineral industry studies for mining companies, financial institutions, and natural resource firms, including mineral resource/ore reserve compilations and audits, mineral property evaluations and valuations, due diligence studies and independent expert reviews for acquisition and financing purposes, project feasibility studies, assistance in negotiating mineral agreements, and market analyses. The firm has worked with a broad spectrum of commodities, including base and precious metals, coal, ferrous metals, and industrial minerals on a worldwide basis. Behre Dolbear has acted on behalf of numerous international banks, financial institutions and mining clients and is well regarded worldwide as an independent expert engineering consultant in the minerals industry. Behre Dolbear has prepared numerous CPRs for mining projects worldwide to support securities exchange filings of mining companies in Hong Kong, China, the United States, Canada, Australia, the United Kingdom, and other countries.

Most of Behre Dolbear's associates and consultants have occupied senior corporate management and operational roles and are thus well-experienced from an operational view point as well as being independent expert consultants.

BDASIA is a wholly-owned subsidiary of Behre Dolbear established in 2004 to manage Behre Dolbear's projects in China and other Asian countries. Project teams of BDASIA commonly consist of senior-level professionals from Behre Dolbear's offices in Denver, Colorado, of the United States, Sydney of Australia, London of the United Kingdom and other worldwide offices. Since its establishment, BDASIA has conducted over 50 technical studies for mining projects in China or mining projects located outside of China to be acquired by SEHK-listed Chinese companies, including preparing CPRs for the SEHK IPO prospectuses of Hunan Nonferrous Metals Corporation Limited, Zhaojin Mining Industry Company Limited, Hidili Industry International Development Limited, Real Gold Mining Limited, China Vanadium Titano-Magnetite Mining Company Limited, and China Gold International Resources Corporation Limited, and for the Shanghai Stock Exchange ("SSE") IPO listing of Western Mining Company Limited. These seven companies were successfully listed on the SEHK/SSE from 2006 to 2010.

3.0 DISCLAIMER

BDASIA has conducted an independent technical review of the Company's Jiangyou Project and holdings. Site visits have been made to the project site by BDASIA professionals involved in this study. BDASIA has exercised all due care in reviewing the supplied information and believes that the basic assumptions are factual and correct and the interpretations are reasonable. BDASIA has independently analyzed the Company's data, but BDASIA did not perform an audit on the Company's data. BDASIA has relied on the data provided by the Company, and the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. The Company has guaranteed that the data provided for BDASIA's review is true, accurate, and complete.

4.0 PROPERTY DESCRIPTION

4.1 Location, Access and Infrastructure

The Jiangyou Project is located at the southwestern portion of Jiangyou City, Sichuan Province in China and at the boundary between the Jiangyou City in the east and Beichuan County in the west (Figure 1.1). The project is at a 255° azimuth direction from the Jiangyou City urban area with a linear distance of approximately 15 kilometers (“km”). The geographic location of the property center is at the longitude of 104°33'42"E and latitude of 31°45'30"N. The project area is administrated by Zhenjiang Village, Xiangshui Township of Jiangyou City, and is an exclave surrounded by the Xiangquan Township of Beichuan County. The limestone slab processing plant of the Jiangyou Project will be located in an industrial park at the south side of the Jiangyou City urban area, with a road distance of approximately 30 km from the Jiangyou Project site. The Jiangyou City has a total area of 2,719 square kilometers (“km²”) and a population of approximately 880,000.

Access to the Jiangyou Project site is good. There is a local gravel road at the southeastern side of the property; approximately 5.5 km along the road to the northeast from the project site is the town of Hanzeng, where the local gravel road connects with the provincial highway S302. The road distance via the local gravel road then S302 from the project site to the Jiangyou City urban area in the east is approximately 19 km. At the time of BDASIA project team's site visit to the Jiangyou Project at the end of June 2010, the local gravel road was being upgraded to a paved highway by the local government. Road distance on provincial highway and expressway from Jiangyou is approximately 40 km to Mianyang in the south, which is a local economic center in north-central Sichuan Province, and approximately 160 km to Chengdu, the capital city of Sichuan Province in the south. Jinshida has constructed a gravel mine access road from the local gravel road to the open pit mining area on top of the property. The nearest rail station is at Jiangyou on the Baoji-Chengdu Railroad with a road distance of approximately 24 km. Access to the limestone slab processing plant is excellent as it is located in a developed industrial park on the south side of the Jiangyou City urban area.

Electricity for the project area is currently supplied by a 10-kilovolt (“kV”) power transmission line passing through the south of the property, which connects to the Tongkou substation in Beichuan County located approximately 5.5 km to the north. There is another 6-kV power transmission line passing through near the property from the An County substation located approximately 30 km to the south, which can also be used as the alternative electricity source of the project. Jinshida had advised BDASIA that electricity supply is sufficient for planned mining and slab production operations.

Water for the Jiangyou Project area was supplied by a sink hole near the Shuangtangou located approximately 1.3 km south of the property when BDASIA conducted the site visit in June 2010. Jinshida has recently drilled a 50-m-deep water well at the south side of the property, which is expected to supply sufficient water for the planned mine production and domestic use in the project area.

Electricity and water for the limestone slab processing plant will be supplied by the industrial part of Jiangyou City.

4.2 Climate and Physiography

The Jiangyou Project is located in a low-mountain region at the southeastern edge of the middle section of the Longmen Mountains. The highest point in the local area is the Erzishan at the north of the property with an elevation of approximately 939 m above mean sea level (“MSL”), and the lowest point is the Zhangjiaba in the south with an elevation of approximately 590 m above MSL. The property is

located at a southeast-facing slope with a slope angles generally between 20° to 30°, and locally up to 40°. The northern portion of the property is rugged with locally developed cliffs and the southern portion of the property has numerous karst caves and sink holes. The project area is generally covered by dense bushes and trees, but the mining area has generally been de-vegetated by Jinshida in preparation for the open-pit mining operation.

The Jiangyou Project area has a subtropical monsoonal climate with four distinct seasons. Average annual temperature is approximately 15.7°C; July is the hottest month with the highest temperature of approximately 34.5°C and January is the coldest month with the lowest temperature of approximately -3.0°C. Annual precipitation averages approximately 1,300 millimeters (“mm”), which mostly occurs as rain between June and September. There are on average 211 frost-free days in a year.

Jiangyou is a relatively well-developed city in Sichuan Province. Primary industry in the area includes production of iron and steel, cement, chemical fertilizer, casting, and electricity generation. There are numerous small dimension stone mining and calcium carbonate powder production operations along the local gravel road near the Jiangyou Project. The Jiangyou City is also designated as a cultural heritage city as it is the hometown of the famous Tang-Dynasty poet Li Bai, and Shaolin temple martial art Master Haideng. The area also supports crops such as rice, wheat, corn, peanuts, and silkworm mulberry. Labor supplies are relatively abundant in the area.

Development of the Jiangyou Project is generally supported by the government and local residents because of the tax revenue, employment opportunities, and stimulation for the local economy.

4.3 Property Ownership

Under the “Mineral Resource Law of the PRC”, all mineral resources in China are owned by the state. A mining or exploration enterprise may obtain a permit for the mining or exploration right for conducting mining or exploration activities in a specific area during a specified period of validity. The permits are generally extendable at the expiration of their period of validity. The renewal application must be submitted to the relevant government authorities at least 30 days before the expiration of a permit. To renew an exploration permit, all exploration permit fees must be paid and the minimum exploration expenditure must have been made for the area designated under the exploration permit. To renew a mining permit, all mining permit fees and resource compensation fees must be paid to the state for the area designated under the mining permit. A mining permit has both horizontal limits and elevation limits, but an exploration permit has only horizontal limits.

Jinshida currently holds a permit for a mining right of 0.4436 km² in area for the Jiangyou Project; this permit was issued by the Land and Resource Bureau of Sichuan Province. The horizontal boundary of the mining license is defined by 8 corner points and its elevation ranges from 590 m to 938 m above MSL. The license number is C5107002009017120004753. This license is valid until February 21, 2021 and is extendable thereafter. The license permits Jinshida to conduct open-pit limestone mining at a rate of 400,000 tonnes per annum (“tpa”), which is sufficient for the designed capacity of producing 150,000 m³pa based on an average bulk density of 2.61 tonnes per cubic meter (“t/m³”) for the limestones at the Jiangyou Project. All limestone resources and reserves reviewed in this CPR are covered by the mining license.

Land use right for the mining operation of the Jiangyou Project as well as the limestone slab processing plant in the Jiangyou City industrial park is being obtained by Jinshida. Jinshida was actively working with the relevant government agencies to secure the necessary land use right during BDASIA's site visit in late June 2010. No problem was foreseen by Jinshida in leasing the land for the Jiangyou Project and the slab processing plant.

According to information provided by Jinshida, limestone dimension stone production from the Jiangyou Project will be subject to a resource tax of RMB10.00/m³ (US\$1.47/m³) and a resource compensation levy of 2% of the revenue. A value added tax ("VAT") of 17% will be included in the sale price of limestone blocks, limestone slabs and other by-products produced from the Jiangyou Project, and there is also a city-maintenance-and-construction tax of 7% of the VAT, an education levy of 3% of the VAT, and a local additional education fee of 1% of the VAT. The corporate income tax rate for Jinshida is 25%.

BDASIA has not undertaken a legal due diligence review of Jinshida's mining license as such work is outside the scope of BDASIA's technical review. BDASIA has relied upon the Company's advice as to the validity of the mining license. BDASIA understands that the legal due diligence review of the mining license has been undertaken by the Company's PRC legal advisers.

4.4 History

The Jiangyou Project was a small limestone quarry producing raw material for cement manufacturing and was facing economic difficulties before 2005. Jinshida was invited by the Jiangyou City government to invest in the project in August 2005 and found that the property has potential to produce high-quality limestone dimension stones because of the beige and light gray color of the limestones. Jinshida decided to convert the property to produce primarily limestone dimension stones from the original sole cement raw material producer.

In order to provide the resource/reserve support for the planned limestone dimension stone operation, Jinshida engaged the Northwestern Sichuan Geology Brigade of Sichuan Provincial Bureau of Geology and Mineral Resources (the "Northwestern Sichuan Brigade") to conduct an exploration program for the Jiangyou property in March 2008. A geology report with limestone resource estimates was completed by the Northwestern Sichuan Brigade in October 2008. The Jiangyou Project mining license was issued to Jinshida by the Land and Resources Bureau of Mianyang City on August 24, 2009. Further more detailed exploration was conducted by the Northwestern Sichuan Brigade in March and April 2010 and a new geology report with updated limestone resource estimation was completed on April 30, 2010.

Based on the updated April 2010 Northwestern Sichuan Brigade geology report, China Building Materials Industry Planning Institute (the "Building Materials Institute") in Beijing conducted a feasibility study for the development of the Jiangyou Project in May 2010. This updated Northwestern Sichuan Brigade geology report and the Building Materials Institute feasibility study report formed the primary basis for BDASIA's review of the Jiangyou Project in this CPR.

5.0 GEOLOGY AND DATABASE

5.1 Geology

The Jiangyou Project limestone deposit for the proposed dimension stone production is a marine sedimentary carbonate deposit of Middle Triassic age. The limestone deposit occurs as the northwest dipping limb of a northeast-striking anticline and is generally a massive to thick-bedded, beige to light gray, stratiform deposit. Within the current Jiangyou Project mining license boundary, the deposit is approximately 850 m long along the northeastern strike direction (extending further out of the mining license boundary on both ends), 500 m to 650 m wide on surface out crops, and over 300 m thick.

5.1.1 Regional Geology

The rocks outcropping in the region surrounding the Jiangyou Project include, in stratigraphically ascending order, the Middle-Upper Silurian Hanjiadian Formation shales with limestone interbeds; the Lower Devonian Pingyipu Formation quartz sandstones, siltstones and mudstones, the Ganxi Formation siltstones and mudstones with some thin limestone interbeds, and the Ertai Formation limestones; the Lower-Middle Devonian Yangmaba Formation shales with oolitic hematite and limestones with quartz sandstone, siltstone, and black shale interbeds; the Middle Devonian Jinbashi Formation quartz sandstones, siltstones with limestone lenses and thin hematite interbeds, and the Guanwushan Formation limestones with dolomite interbeds; the Lower Carboniferous Zongchanggou Formation limestones with dolomite interbeds; the Upper Carboniferous Huanglong Formation limestones with dolomite interbeds; the Lower Permian Yangxin Formation limestones and dolomites; the Upper Permian Wujiaping Formation limestones, siliceous rocks, and mudstones; the Lower Triassic Feixianguan Formation limestones, calcareous siltstones, and calcareous mudstones; the Jialingjiang Formation dolomites and limestones with mudstone and siltstone interbeds; the Middle Triassic Leikoupu Formation dolomites; and the Tianjingshan Formation limestones with dolomite interbeds; the Upper Triassic Maantang Formation limestone, calcareous mudstones, and siltstones; the Middle Jurassic Qianfoyan Formation siltstones, marlstones, limestones, and mudstones, and the Shaximiao Formation siltstones, mudstones, and greywackes; the Upper Jurassic Suining Formation greywackes, siltstones, and mudstones; and the Lianhuakou Formation conglomerates, sandstones, siltstones, and mudstones; and the Quaternary alluviums, diluviums, and eluviums.

Structures in the region are complex and are characterized by a serious of northeast-trending, northwest-dipping thrust faults and northeast-trending non-symmetric and overturned folds.

5.1.2 Deposit Geology

Stratigraphy within the current Jiangyou Project mining license area include the upper section of the Middle-Triassic Leikoupu Formation dolomites, the lower section of the Middle-Triassic Tianjingshan Formation limestones with dolomite interbeds and the Quaternary alluviums, diluviums, and eluviums.

The Middle-Triassic rocks in the deposit occur on the northwestern limb of the northeast-trending Niuxingshan anticline with a northwest dip at angles from 22° to 36°. No obvious fault and fold structures have been observed in the Jiangyou Project mining license area.

There are two sets of conjugate shear joints developed in the deposit area. The first set is northwestern and southeastern dipping with various dip angles, and is generally parallel to the regional structures. Joint fracture surfaces for this set are generally straight and flat, they are generally closed

joints with only a thin layer of calcareous fillings. The southeastern dipping joints are generally predominant in this set; the joint density is generally 0.3 to 0.9 per meter, and can be as high as 2 to 3 per meter at the surface.

The second set of conjugate shear joints dip to the northeast and southwest at various dip angles, and is perpendicular to the regional structures. Joint fracture surfaces are generally straight and flat, but some are curved. They are generally closed joints with or without calcareous fillings. The southwestern dipping joints are better developed in this set; the joint density ranges from 0.08 to 0.9 per meter, and are generally less than 0.5 per meter.

Some weathering joints are developed near the surface. These joints generally have variable orientations; the joint surfaces are generally not straight and flat; the joint width decreases rapidly to depth and they generally disappear at a depth of several meters. The open portion of the joint surface is generally filled by yellowish clays. Because of these weathering joints as well as the karst caves, the near surface portion of the limestone deposits will have a very low limestone blocks rate. However, these weathering joints will decrease rapidly to depth, and the blocks rate should increase below the first couple of benches.

5.1.3 The Limestone Deposit

The lower section of the Middle Triassic Tianjingshan Formation is the limestone deposit targeted for dimension stone production in the area. This section is further divided into the following five lithological layers in a stratigraphic ascending order:

Layer No. 1 of the lower section of the Tianjingshan Formation is located in the southeastern portion of the property, near the foot of the hill, and consists of beige and milk-white, thick-bedded to massive, micritic limestones and bioclastic limestones with some grain limestone and dolomitic limestone interbeds. Total thickness of the layer ranges from 124 m to 150 m.

Layer No. 2 is located above Layer No. 1 and in the middle of the hill; it consists of grayish white, thick-bedded to massive calcareous dolomites with micritic sandy limestone interbeds. The appearance of the dolomite in this layer is very similar to that of the surrounding limestones; the dolomite has a slightly lighter color, but it is more tenacious and difficult to break. It is difficult to distinguish the slabs produced from the dolomite and that from the surrounding limestones under the naked eyes. The thickness of the layer is from 18 m to 23 m.

Layer No. 3 is located above Layer No. 2; it consists of milk-white and beige, intermediate- to thick-bedded micritic limestones with some interbedded dolomite-bearing micritic limestones. Total thickness of the layer is from 158 m to 164 m.

Layer No. 4 outcrops on the top of the hill as well as the slopes near the top; it is comprised of beige and grayish white, thick-bedded to massive, sparitic bioclastic limestones with small amount of grain limestone and dolomitic limestone interbeds. Its thickness is from 140 m to 160 m.

Layer No. 5 is located northwest of the mining license area. It consists of grayish white to light gray, thick-bedded to massive, micritic dolomites with a thickness of more than 160 m. This layer is not considered as the mining target as its color is relatively dark than the other layers.

The lower four layers (Layers No. 1, No. 2, No. 3, and No. 4) are considered as the limestone resource for dimension stone production in the Jiangyou Project mining license area. They are separated into the upper limestone resource unit (the "Upper Unit", including Layers No. 3 and No. 4) and the

lower limestone resource unit (the “Lower Unit”, including Layers No. 1 and No. 2). These limestone resource layers have a northeastern strike length of approximately 850 m, and are 500-m to 650-m wide in the northwestern direction and over 300-m thick vertically within the Jiangyou Project mining license area. They dip to the northwest at angles from 22° to 36°. The footwall of the limestone resources is the upper section dolomites of the Middle Triassic Leikoupu Formation, and the hanging wall is the Layer No. 5 dolomites of the lower section of the Tianjingshan Formation.

Karst caves are well developed in the Jiangyou Project area. Some karst caves have been observed at the surface. Each of the 16 drill holes completed on the property has all encountered a number of cave intervals. Based on the statistics from the Northwestern Sichuan Brigade, a total of 130 cave (or fissure) intervals were found in the 16 drill holes, with an interval length of 0.4 m to 8.3 m. The depth of the cave intervals range from 5.4 m to 270.3 m, and the elevation of these caves is from 493.2 m to 897.4 m above MSL. The karst cave percentage for individual drill holes ranges from 2.5% to 14.7% with an average of 8.0%. For limestone resource estimation of the Jiangyou Project, the karst cave volume was deducted from the total limestone volume.

Figure 5.1 is the surface geology map showing the distribution of the different limestone layers in the Jiangyou Project mining license area, and Figures 5.2 and 5.3 are two cross sections showing the vertical distribution of the limestone layers. BDASIA would note that the mining license lower elevation limit shown in Figures 5.2 and 5.3 represents the revised mining license to be issued to the Jiangyou Project.

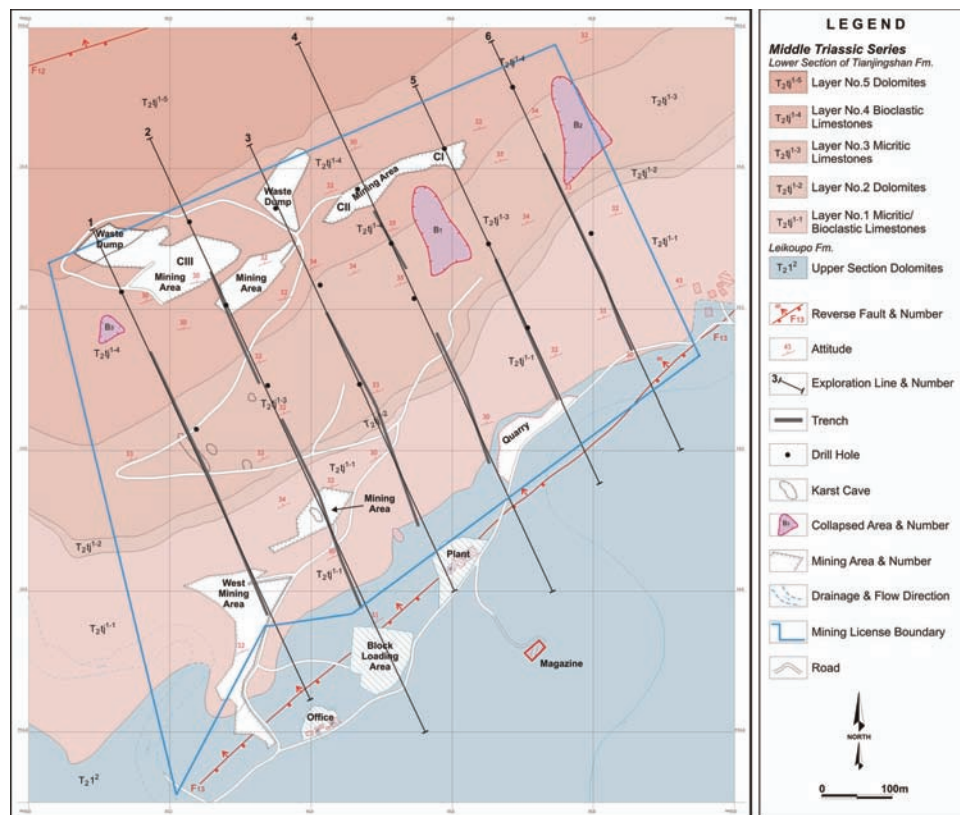


Figure 5.1 Geology map of the Jiangyou Project mining license area

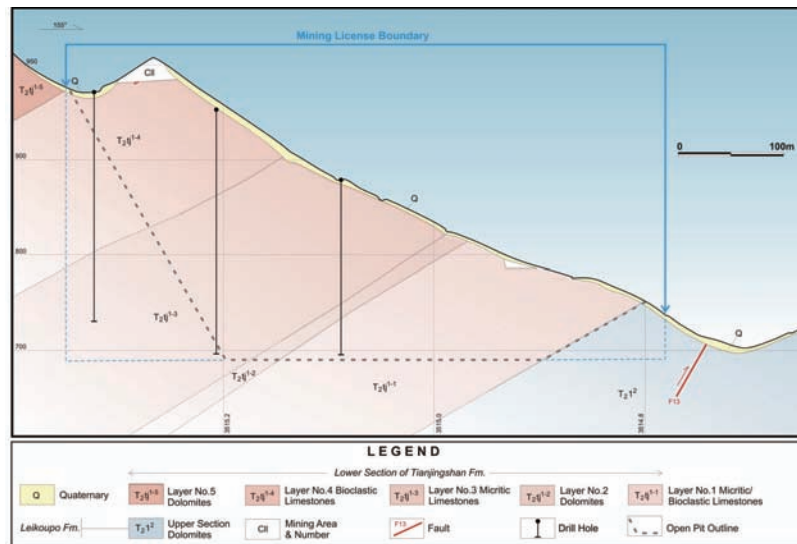


Figure 5.2 Exploration Line 2 section of the Jiangyou Project looking northeast
(Location of the section is shown in Figure 5.1.)

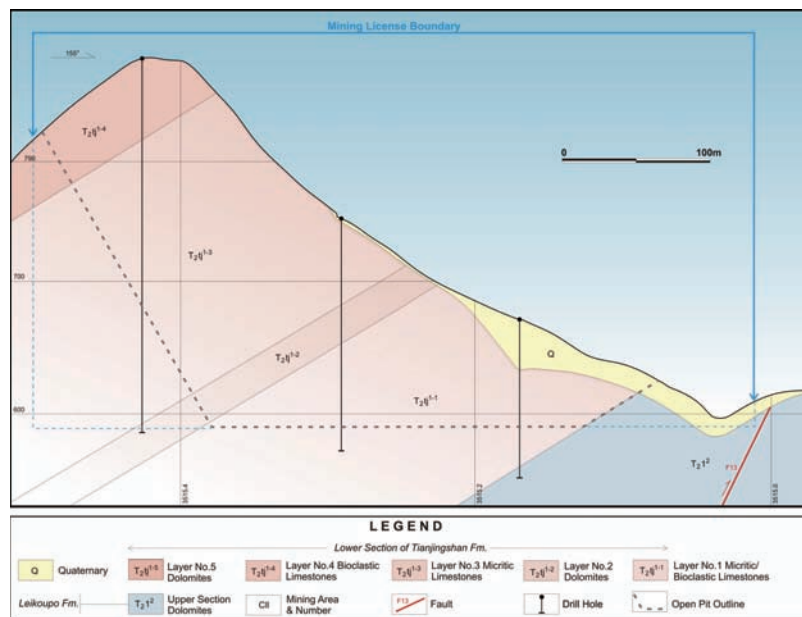


Figure 5.3 Exploration Line 5 section of the Jiangyou Project looking northeast
(Location of the section is shown in Figure 5.1.)

5.1.4 Color and Texture of the Limestone Resource

Color and texture are the two most important parameters for evaluating the limestone quality for dimension stone production. The primary and basic color of the limestone resource in the Jiangyou Project mining license area is beige. Some limestone is pure beige and some is mixed with milk-white or grayish white colors. Based on the color variation, the limestone is classified as Pure Beige and Mixed Beige. Some of the limestones have well developed depositional lamination consisting of alternating

color bands similar to the wood grain, which is referred to as Wood Grain limestone. Locally, there are some calcite veins and veinlets filling the fractures in the limestone, forming a netted texture, which is referred to as the Gray Net limestone. Therefore, there will be four types of color and texture combinations based on commercial products that will be produced from the limestones in the Jiangyou Project area, that is, the Pure Beige, the Mixed Beige, the Wood Grain, and the Gray Net (Figure 5.4). Based on statistics compiled by the Northwestern Sichuan Brigade, of the total limestone resources and reserves of the Jiangyou Project, the Pure Beige is approximately 51.0%, the Mixed Beige 32.7%, the Wood Grain 6.4%, and the Gray Net 9.9%.

These different types of color and texture are generally gradational in the deposit. In general, in the western portion of the deposit (west of the Exploration Line 4), the primary color is relatively pure beige; the color is getting deeper to the east with more color variation. The wood grain texture is unstable in a limestone layer and it can disappear along strike within a short distance of 20 m to 30 m.

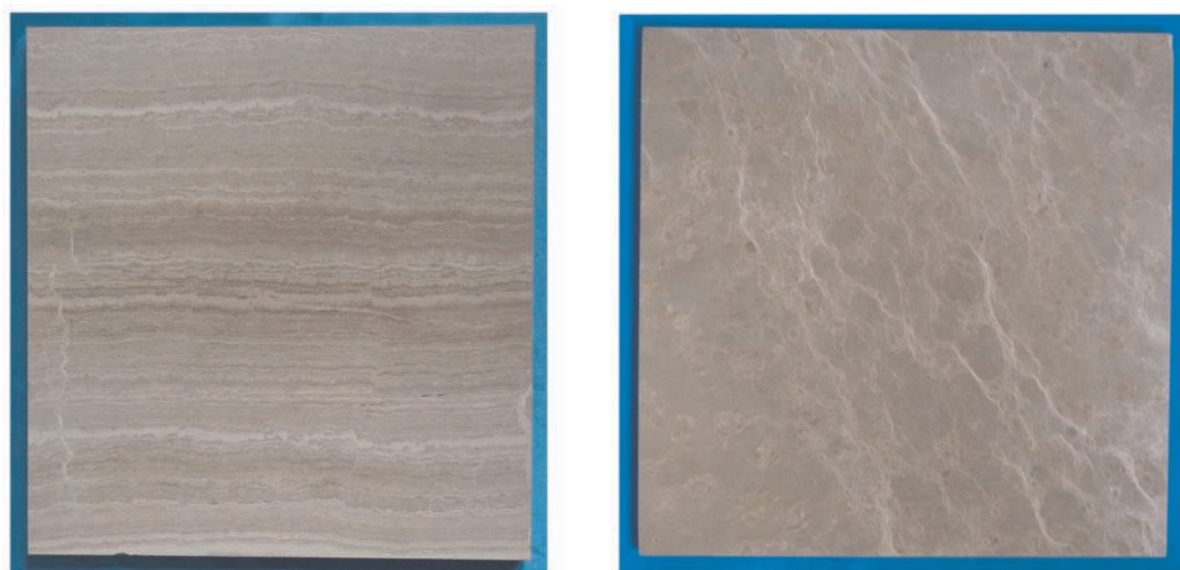
It was expected that the Pure Beige limestone will achieve the highest sale price, followed by the Mixed Beige, the Wood Grain and the Gray net.



The Pure Beige



The Mixed Beige



The Wood Grain

The Gray Net

Figure 5.4 Four Types of Dimension Stone Products of the Jiangyou Project

5.1.5 Mineralogical and Chemical Composition of the Limestone Resource

The mineralogical composition of the limestones in the Jiangyou Project area is generally very pure, consisting of over 99% calcite with no detrimental minerals. The calcite is primarily micritic calcite with small amounts of sparitic calcite and aphanitic calcite. The micritic calcite was deposited from the sea water directly and it has a dirt appearance; some of them have been recrystallized. The sparitic calcite is the cement of grains in the rock or occurs as veins and veinlets; it is generally clear in appearance. The aphanitic calcite is generally the components of the fossils and other fragments in the rock, and it also looks dirty. These fragments are generally sub-angular to sub-rounded in shape and are generally 0.12 mm to 0.25 mm in size. Dolomite becomes the primary mineral in the dolomite layers.

Table 5.1 shows the chemical analytical results of the limestones and dolomites in the Jiangyou Project mining license area. These analytic results also indicate that the limestones are very pure with high CaO content and very minor other components. The dolomite contains some MgO and lower CaO content than the limestones, but the concentrations of other components are also very low in the rock, similar to the limestones. The appearance of the dolomite is very similar to that of the limestone and is also commercially referred to as marble, and Jinshida believes that the different in chemical composition should not affect its use as a dimension stone, with which BDASIA concurs.

Table 5.1 Chemical Analytical Results of Limestones and Dolomite of the Jiangyou Project				
Component	Beige Micritic Limestone	Mixed-Beige Micritic Limestone	Milk-White Bioclastic Limestone	Calcareous Dolomite
CaO	53.27–55.20	52.23–53.86	51.78	37.40–39.79
MgO	0.21–1.88	1.52–2.54	3.38	13.42–15.79
SiO ₂	0.16–0.82	0.10–0.15	0.08	0.14–0.16
Fe ₂ O ₃	0.07–0.15	0.01–0.07	0.01	0.08
Al ₂ O ₃	0.02–0.08	0.01–0.03	0.85	0.04–0.05
K ₂ O	< 0.05	< 0.05	< 0.05	< 0.05
Na ₂ O	< 0.05	< 0.05	< 0.05	< 0.05
S	< 0.01	< 0.01	—	< 0.01
P	< 0.01	< 0.01	—	< 0.01
<i>Note:</i> for comparison, the chemical composition of pure calcite is 56% CaO and 44% CO ₂ , and chemical composition of pure dolomite is 30.4% CaO, 21.9% MgO and 47.7% CO ₂ .				

5.1.6 Bulk Density, Hardness and Water Absorption of the Limestone Resources

Based on measurements on 19 core/rock samples, the bulk density of the limestone resources in the Jiangyou Project area ranges from 2.51 to 2.73 t/m³ with an average of 2.61 t/m³. The hardness of the limestone is 3. The natural water absorption of the limestones is generally from 0.2% to 0.8%, averaging 0.54%.

5.1.7 Mechanic Properties of the Limestone Resources

Based on the measurements on selective samples, the compressive strength of different types of limestones ranges from 27.5 to 63.7 million pascals (“MPa”), averaging 41.9 MPa. The bending strength ranges from 16.3 to 39.7 MPa, averaging 23.3 MPa. The abrasion resistance is 57/cm² for the Pure Beige, 56/cm² for the Mixed Beige, 28/cm² for the Wood Grain, and 64/cm² for the Gray Net. The abrasion resistance of all four types of limestones satisfies the minimum requirement of 10/cm² for natural marble construction material in China (GB/T 19766-2005).

5.1.8 Radioactivities of the Limestone Resource

Based on sample measurements on the Pure Beige, the Mixed Beige, the Wood Grain, and the Gray Net, the internal exposure index (“IRa”) of the specific radioactivity of natural radioactive nuclides Ra-226, Th-232 and K-40 ranges from 0.03 to 0.34, and the external exposure index (“Ir”) ranges from 0.02 to 0.19. Based on the National Standard for Construction Material of the PRC (GB6566-2001), the material with IRa less than 1.0 and Ir less than 1.3 is classified as Class A construction material, which means that there is no restriction for its production, sale and utilization. The all four types of limestones of the Jiangyou Project satisfy the radioactivity requirements of Class A construction material. These radioactivity levels also fall within the European Union’s acceptable limit range.

5.2 Geological Database

5.2.1 Database Used for the Jiangyou Project Limestone Resource Estimates

Databases used for the mineral resource estimation are generated by licensed exploration entities and/or by the mining companies themselves in China. Guidelines specifying the appropriate sampling, sample preparation, and assaying techniques and procedures for different types of mineral deposits are issued by the relevant government authorities. The databases used for mineral resource estimation are generally produced following these set guidelines.

The principal sample types included in the geological database for the Jiangyou Project reviewed in this CPR comprise core samples from surface drilling and surface trench channel samples.

Table 5.2 summarizes the geological database used for the limestone resource estimation for the Jiangyou Project reviewed in this CPR.

Table 5.2 Geological Database Statistics for the Jiangyou Project	
Sample Type	Jiangyou Project
<i>Surface Core Drilling</i>	
Holes	16
Meters	3,469
<i>Surface Trenching</i>	
Cubic Meters	5,989
<i>Core/Rock Limestone Color/Texture Samples</i>	
Standard Samples	8
Basic Samples (at 5-m interval)	394
<i>Chemical Analyses</i>	11
<i>Bulk Density Measurements</i>	19
<i>Water Absorption Measurements</i>	19
<i>Compressive Strength Tests</i>	9
<i>Bending Strength Tests</i>	8
<i>Gloss Tests</i>	8
<i>Radioactive Measurements</i>	8
<i>Abrasion Resistance Tests</i>	4

5.2.2 Drilling, Logging and Survey

The 16 diamond drill holes used for the current limestone resource estimation were completed in 2008 and 2010 by the Northwestern Sichuan Brigade. These holes were drilled on six exploration lines oriented at the azimuth of 155° and with a line spacing of 125 m. These exploration lines were numbered as Line 1 to Line 6 from the southwest to northeast. Drill hole spacing on the exploration lines ranges from 84 m to 250 m.

The drilling was conducted using Chinese-made drill rigs equipped with wireline core barrels. Drill hole size was generally 130 mm or 110 mm at the top, reducing to 91 mm then to 75 mm to depth. Core recovery was generally good, but was strongly affected by the presence of karst caves. Average drill hole core recovery generally ranges from 73.3% to 93.3%, only one drill hole, ZK6-2 has a core recovery of only 65.4%. Considering the karst cave percentage in the drill holes of 2.5% to 14.9% (averaging 8.0%), the actual core recoveries excluding the karst cave intervals will improve significantly.

All surface drill holes were drilled vertically. Drill hole collar locations were surveyed by a total station after drilling, and down-hole deviation was generally measured in 100-m intervals using down-hole survey techniques with drill hole depth checks at the same intervals. Drill cores were logged in detail by a project geologist at the drill site before sampling.

5.2.3 Sampling, Sample Preparation and Assaying/Testing

Surface drilling was the primary exploration method used for the Jiangyou Project geological database. Surface trenches were also developed along the six exploration lines. Samples for limestone dimension stone types, chemical analyses and physical property measurements were collected from the drill holes and the surface trenches.

5.2.3.1 Limestone Type Standard Samples and Basic Samples

The limestone dimension stone type samples include the standard samples and the basic samples. The standard samples were collected by Jinshida from the mining surface at the property. Two sets of standard sample slabs for the Pure Beige, the Mixed Beige, the Wood Grain, and the Gray Net were prepared; the first set consists of slabs of 30 × 30 cm in size, and the second set consists of slabs of 10 × 5 cm in size. These standard samples were polished and their gloss tests were performed by the Central Laboratory of the Environmental and Resource Institute of the Southwestern University of Science and Technology in Mianyang, Sichuan.

The basic samples were collected from drill cores and surface trenches at a samples interval of approximately 5 m. Half core samples were collected by a diamond rock saw, and the core samples were cut to 10 × 5 × 1 cm (for drill hole size more than 75 mm) or 10 × 4 × 1 cm (for drill hole size of 75 mm) blocks by Mianyang Geology and Resource Test Center of Sichuan Geology and Resource Bureau, in Mianyang, Sichuan. Trench basic samples were cut to 10 × 20 × 1 cm blocks. A total of 394 basic samples were collected, approximately 51.0% of the basic samples are the Pure Beige, 32.7% the Mixed Beige, 6.4% the Wood Grain, and 9.9% the Gray Net. Approximately 10% of the basic samples were polished on one surface.

5.2.3.2 Chemical Analysis Samples

Eleven selective grab samples for the Pure Beige, the Mixed Beige, the Wood Grain, and the Gray Net were collected from the mining surface at the property. These samples were prepared and analyzed for the content of CaO, MgO, SiO₂, Fe₂O₃, Al₂O₃, K₂O, Na₂O, S, and P using the wet chemical analysis method by the Mianyang Geology and Resource Test Center. Results of the chemical analysis are summarized in Table 5.1 of this CPR.

5.2.3.3 Samples for Physical Property Measurements

Nineteen selective limestone samples from drill core, surface trenches, and surface outcrops were collected for bulk density measurements. The bulk density of the samples was measured using the wax-coated water immersion method by the Mianyang Geology and Resource Test Center. Results of the measurements are summarized in Section 5.1.6 of this CPR.

Natural water absorption for the 19 selective limestone samples was measured by the Testing Center of the Southwest Geotechnical and Engineering Institute of China Nuclear Industry in Chengdu, Sichuan. The results are summarized in Section 5.1.6.

Compressive strength were measured on 9 sets (two tests each set) of selective limestone sample blocks of each limestone type with a size of 5 × 5 × 5 cm by the Rock and Soil Test Center of the Northwestern Sichuan Engineering and Exploration Institute in Mianyang, Sichuan. Bending strength tests on 8 sets (two tests each set) of selective samples were performed by the Central Laboratory of Environmental and the Resource Institute of the Southwestern University of Science and Technology and the Rock and Soil Test Center of the Northwestern Sichuan Engineering and Exploration Institute in Mianyang, Sichuan. The test results are summarized in Section 5.1.7.

Specific radioactivity, internal exposure index, and external exposure index were measured on four selective samples of each limestone type by the Central Laboratory of Environmental and the Resource Institute of the Southwestern University of Science and Technology. The test results are summarized in Section 5.1.8.

Abrasion resistance on four sets (four samples on each set) of selective samples of each limestone type was tested by the National Construction Material Test Center in Beijing. The test results are summarized in Section 5.1.7.

6.0 LIMESTONE RESOURCES AND RESERVES

6.1 Limestone Resource/Reserve Classification

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004 (“the JORC Code”) is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used previously in CPRs for mineral resource and ore reserve statements for other Chinese companies reporting to SEHK. The JORC Code is used by BDASIA to report the limestone mineral resources and ore reserves of the Company's Jiangyou Project in this CPR.

A Mineral Resource is defined in the JORC Code as an identified *in-situ* mineral occurrence from which valuable or useful minerals may be recovered. Mineral Resources are classified as Measured, Indicated, or Inferred according to the degree of confidence in the estimate:

- a Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known;
- an Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability; and
- an Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An Ore Reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Ore reserve figures incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Ore Reserves are based on Measured and Indicated Mineral Resources, respectively. Under the JORC Code, Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into an ore reserve category, and therefore no equivalent Possible Ore Reserve category is recognized or used.

The general relationships between exploration results, mineral resources and ore reserves under the JORC Code are summarized in Figure 6.1.

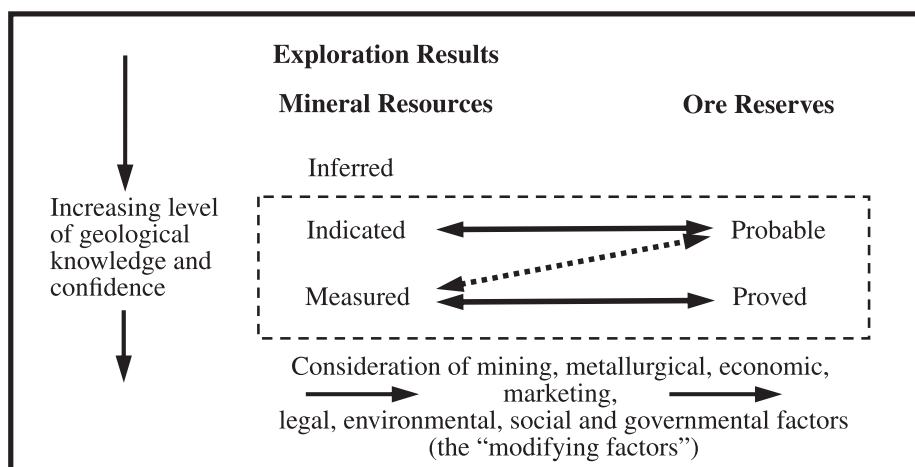


Figure 6.1 Schematic Mineral Resources and Their Conversion to Ore Reserves

Generally, ore reserves are quoted as comprising part of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this BDASIA CPR, all of the ore reserves are included within the mineral resource statements.

The limestone deposit at the Jiangyou Project is an industrial mineral primarily for dimension stone production, physical properties, such as color and texture, are the most important parameters for the dimension stone limestone quality. Basic samples of color and texture for each 5-m intervals were collected from drill holes and surface trenches for the Jiangyou property. Analytical result of chemical composition is generally not a critical criterion for limestone quality. The limestone deposit is a marine sedimentary deposit with good continuity and homogenous chemical composition and physical properties. Only selective samples were collected to determine the chemical composition and various physical properties of the limestone deposit. The limestone resource will be reported as its volume in unit of cubic meters in this CPR as it is the unit of the limestone dimension stone blocks being sold.

For the limestone dimension stone reserve, mining dilution factor is not relevant, but mining recovery factor is very important and is sometimes difficult to determine accurately, especially at the early stage of the project. Limestone dimension stone reserve will also be reported as its volume in unit of cubic meters.

6.2 General Procedures and Parameters for the Limestone Resource Estimation

The methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant PRC government authorities in China. The mineral resource estimates are based on strictly defined parameters, which include minimum grades and minimum thicknesses. The mineral resources for a deposit are generally estimated by an independent engineering entity with a government-issued license.

The 2008 and 2010 exploration work as well as the limestone resource estimation for the Jiangyou Project were conducted by the Northwestern Sichuan Brigade, which holds a Class A exploration license for solid minerals issued by the Ministry of Land and Resources of China.

The drill hole or channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the mineralized body size and complexity, a deposit is classified into certain exploration type before mineral resource estimation. As the limestone deposit at the Jiangyou Project area comprises large stratiform mineralized bodies of hundreds to thousands of meters in dimension with good continuity in both chemical composition and thickness, the deposit was categorized as exploration type I under the Chinese classification system for industrial mineral deposits.

Cross sections and plans with drilling and sampling information for mineral resource estimation were produced by AutoCAD by the Northwestern Sichuan Brigade.

The parallel section method, a polygonal method based on projected cross sections, was used for the limestone resource estimation of the Jiangyou Project by the Northwestern Sichuan Brigade. Based on the limestone resource estimation report provided by the Northwestern Sichuan Brigade and discussions with the Northwestern Sichuan Brigade technical personnel, the general procedures and parameters used in the mineral resource estimation are described below.

6.2.1 Determination of Limestone Resource Industrial Requirements

The limestone in the Jiangyou Project area is a very-fine grained rock. After polishing, it generally shows a pure beige color and a glossy appearance, sometimes with a wood grain or netted texture. The color, texture, and gloss of the limestone make it a good quality decorating rock. The limestone is amenable to mining and processing; it is not easy to break during the mining and cutting process, and can be polished easily. Joints and fissures are relatively under developed in the rock and they are often sealed by late calcite veinlets.

Jinshida has determined that four types of commercial dimension stone products based on color and texture combinations will be produced from the property, that is, the Pure Beige, the Mixed Beige, the Wood Grain, and the Gray Net. Similar limestone products are popular on the market in China and abroad with premium sales prices. According to CSMA, the Pure Beige, which is very similar to the Royal Botticino, a popular and top-end beige dimension stone products from Iran, is expected to have the highest sale price of the four limestone types, followed by Mixed Beige, the Wood Grain, and the Gray Net.

The limestones at Jiangyou are very pure in chemical composition, consisting mostly of calcite. It is a very good source material for calcium carbonate powder and cement production.

The above discussion indicates that the limestone resources meet the industrial requirements for dimension stones as well as for other industrial uses, such as calcium carbonate powder and cement production.

6.2.2 Determination of Block Boundaries and Confidence Levels

In the parallel section mineral resource estimation, a limestone body on a cross section was separated into a number of blocks, with each block assigned a resource confidence level based on the type, density and quality of available geological data. A Measured resource block was defined by surface drilling and surface channel sampling with a data spacing of 100 m to 150 m in both the strike and the dip directions. An Indicated block was defined by a data spacing of 200 m to 300 m. Because of the relatively high drilling and surface trench density at the property, all limestone resource blocks have

been classified as either Measured or Indicated categories. There is no Inferred limestone resource within the Jiangyou Project mining license area. Figure 6.2 shows the resource classification for the Jiangyou Project on a projected plan map.

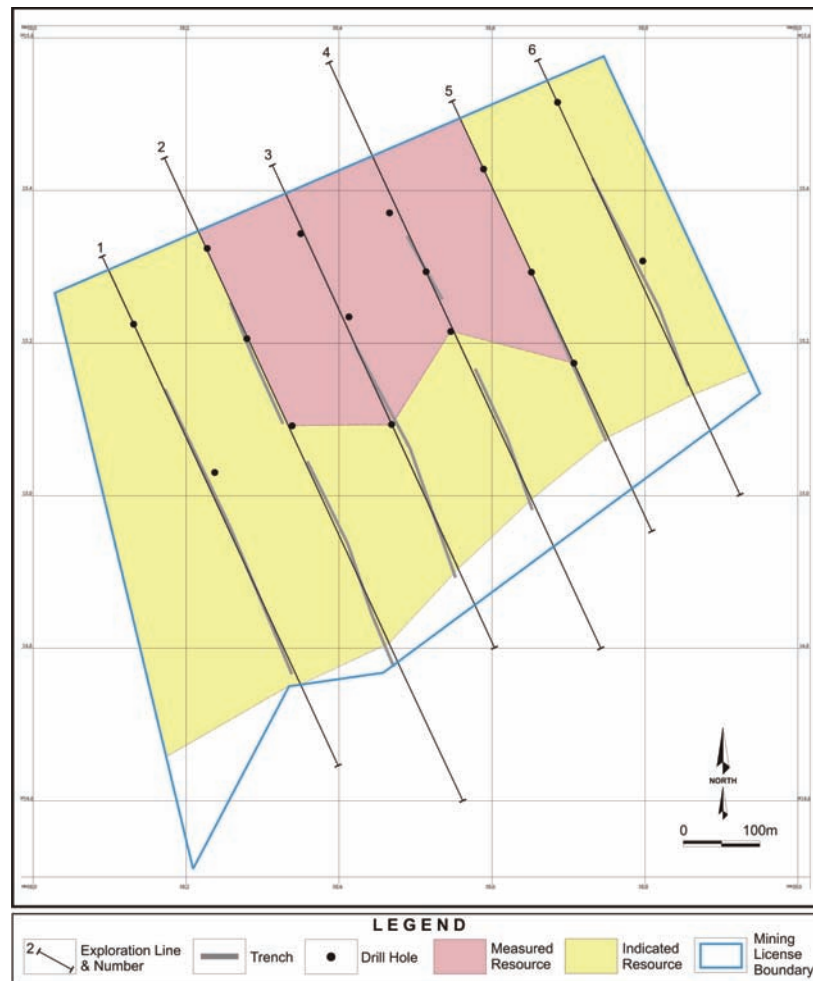


Figure 6.2 Resource classification on the projected plan map for the Jiangyou Project

The limestone resource estimation was limited to a lower MSL elevation of 590 m, which is approximately the lower erosion base in the area. Surface topography of the Jiangyou Project mining license area was surveyed by the Northwestern Sichuan Brigade in March 2010, which was used as the topographic control of the current resource estimation. A pit slope angle of 60° was also used to limit the boundary for the limestone resource estimate.

BDASIA believes that the geological interpretation for the Jiangyou Project limestone deposit is reasonable and reliable, which provides a solid basis for the resource/reserve estimation and mine planning.

6.2.3 Limestone Resource Estimation

In the limestone resource estimation process, the corresponding two-dimensional blocks on two neighboring parallel cross sections were used to define a three-dimensional block. The area of the three-dimensional block (S) was calculated from the areas of the two-dimensional blocks on cross sections (S1

and S2), which were measured by computer from AutoCAD drawings. When the area difference for the two blocks on cross sections was less than 40%, the following trapezoid formula was used for the three-dimensional block sectional area calculation:

$$S = \frac{S_1 + S_2}{2}$$

When the area difference for the two blocks on cross sections was more than 40%, the following frustum formula was used for the three-dimensional block sectional area calculation:

$$S = \frac{S_1 + S_2 + \sqrt{S_1 \times S_2}}{3}$$

When a block on a cross section pinches out, the three-dimensional block sectional area was half the two-dimensional block area if the block pinches out to a line or one third of the two-dimensional block area if the block pinches out to a point.

The volume of the three-dimensional block was determined by multiplying the sectional area (S) by the distance (L) between the two sections. The volume of the mineralized body and deposit were based on the sum of the block volumes.

Volumes occupied by the karst caves were subtracted from the limestone volume estimation based on the average karst cave percentage determined from the 16 existing drill holes.

6.2.4 Discussion

Based on BDASIA's review, BDASIA considers the geological interpretation and the limestone resource estimation procedures and parameters applied by the Northwestern Sichuan Brigade to the Jiangyou Project to be generally reasonable and appropriate. The deposit is a marine sedimentary deposit with good spatial, chemical composition, and physical property continuity. The Measured category blocks were defined by drill holes and crosscut channels at a data spacing of 100 m to 150 m in both strike and dip directions and have good geological control. The Indicated category blocks were defined by a data spacing of 200 m to 300 m and have a reasonable level of geological control.

Based on reviewing the deposit geology, drilling and sampling data, and procedures and parameters used for the estimation of limestone resources, BDASIA is of the opinion that the Measured and Indicated limestone mineral resources estimated under the 1999 Chinese mineral resource system for the Jiangyou Project by the Northwestern Sichuan Brigade conform to the equivalent JORC mineral resource categories. The economic portion of the Measured and Indicated limestone resources can accordingly be used to estimate Proved and Probable limestone dimension stone reserves.

6.3 Mineral Resource Statement

The mineral resource estimates under the JORC Code as of December 31, 2010 for the Jiangyou Project, as reviewed by BDASIA, are summarized in Table 6.1. The April 2010 Northwestern Sichuan Brigade limestone resource estimation was dated March 31, 2010. As there was only negligible mine production from March 31, 2010 to December 31, 2010 at the Jiangyou Project, the mineral resources as of December 31, 2010 are exactly the same as that on March 31, 2010. The limestone resource estimates are inclusive of limestone mineralization comprising the limestone dimension stone reserves. The Measured and Indicated limestone resources can be used for limestone dimension stone reserve estimation and mine planning.

Table 6.1 Jiangyou Project Limestone Resource Summary, as of December 31, 2010	
JORC Resource Class	Limestone Resource (Mm³)
Measured	16.50
Indicated	28.38
Total	44.88

It should be noted that limestone resources that are not limestone reserves do not have demonstrated economic viability. Investors should be cautioned that the limestone resources may not ultimately be extracted at a profit.

6.4 Limestone Dimension Stone Reserve Estimation

Under the JORC Code, limestone dimension stone reserves comprise that portion of the Measured and Indicated limestone resources that are planned to be mined economically as dimension stones and delivered to the plant for processing or sold in a dimension stone market. Limestone dimension stone reserves and the mine plan for the Jiangyou Project were developed by the Building Materials Institute in Beijing in a feasibility study dated May 2010 using the April 2010 Northwestern Sichuan Brigade limestone resource estimates. Only the Measured and Indicated limestone resources were considered as potential ore in the Building Materials Institute's limestone dimension stone reserve estimation and mine planning.

Based on the Building Materials Institute's feasibility study, the limestone deposit will be mined in open pits by a combination of different cutting techniques, including diamond wire cutting, chain saw cutting, and disc saw cutting, which will cut the limestone deposit into rectangular dimension stone blocks of different sizes. Limestone blocks were classified into three size classes in China: Class I, or large, blocks have a block volume of more than 3 m³; Class II, or medium, blocks have a block volume from 1 m³ to 3 m³; Class III, or small, blocks have a block volume from 0.5 m³ to 1 m³. The sales price of the limestone blocks is related to the block size, and the larger blocks can generally sell for a higher price. Therefore, the project will try to produce Class I, large, limestone blocks as much as possible, but some smaller blocks will have to be produced because of presence of fractures (including joints) and karst caves in the limestone deposit.

A final open pit was designed by the Building Materials Institute based on the Northwestern Sichuan Brigade's limestone resource model and an overall pit slope angle of 60°. Other parameters used for the pit design include a bench height of 20 m, a safety berm of 4 m on each bench and a cleaning berm of 8 m on every third bench, and a bench face angle of approximately 72.7°. The designed final pit is approximately 840-m long in the northeast direction and 580-m wide in the northwestern direction at the surface; it is 760 m long and 335 m wide at the pit bottom. The pit contains 17 benches (from 590-m to 910-m). Only the lowest two benches are closed benches for the designed pit. Limestone resources within the designed final pit (excluding the karst cave volume) are approximately 44.15 Mm³ (Table 6.2), of which 15.74 Mm³ is the Measured limestone resource and 28.41 Mm³ is the Indicated limestone resource. There is also a small volume of overburden (consisting of Quaternary soils and weathered limestones with numerous open weathering joints) above the limestone deposit of approximately 3.10 Mm³, resulting in a waste:ore strip ratio of 0.07.

Table 6.2		
Jiangyou Project Limestone Resource Inside the Final Pit Design, as of December 31, 2010		
JORC Resource Class	Limestone Resource (Mm³)	Waste (Mm³)
Measured	15.74	—
Indicated	28.41	—
Total	44.15	3.10

Mining dilution factor is not applicable for limestone dimension stone block mining, but mining recovery factor or the blocks rate, that is, the percentage of the limestone resources that can be mined out as limestone stone blocks, is a very important parameter to convert the limestone resources in the designed open pit into limestone dimension stone reserves. Accurately determining the blocks rate is not an easy task, especially at the early stage of the operation.

Blocks rate was estimated for the Jiangyou Project by the Northwestern Sichuan Brigade using the graphic methods as well as using the actual preliminary production results. The graphic methods include a two-dimensional estimate and a three-dimensional estimate.

The theoretical graphic two-dimensional and three-dimensional blocks rate calculation for selected areas result in a two-dimensional blocks rate of 24.0% to 53.5%, averaging 39.9%, and an average three-dimensional blocks rate of 51.4%; whereas an actual production blocks rate of 40.5% was calculated from data provided by Jinshida for a small trial mining area comprising a total of 427.0 m³ in volume with a total of 172.9 m³ of limestone blocks produced.

The trial mining area is at the upper portion of the limestone deposit. The Building Materials Institute believes that the limestone deposit should generally become more cohesive to depth and a blocks rate of 38% (consisting of a blocks rate of 40% and a block handling loss of 5%) was selected for the limestone dimension stone reserve estimation. BDASIA considers that the selected blocks rate to be generally reasonable at this stage. BDASIA notes that the blocks rate is generally difficult to be determined accurately, and variation could occur to depth in the Jiangyou Project limestone deposit. BDASIA recommends to closely monitor the actual blocks rate in production and adjust the limestone dimension stone reserve estimate according to the actual production blocks rate if necessary. BDASIA would also note that the Jiangyou Project has a limestone resource sufficient for over one hundred years of production at the designed production rate of 150,000 m³/pa; variation in the blocks rate should not have a significant impact for mine production for the first 20–30 years of the mine life.

Economic test was conducted on Measured and Indicated limestone resources based on the economic conditions assumed in the May 2010 Building Materials Institute feasibility study for the Jiangyou Project. These assumptions include an average limestone block sales price of RMB3,419/m³ (US\$516/m³) (before VAT) and an estimated average mining operating cost of RMB622/m³ (US\$94.0/m³) and G&A and others cost of approximately RMB100/m³ (US\$15.1/m³). This test indicates that mining the limestone resources as dimension stone shall be a very profitable operation for the Jiangyou Project.

After applying the estimated blocks rate of 38% on the *in-situ* limestone resources in Table 6.2, the Proved and Probable limestone dimension stone reserves were estimated from the Measured and Indicated limestone resources in the Jiangyou Project mining license area.

6.5 Limestone Dimension Stone Reserve Statement

Limestone dimension stone reserves as of December 31, 2010 for Jinshida' Jiangyou Project as estimated by the Building Material Institute and adopted by BDASIA in this CPR are summarized in Table 6.3. The limestone dimension stone reserve estimates include both Proved and Probable reserves, which were converted from Measured and Indicated limestone resources, respectively. Mining recovery factor or the blocks rate for the limestone dimension stone reserve estimates is 38%.

Table 6.3 Jiangyou Project Limestone Dimension Stone Reserves, as of December 31, 2010	
JORC Reserve Class	Limestone Dimension Stone Reserve (Mm³)
Proved	5.98
Probable	10.80
Total	16.78

In addition to limestone dimension stone reserves estimated in Table 6.3, the smaller pieces of limestones that are insufficient for limestone block production can also be used to produce other by-products, such as small cut-to-size limestone tiles, limestone mosaics, and as raw materials for calcium carbonate powders and cement production, which will also contribute to the project economics of the Jiangyou Project. Therefore, minimum waste material will be produced from the Jiangyou Project mining operation.

6.6 Mine Life Analysis

The limestone dimension stone reserve mine life of the Jiangyou Project reviewed in this study based on the December 31, 2010 limestone dimension stone reserve estimates of 16.78 million cubic meters ("Mm³") and the planned production rate of 150,000 m³/pa is approximately 112 years. However, as there is a production ramp up process in the beginning and a production ramp down process at the end, the actual mine life of the Jiangyou Project will be several years longer. This limestone reserve mine life may change significantly in the future due to the following reasons:

- acquiring additional mining license area and conduct appropriate level of exploration work can increase the limestone resources and limestone dimension stone reserves of the Jiangyou Project. However, this is obviously not a priority task for the Jiangyou Project at this stage as the current limestone dimension stone reserves have a mine life of approximately 112 years;

- the actual mining recovery factor, or the blocks rate, might be different from that used for the limestone dimension stone reserve estimation. The reserve mine life will be reduced if the actual mining recovery factor is lower than the planned mining recovery rate, and the reserve mine life will be increased if the actual mining recovery factor is higher than the planned mining recovery rate;
- changes in the production rate would also change the mine life. The mine life would be shortened if the production rate is increased to a level higher than the anticipated long-term production level; and
- changes in the limestone dimension stone mining recovery rate, or the blocks rate, would also change the projected mine life. The mine life would be increased if the blocks rate increases when mining gets into the heart of the limestone deposit.

7.0 POTENTIAL FOR DEFINING ADDITIONAL LIMESTONE RESOURCES

The limestone resources within the Jiangyou Project mining license and exploration license area has been well defined by the Northwestern Sichuan Brigade, therefore, there is no additional exploration potential for limestone resources within the current mining license and exploration license area.

The limestone deposit that constitutes the limestone resources and limestone dimension stone reserves continuous along strike and in the dip direction outside the current Jiangyou Project mining license and exploration license area, therefore, acquiring additional mining license or exploration license area in the surrounding area of the current Jiangyou Project mining license and exploration license area and conduct appropriate exploration work can significantly increase the limestone resources and reserves for the Jiangyou Project.

8.0 MINING

8.1 Mine Design

The Jiangyou Project is a limestone dimension stone quarry designed to extract 150,000 m³ of limestone blocks annually. The blocks will then be used primarily as a raw material for a processing plant where limestone slabs and other products will be produced.

The limestone deposit is made up the lower section of the Tianjingshan Formation and the upper section of the Leikoupo Formation of the Triassic Period exposed on four rocky hills located on the northwestern limb of the Niuxingshan anticline. There are no obvious folds and faults within the Jiangyou Project mining license area. The stratigraphic occurrence is stable with a northeastern strike at the azimuth from 62° to 72° and a northwestern dip at angles from 22° to 36°.

The designed final open pit has a bench height of 20 m, a safety bench width of 4 m, and a cleaning bench width of 8 m for every third bench. Working benches are recommended to be between 9 m and 12 m in height to maximize the production of large blocks particularly in areas heavily fractured and containing significant karst caves. Working benches will be vertical with the final mined out slope pulled back to an overall 60° angle. BDASIA considers that this is a conservative final pit slope for a quarry of this type.

Virtually all vegetation has been removed from the mining license area and there is very little overburden. Some weathered limestone with abundant weathering fractures was noted in the top benches of the quarry. This material was being actively stripped off and stockpiled for internal use (such as fill, roads, ramps, etc) or for eventual by-product sale.

A wide haul road has been developed that reaches the top of the central and eastern portions of the mining area with a second spur road being developed to reach the top of the western end of the deposit. The road is adequate for both haulage of equipment and supplies and for moving mined blocks to the staging area at the base of the mountain. Drainage ditches and retaining walls have been installed at various locations along the road to insure its stability.

A large staging area for mined blocks has been constructed at the base of the mountain. It has good access to the local road that runs on the southeastern side of the property. This area will also contain various support facilities and maintenance shops for the mine. There is adequate room to expand these support areas as the quarry is developed and production increases. Adequate water and electrical power resources are available to sustain the mining and support activities on site.

Initial production benches have been developed mostly on the eastern and central portions of the deposit with one bench being developed on the western portion of the deposit. Mining of blocks will ramp up to eventually include several active faces with the mountain being slowly mined down to the elevation of the staging area. The top benches currently in production are affected by karst caves and weathering fractures. Drilling has indicated that there are substantial karst caves throughout the deposit and will have to be managed during the life of the mine. The weathering fracture problem, however, will be minimized once the highest benches of the mine are removed.

According to the mine plan, the mineral resource volume within the designed final pit is approximately 44.15 Mm³ and the anticipated yield of blocks will be approximately 16.78 Mm³ over the life of the mine. Rock that is not suitable for dimension stone production will be used for by-product production or sold as raw materials for cement or calcium carbonate powder manufacturing.

The limited preliminary quarry construction started in July 2008, but full scale quarry construction did not start until January 2010. The construction is expected to be completed in 2013. Limited commercial production of limestone blocks started in September 2010, and the annual production capacity is expected to ramp up from 45,000 m³ in 2011, to 90,000 m³ in 2012, and to 135,000 m³ in 2013. Full production at the rate of 150,000 m³pa of limestone blocks will be reached in 2014. At this production rate the mine life is estimated over 110 years.

Quarrying operations are scheduled to be 300 days per year (taking into account holidays, weather downtime and equipment maintenance) with sawing taking place in three 8-hour shifts per day and other activities in two 8-hour shifts per day.

Once quarry development is completed, haul roads finalized, mining equipment installed, and the work force trained, BDASIA believes that the quarry should be able to meet its production targets from this deposit.

8.2 Mining Method

The project feasibility study illustrates that the permitted deposit is large enough and of suitable quality to guarantee that annual production goals can be achieved. This was confirmed by a field visit by BDASIA personnel. The critical element to achieving the desired annual production of 150,000 m³ of limestone blocks is the proper development of the required several independent quarry working faces. The quarry is designed to be operated in a descending multi-bench architecture taking into account the morphological and geologic conditions within the deposit.

Quarrying will be organized by the opening of many independent extraction benches progressing from east to west (with one area in the southwest of the deposit) equipped with adequate saws, diamond wires, front end loaders, excavators, and cranes to guarantee that production goals will be achieved. This will be difficult in the upper portion of the deposit due to it being extremely cracked and crossed by several karst caves that will limit the production of blocks (especially large higher value blocks). It is therefore planned to expedite the mining of these benches to open up the heart of the deposit and develop adequate working faces. The fracturing pattern of the deposit indicates that a recommended minimum working bench height of 9 m to 12 m be maintained wherever possible to allow for the maximization of large block production. As mining progresses bench widths will be increased to allow the application of additional equipment to expand production.

The feasibility study indicates that extraction will start from the eastern side of the deposit progressing to the west by initially opening up of smaller production faces. These will be enlarged as the upper levels are removed and rock quality improves. Each production face will be approximately 40 m to 60 m in length with a height of 6 m to 9 m. Faces will be oriented 90° from the layering dip (this direction is also marked by the colour veins general direction).

The block mining and cutting equipment needed to guarantee a production volume of up to 1,000 m³ per month for each active face with two-daily working shifts includes:

- 1 chain saw cutting machine
- 2 diamond wire cutting machine (75 KW)
- 3 diamond wire cutting machine (37 KW)
- 1 disc saw cutting machine

- 1 drilling machine
- 1 bench overturning equipment
- 1 pneumatic block cutter
- 2 electric generator
- 1 air compressor

Front end loaders and excavators will be shared between two or three active faces. Approximately seven to eight loaders and an equal number of excavators will be needed when the mine is fully ramped up for mining operations to proceed efficiently. Additional units may be required as spares and to complete development and support tasks. BDASIA understands that a significant portion of the equipment to be used for the Jiangyou Project will be high-quality commercial products imported from Italy.

As indicated earlier the quarry will be developed by descending benching, so the heavy equipment and the chain saw machines will be shared among active faces being mined on the same level. The horizontal cut required to mine the blocks will be accomplished by means of a chain saw cutting machine and the main vertical cuts by means of two diamond wire cutting machines.

As the benches are developed they will be cut in slices. Thicknesses of slices will be determined by quarry management taking into account the geologic characteristics of the limestone block. The slice cutting will be carried out by the light diamond wire cutting machine after detailed analysis of the slice to avoid the presence of cracks in the blocks to maximize block recovery.

The quarry will be organized into several smaller independent active mining faces equipped with the required assets to maximize block production. Mined blocks will be loaded onto trucks and hauled to the staging area at the base of the mountain for shipment to the processing plant or the customers.

Maintenance of the various cutting tools and mobile equipment and having adequate supplies of spare parts and consumables is critical for maintaining the required monthly production volumes. Repair and support facilities will be constructed to support the planned mining operations.

8.3 Geotechnical and Hydrological Issues

The deposit is constituted of a thick-bedded to massive micritic limestones and micritic bioclastic limestones; the bulk density of the limestones ranges from 2.51 to 2.73 t/m³ with an average of 2.61; the compressive strength is from 27.5 to 63.7 MPa and bending strength is from 16.3 to 39.7 MPa. The structural plane is mainly joint fissure, and the fracture of layer surface is obsolete. According to the project feasibility study, there is a northwest-southeast and a northeast-southwest conjugated joint, which divides the deposit into wedge-shaped or square block. According to the statistics for 5 fractures point within 165 m², the fracture frequency is from 0.54 to 0.93 pieces/m, with an average of 0.73 pieces/m.

Drill core data indicates substantial voids and karst caves with an average cavity rate of approximately 8.0%. These features do not appear to affect overall slope stability but should be taken into account as specific active mining benches are developed. Local slope instability could be encountered and allowances in the overall production scheduling needs to take these factors into account. The overall deposit is considered competent and stable with very good slope stability. Working

benches will be vertical but the final overall pit slope angle will be 60°. This is considered conservative and very adequate for this operation. Slope stability, except for local anomalies, is considered excellent and should not materially affect ongoing life of mine operations.

Hydro-geologic factors are not considered to be a significant factor negatively affecting the life of mine operations of the quarry. All of the mining of dimension stone blocks is well above the ground water aquifer and local karst caves and drainage features will move rainwater away from active mining and support facilities. The Building Material Institute did discuss the affects of mine waste water (generally consisting of clean water mixed with rock powders) from cutting operations entering the karst caves and being introduced into the local water system. It is currently felt that the rock powder in the mine waste water will mostly deposit out from the water flows where the flow rate reduces and the remaining water should not have any significant impact on the ground water system.

8.4 Mine Production

The quarry is currently mining the upper benches of the eastern portion of the deposit. The deposit in this area is very cracked because of the presence of the abundant weathering joints. When the BDASIA project team visited the project site in late June 2010, bench heights were no more than 4 m. Recoveries are low and the blocks recovered are relatively small. The current recovery rate cannot be used as a realistic reference as the quarry is in its early stages of development. Using the Italian Botticino quarries as reference, it is possible to forecast that stone from the first two benches will remain highly cracked and that realistic production rates will only be achieved beginning with the third bench. The Company management and BDASIA staff concur that it will take up to 12 months at the current production rate to open up the third bench in the eastern portion of the deposit. Other areas will require additional time to reach quality *in-situ* stone. Block recovery rates should reach the projected 38% with the opening of this bench but at least 20% of these blocks will be medium or small blocks. The full development of the deposit to the third and lower benches will be required for large block production to be maximized. This process is estimated by management and BDASIA to take up to three years from the end of 2010.

Table 8.1 illustrates the actual block production for the first eleven months of 2010 and scheduled block production from December 2010 to 2015 by volume of various uses as well as the actual and forecast color and texture type split for the limestone block production. BDASIA's review of the feasibility study, its field visit, meetings with management, and its independent review indicate that these assumptions are reasonable and achievable if the mining plan is fully implemented, staffing is adequate, required equipment is procured, and operated effectively and efficiently.

Table 8.1 Historical and Forecast Limestone Blocks Production for the Jiangyou Project, 2010–2015							
Item	Actual	Forecast					
	2010 Jan-Nov	2010 Dec	2011	2012	2013	2014	2015
Limestone Block Production (m³)	415	730	45,000	90,000	135,000	150,000	150,000
Blocks Used for Self Slab Production (m ³)	—	—	—	53,374	88,957	88,957	88,957
Blocks Used for Contract Slab Production (m ³)	391	730	45,000	30,000	40,000	40,000	40,000
Blocks Used for Shaped Stone Products (m ³)	—	—	—	1,800	3,000	3,000	3,000
Blocks to be Sold Directly to Customer (m ³)	24	—	—	4,826	3,043	18,043	18,043
Color and Texture Type Split for Limestone Block Production							
Pure beige	25.0%	25.0%	25.5%	30.0%	55.0%	55.0%	55.0%
Mixed beige	75.0%	75.0%	64.5%	60.0%	35.0%	35.0%	35.0%
Gray net	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Wood grain	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

9.0 LIMESTONE SLAB AND OTHER BY-PRODUCTS PRODUCTION

9.1 Limestone Slab Processing

The quarry will produce 150,000 m³ of small (Class III), medium (Class II), and large (Class I) limestone blocks annually when it is fully developed with the large blocks having the highest value. The majority of this volume will be processed into limestone slabs by Jinshida' processing facility (to be constructed) in Jiangyou City. Limestone slab processing from the plant is projected at 3 Mm²pa, of which 55% will be standard, 2-cm-thick, one-side-polished limestone slabs, 35% 2-cm-thick, cut-to-size limestone tiles, and 10% 1-cm-thick, one-side-polished limestone slabs. Contract processors will also be used on an as needed basis for additional limestone slab processing or special orders, especially during the construction and ramp-up period for the Company's own processing facility.

Small blocks will be processed by block cutting machines to produce the thin slabs and cut-to-size tiles. Medium and large blocks will be processed by gang saws and will be typically used to produce 2-cm-thick one-side-polished limestone slabs. In addition, approximately 200,000 pieces (sets) per year of shaped stone products will also be produced. These include curved plates, moldings, fireplace components, tables, and special order products.

Limestones from the upper benches of the open pit production are characterized with small defects such as holes, cracks, fossils, etc. Therefore, blocks produced in the early years will often need to be treated with resin to insure final product quality. This will double polishing time as the slabs will need to be polished twice. As limestone quality improves with mining depth, this added polishing step will be reduced but not eliminated.

To accomplish the required polishing, the 2-cm slab polishing processing plant flow sheet would be:

Slabs are pre-polished by an 8-head polishing machine (at a speed of 2 m/min)



Resin application and drying



Slabs cleaned by an 8-head polishing machine (speed 2 m/min)



Slabs are polished by a 14-head polishing machine (speed 1.4 m/min)

The 8-head polishing machine processing slabs with an average width of 1.6 m and 2-cm thickness will have a capacity greater than 1Mm²pa (3 shifts per day for 300 days per year).

The 12-head polishing machine processing slabs with an average width of 1.6 m and 2-cm thickness will have a capacity greater than 800,000 m²pa (3 shifts per day for 300 days per year).

BDASIA has reviewed the detailed design of the processing facility that will be constructed in Jiangyou City in the project feasibility study. BDASIA considers that the design, proposed layout and the scale and quantity of equipment designated is suitable to achieve the finished product production targets detailed in Table 9.1.

Table 9.1 Historical and Forecast Limestone Slab Production for the Jiangyou Project, 2010–2015							
Item	Actual	Forecast					
	2010 Jan-Nov	2010 Dec	2011	2012	2013	2014	2015
Jiangyou Project Slab Processing Plant							
2-cm One-Side-Polished Limestone Slab (m ²)		—	—	990,000	1,650,000	1,650,000	1,650,000
Limestone Blocks Consumed (m ³)	—	—	—	27,500	45,833	45,833	45,833
Slab/Block Ratio (m ² /m ³)	—	—	—	36	36	36	36
2-cm Cut-to-Size Limestone Tile (m ²)	—	—	—	630,000	1,050,000	1,050,000	1,050,000
Limestone Blocks Consumed (m ³)	—	—	—	21,874	36,457	36,457	36,457
Tile/Block Ratio (m ² /m ³)	—	—	—	28.8	28.8	28.8	28.8
1-cm One-Side-Polished Limestone Slab (m ²)	—	—	—	180,000	300,000	300,000	300,000
Limestone Blocks Consumed (m ³)	—	—	—	4,000	6,667	6,667	6,667
Slab/Block Ratio (m ² /m ³)	—	—	—	45	45	45	45
Total Slab Production (m²)	—	—	—	1,800,000	3,000,000	3,000,000	3,000,000
Limestone Blocks Consumed (m³)	—	—	—	53,374	88,957	88,957	88,957
Slab/Block Ratio (m²/m³)	—	—	—	33.7	33.7	33.7	33.7
Shaped Stone Products (piece)	—	—	—	120,000	200,000	200,000	200,000
Limestone Blocks Consumed (m ³)	—	—	—	1,800	3,000	3,000	3,000
Piece/Block Ratio	—	—	—	66.7	66.7	66.7	66.7
Contract Slab Processing							
2-cm One-Side-Polished Limestone Slab (m ²)	3,165	9,287	1,620,000	1,080,000	1,440,000	1,440,000	1,440,000
Limestone Blocks Consumed (m ³)	90	251	45,000	30,000	40,000	40,000	40,000
Slab/Block Ratio	35.2	37	36	36	36	36	36

Since the facility has not been constructed or commissioned, BDASIA cannot comment on plant operations but the proposed work scope and methodology detailed in the feasibility study is reasonable. Management also has the experience and depth of support to construct and commission the facility in the detailed time line and to achieve steady state operation to meet the project finished product production schedule.

9.2 Other By-Products Production

The block yield from the quarry is estimated to be approximately 38%. The remaining 62% will be made up of unsuitable or damaged blocks, eroded limestone, limestone affected by karst caves, and smaller broken material.

In addition to the primary limestone slab processing plant in Jiangyou City, Jinshida will also construct a small processing plant near the Jiangyou Project site, which will employ some of the local labor to produce small cut-to-size limestone tiles using the remaining limestones of various shape and size. This will enable the Company to achieve additional value from blocks that in many cases would have a very low value. This is due to the labor intensive nature of manufacturing products from small blocks. The waste material from the limestone slab, tile, and shaped stone product production will be sold at very low prices as raw material for cement and calcium carbonate powder production. Table 9.2 summarizes the projected production for the small, 2-cm-thick, cut-to-size limestone tiles and the raw materials for cement and calcium carbonate powder production from 2011 to 2015. The intent is that virtually the entire volume of the limestone mined from the deposit will be used in some form and the final waste rocks from the project will be minimized.

Table 9.2 Forecast Other By-Product Production for the Jiangyou Project, 2011–2015					
Item	2011	2012	2013	2014	2015
Small 2-cm Cut-to-Size Limestone Tile (m ²)	—	60,000	100,000	100,000	100,000
Raw Material for Calcium Carbonate Powder/Cement (t)	—	375,600	563,400	626,000	626,000

10.0 OPERATING COSTS

Based on information in the Building Materials Institute's feasibility study report, BDASIA has developed forecast unit limestone block production costs, self limestone slab production costs, contract limestone slab production costs, and production costs for other by-products for the Jiangyou Project from December 2010 to 2015 (Tables 10.1 to 10.4). The actual production costs from January to November 2010 are also summarized in the tables for comparison.

The unit product operating cash costs include mining costs, processing costs, G&A costs, selling costs, environmental protection costs, production taxes, resource compensation levy, and other cash cost items. The total production costs comprise the operating cash costs and depreciation/amortization costs.

Table 10.1 Actual and Forecast Limestone Block Operating/Production Costs for the Jiangyou Project, 2010–2015							
Item	Actual	Forecast					
	2010 Jan-Nov	2010 Dec	2011	2012	2013	2014	2015
Mining Cost							
Workforce Employment and Transportation of Workforce ⁽¹⁾ (RMB/m ³)	419.2	253	253	253	253	253	253
Consumables (RMB/m ³)	87.6	62	62	62	62	62	62
Fuel, Electricity and Water (RMB/m ³)	234.7	128	128	128	128	128	128
Equipment Maintenance (RMB/m ³)	93.2	94	94	94	94	94	94
Others (RMB/m ³)	51.0	84	84	84	84	84	84
Total Mining Cost (RMB/m³)	885.7	622	622	622	622	622	622
(US\$/m ³)	133.8	94.0	94.0	94.0	94.0	94.0	94.0
G&A and Other Cost							
On and Off-Site Administration (RMB/m ³)	11,200.2	1,361	307	26	22	30	35
Production Taxes and Governmental Charges (RMB/m ³)	16.0	321	516	7	3	17	17
Environmental Protection and Monitoring (RMB/m ³)	722.4	0	111	7	5	8	13
Product Marketing and Transport (RMB/m ³)	333.0	137	486	32	26	36	39
Others (RMB/m ³)	1,512.2	215	151	21	15	17	20
Total G&A and Other Cost (RMB/m³)	13,783.9	2,033	1,572	94	71	106	123
(US\$/m ³)	2,082.16	307.1	237.4	14.1	10.7	16.0	18.6
Total Operating Cash Cost (RMB/m³)⁽²⁾	14,669.6	2,655	2,194	716	693	728	745
(US\$/m ³)	2,215.94	401.1	331.4	108.1	104.7	110.0	112.6
Total Production Cost (RMB/m³)	14,917.1	2,939	2,397	966	1,000	1,098	1,147
(US\$/m ³)	2,253.34	443.9	362.0	145.9	151.0	165.9	173.3

Notes:

- (1) Transportation of workforce is not separated from the workforce employment cost in the original feasibility study report.
- (2) Contingency allowances are included in each item and are not listed separately in the original feasibility study report.

Table 10.2 Actual and Forecast Limestone Slab Operating/Production Costs for the Jiangyou Project, 2010–2015							
Item	Actual	Forecast					
	2010 Jan-Nov	2010 Dec	2011	2012	2013	2014	2015
Self Limestone Slab Costs							
Blocks Operating Cash Cost⁽¹⁾ (RMB/m ²)	—	—		21	21	21	22
(US\$/m ²)	—	—	—	3.2	3.1	3.3	3.3
Slab Processing Cost							
Workforce Employment and Transportation of Workforce ⁽²⁾ (RMB/m ²)	—	—	—	12	7	7	7
Consumables (RMB/m ²)	—	—	—	11	11	11	11
Fuel, Electricity and Water (RMB/m ²)	—	—	—	10	10	10	10
Product Transport (RMB/m ²)	—	—	—	3	3	3	3
Equipment Maintenance (RMB/m ²)	—	—	—	9	7	7	7
Total Slab Processing Cost (RMB/m²)	—	—	—	45	38	38	38
(US\$/m ²)	—	—	—	6.7	5.7	5.7	5.7
G&A and Other Cost							
On and Off-Site Administration (RMB/m ²)	—	—	—	13	11	11	12
Production Taxes and Governmental Charges (RMB/m ²)	—	—	—	33	32	33	33
Environmental Protection and Monitoring (RMB/m ²)	—	—	—	3	2	2	2
Product Marketing (RMB/m ²)	—	—	—	15	13	13	13
Others (RMB/m ²)	—	—	—	6	6	6	6
Total G&A and Other Cost (RMB/m²)	—	—	—	70	63	65	66
(US\$/m ²)	—	—	—	10.6	9.6	9.8	10.0
Total Operating Cash Cost (RMB/m²)⁽³⁾	—	—	—	136	122	124	126
(US\$/m ²)	—	—	—	20.5	18.4	18.8	19.0
Total Production Cost (RMB/m²)	—	—	—	153	140	145	148
(US\$/m ²)	—	—	—	23.1	21.2	21.9	22.3
Contract Limestone Slab Costs							
Blocks Operating Cash Cost ⁽¹⁾ (RMB/m ²)	407.1	79	61	20	19	20	21
(US\$/m ²)	61.49	11.9	9.2	3.0	2.9	3.1	3.1
Contract Slab Processing Charge (RMB/m ²)	60.0	50	51	51	51	51	51
(US\$/m ²)	9.06	7.5	7.7	7.7	7.7	7.7	7.7
Product Marketing and Transportation Cost (RMB/m ²)	110.7	67	60	60	60	60	60
(US\$/m ²)	16.72	10.2	9.0	9.0	9.0	9.0	9.0
Total Operating Cash Cost (RMB/m²)	577.7	196	172	131	130	131	132
(US\$/m ²)	87.27	29.6	26.0	19.8	19.7	19.8	19.9
Total Production Cost (RMB/m²)	584.8	204	178	138	139	142	143
(US\$/m ²)	88.33	30.8	26.8	20.8	21.0	21.4	21.6

Notes:

- (1) Unit Blocks Mining Cost was calculated based on the limestone blocks Total Operation Cash Costs as listed in Table 10.1.
- (2) Transportation of workforce is not separated from the workforce employment cost in the original feasibility study report.
- (3) Contingency allowances are included in each item and are not listed separately in the original feasibility study report.

Table 10.3 Forecast Shaped Stone Products Operating/Production Costs for the Jiangyou Project, 2011–2015					
Item	2011	2012	2013	2014	2015
Blocks Operating Cash Cost⁽¹⁾ (RMB/piece)	—	11	10	11	11
(US\$/piece)	—	1.6	1.6	1.6	1.7
Processing Cost					
Workforce Employment and Transportation of Workforce ⁽²⁾ (RMB/piece)	—	46	27	27	27
Consumables (RMB/piece)	—	35	35	35	35
Fuel, Electricity and Water (RMB/piece)	—	12	12	12	12
Equipment Maintenance and Others (RMB/piece)	—	14	11	11	11
Product Transport (RMB/piece)	—	3	3	3	3
Total Processing Cost (RMB/piece)	—	109	88	88	88
(US\$/piece)	—	16.5	13.3	13.3	13.3
G&A and Other Cost					
On and Off-Site Administration (RMB/piece)	—	3	3	3	3
Production Taxes and Governmental Charges (RMB/piece)	—	7	7	7	7
Environmental Protection and Monitoring (RMB/piece)	—	1	1	1	1
Product Marketing (RMB/piece)	—	4	3	3	3
Others (RMB/piece)	—	2	1	2	2
Total G&A and Other Cost (RMB/piece)	—	16	15	15	16
(US\$/piece)	—	2.4	2.2	2.3	2.4
Total Operating Cash Cost (RMB/piece)⁽³⁾	—	136	113	114	115
(US\$/piece)	—	20.5	17.1	17.2	17.4
Total Production Cost (RMB/piece)	—	145	123	125	126
(US\$/piece)	—	21.9	18.5	18.9	19.1

Notes:

- (1) Unit Blocks Mining Cost was calculated based on the limestone blocks Total Operation Cash Costs as listed in Table 10.1.
- (2) Transportation of workforce is not separated from the workforce employment cost in the original feasibility study report.
- (3) Contingency allowances are included in each item and are not listed separately in the original feasibility study report.

Table 10.4 Forecast By-Products Operating/Production Costs for the Jiangyou Project, 2011–2015					
Item	2011	2012	2013	2014	2015
Small Cut-to-Size Limestone Tile Costs					
Slab Processing Cost					
Workforce Employment and Transportation of Workforce ⁽¹⁾ (RMB/m ²)	—	32	19	19	19
Consumables (RMB/m ²)	—	9	9	9	9
Fuel, Electricity and Water (RMB/m ²)	—	9	9	9	9
Product Transport (RMB/m ²)	—	5	5	5	5
Equipment Maintenance and Others (RMB/m ²)	—	35	25	25	25
Total Slab Processing Cost (RMB/m²)	—	91	67	67	67
(US\$/m²)	—	13.7	10.2	10.2	10.2
G&A and Other Cost					
On and Off-Site Administration (RMB/m ²)	—	6	4	4	4
Production Taxes and Governmental Charges (RMB/m ²)	—	4	4	4	4
Environmental Protection and Monitoring (RMB/m ²)	—	1	1	1	1
Product Marketing (RMB/m ²)	—	6	4	5	5
Others (RMB/m ²)	—	3	2	2	3
Total G&A and Other Cost (RMB/m²)	—	20	15	16	18
(US\$/m²)	—	3.0	2.2	2.4	2.6
Total Operating Cash Cost (RMB/m²)⁽²⁾	—	110	82	83	85
(US\$/m²)	—	16.6	12.4	12.6	12.8
Total Production Cost (RMB/m²)	—	159	127	132	133
(US\$/m²)	—	24.0	19.2	19.9	20.1
Calcium Carbonate Powder/Cement Raw Material Costs					
Raw Material Production Cost					
Workforce Employment and Transportation of Workforce ⁽¹⁾ (RMB/t)	—	1.1	0.7	0.7	0.7
Consumables (RMB/t)	—	0.5	0.5	0.5	0.5
Fuel, Electricity and Water (RMB/t)	—	2.6	2.6	2.6	2.6
Product Transport (RMB/t)	—	5.4	5.4	5.4	5.4
Equipment Maintenance and Others (RMB/t)	—	1.3	1.2	1.1	1.1
Total Raw Material Production Cost (RMB/t)	—	10.8	10.3	10.2	10.2
(US\$/t)	—	1.63	1.56	1.54	1.54

Table 10.4 (continued) Forecast By-Products Operating/Production Costs for the Jiangyou Project, 2011–2015						
Item	2010	2011	2012	2013	2014	2015
G&A and Other Cost						
On and Off-Site Administration (RMB/t)	—	—	1.4	1.1	1.1	1.2
Production Taxes and Governmental Charges (RMB/t)	—	—	0.7	0.7	0.7	0.7
Environmental Protection and Monitoring (RMB/t)	—	—	0.3	0.2	0.2	0.2
Product Marketing (RMB/t)	—	—	1.7	1.2	1.2	1.4
Others (RMB/t)	—	—	0.8	0.6	0.6	0.7
Total G&A and Other Cost (RMB/t)	—	—	4.9	3.8	3.8	4.2
(US\$/t)	—	—	0.74	0.58	0.57	0.64
Total Operating Cash Cost (RMB/t)⁽²⁾	—	—	15.7	14.1	14.0	14.5
(US\$/t)	—	—	2.37	2.14	2.11	2.18
Total Production Cost (RMB/t)	—	—	16.1	14.6	14.4	14.9
(US\$/t)	—	—	2.44	2.20	2.18	2.25

Notes:

- (1) Transportation of workforce is not separated from the workforce employment cost in the original feasibility study report.
- (2) Contingency allowances are included in each item and are not listed separately in the original feasibility study report.

The detailed costs show a standard pattern of being front loaded during the development and ramp-up phases of the project with a gradual steady decline to a steady state situation by 2014. BDASIA has reviewed the operating cost data projections and found them to be generally reasonable and achievable. Overruns of the detailed projections, if any, will most likely be caused by construction and ramp up delays (equipment delivery delays, unforeseen weather delays, material shortages, etc), shake out issues while new equipment is deployed, and untrained work force issues increasing operating and repair costs. Management has allowed and budgeted for these contingencies and BSASIA concurs that the detailed schedule is reasonable.

11.0 CAPITAL COSTS

Actual capital expenditure from 2008 to November 2010 and current forecast capital cost from December 2010 to 2014 for the Jiangyou Project are shown in Figure 11.1. Total capital cost for constructing the 150,000 m³pa Jiangyou Project (including the limestone mine, primary limestone processing facility and the small limestone processing plant) is currently estimated at RMB788.4 M (US\$119.10 M).

Table 11.1 Actual and Forecast Capital Costs for the Jiangyou Project, 2008–2014								
Item	Actual		Forecast					Total
	2008–2009	2010 Jan-Nov	2010 Dec	2011	2012	2013	2014	
Limestone Mine (M RMB)								
Mine Construction	12.08	31.57	4.59	33.34	30.81	31.13	9.13	152.65
Mining Equipment	7.06	28.35	0.13	33.59	34.57	15.59	8.28	127.57
Mining Right	2.32			39.00				41.32
Land		1.40		3.60	15.00	10.00	10.00	40.00
Others		0.18		5.00				5.18
Subtotal	21.46	61.50	4.72	114.52	80.38	56.73	27.41	366.72
Limestone Processing Plants (M RMB)								
Processing Plant Construction				87.73	43.00			130.73
Processing Equipment				70.55	120.00	51.40		241.95
Land		1.00		19.00				20.00
Others				4.02	25.00			29.02
Subtotal		1.00	0.00	181.30	188.00	51.40		421.70
Total (M RMB)	21.46	62.50	4.72	295.83	268.38	108.13	27.41	788.42
(M US\$)	3.242	9.441	0.713	44.688	40.541	16.334	4.140	119.097

The majority of capital spending has taken or will take place from 2010 to 2012 as facilities are constructed and equipment is delivered and installed. The project development schedule is:

- *July 2008 – December 2009:* Limited preliminary mine construction activities.
- *January 2010 – December 2013:* Complete the construction of the main production facilities of the quarry. Quarry commissioning and ramp-up will begin during this period with full production by 2014. The capital cost in 2014 covers limited equipment replacement and additional land payment.
- *January 2011 – December 2011:* Processing plant construction is commenced, equipment is procured, delivered, and installed with plant construction being partially completed.
- *January 2012 – December 2012:* Processing plant is ramped up, shaken out and workforce is trained. Construction is totally completed and production of various products expands and reaches planned capacity.

BDASIA has reviewed the detailed capital cost estimates in the project feasibility study and found them to be reasonable with adequate contingencies for unanticipated issues. The detailed equipment, structures and timeline to deploy and construct these assets is reasonable.

12.0 ENVIRONMENTAL AND SOCIAL MANAGEMENT

12.1 Environmental Management

Environmental regulatory requirements for the Jiangyou Project under PRC laws and regulations comprises compliance with the National Air Quality Standard (GB3095-1996), Integrated Emission Standard for Air Pollutants (GB16297-1996), Integrated Wastewater Discharge Standard (GB8978-1996), Noise Standard at Boundary of Industrial Enterprises (GB12348-90) and Energy Conservation Law.

The Jiangyou Project has had an Environmental Impact Statement (“EIS”) for a 150,000 m³pa production rate approved, and an Environmental Consent issued, by Sichuan Province Environmental Protection Bureau (“EPB”) for the mining activities. Environmental measures to be implemented at the planned operations comprise:

- Dust mitigation: measures comprise use of water with drilling, cutting, and sawing activities; use of water sprays at material transfer points; and water trucks to spray the roads during dry periods. Personal protection devices (“PPE”) to provide additional personal protection from dust are provided to workers as necessary;
- Water supply and waste water treatment: the site has been designed to recycle used water for production activities and dust suppression. Production water and rain falling on the mine area are drained to a central sump where the water is settled and cleared of sediment before being recycled back into ongoing production activity. No toxic or hazardous substances are contained in the drainage water. Total water consumption for the site is estimated at approximately 34,066 m³/day and make-up water comprises approximately 3,200 m³/day. Top up and domestic water is taken from wells on the minesite which can provide a good supply. Domestic wastewater is treated to comply with national standards and discharged to the municipal wastewater system;
- Solid waste: there will be little ultimate waste from this operation as smaller sized stones and rubble will be used for by-product production, or sold as raw materials for calcium carbonate powder and cement production. The waste rock will be temporarily stored in the waste rock dump in a valley adjacent to the mine and will be shipped out regularly to ensure the minimum waste storage. This waste rock dump will be provided with appropriate water diversion measures, such as peripheral rainfall diversion drains, to minimize any risk of waste material saturation and associated potential for rock and mudslides;
- Noise control: methods of noise control will include use of silencers, noise and vibration dampening and absorbing materials, isolation and enclosure of noisy equipment, and regular equipment maintenance. Company policy requires PPE use, such as ear muffs or ear plugs, for noise-affected workers;
- Radioactivity of the Limestone Resource: the internal exposure index (“IRa”) of the specific radioactivity of natural radioactive nuclides Ra-226, Th-232 and K-40 ranges from 0.03 to 0.34, and the external exposure index (“Ir”) ranges from 0.02 to 0.19. These levels fall within the European Union’s acceptable limit range.
- Environmental monitoring: regular noise, water and air quality monitoring is undertaken under the auspices of the Jiangyou EPB, with random checks conducted by the Sichuan Provincial EPB; and

- Rehabilitation: a reclamation and re-planting program for disturbed areas will be ongoing. Waste rock dumps are to be properly rehabilitated upon either completion of their active lives or mine closure.

12.2 Social Management

The Company states that core corporate principles of its mining and processing operations include: the integration of social and economic benefits derived from the operations, the integration of enterprise and local economic development (including local farmers' income growth) and the demonstration of corporate social responsibility.

In support of these principles, the workforce is and will continue to be largely drawn from the local community — a well established and extensive mining area with many mines, both large and small. The community, therefore, is supportive of mining which is a major contributor to the prosperity of the district. In addition, as a co-operative venture with local residents, the Company will construct a small processing plant, which will employ some of the local labor to produce small cut-to-size tiles using the smaller limestone blocks of various shape and size. The waste material from limestone slab, tile, and shaped stone product production will be sold at very low prices to the local factories as raw material for cement and calcium carbonate powder production.

13.0 OCCUPATIONAL HEALTH AND SAFETY

Jinshida implements a corporate safety policy which incorporates national safety standards. Jinshida holds a current safety permit for the mine, issued by the Sichuan Provincial Administration of Work Safety on September 7, 2010, which is valid until June 16, 2012.

Jinshida conducts its operations in accordance with the relevant national laws and regulations covering occupational health and safety (“OH&S”) in mining, production, blasting and explosives handling, mineral processing, waste rock disposal, environmental noise, emergency response, construction, fire protection and fire extinguishment, sanitary provision, power provision, labor and supervision. Regular reports are submitted to the local health administration department, who also conducts random inspections, as required by law.

The project has maintained a good safety record in the three years since its purchase by Jinshida, with no fatalities or major injuries being sustained. A clinic is maintained on site, with part-time medical personnel supported by a community hospital 5-km away.

14.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high risk business. Although the volume of the limestone in the Jiangyou Project mining license area is relatively easy to determine, the volume percentage of the limestone resources that can be mined out as dimension stones, that is, the blocks rate, is relatively difficult to determine, especially at the early stage of the project.

Estimations of project capital and operating costs are rarely more accurate than $\pm 10\%$ and will be at least $\pm 15\%$ for projects in the development stages. Limestone mining project revenues are subject to variations in limestone block and limestone slab prices and exchange rates, though some of this uncertainty can be removed with long-term contracts.

Jinshida' Jiangyou Project reviewed in this CPR is at the development stage and the limited commercial production has just occurred. This brings an additional risk for the project.

In reviewing Jinshida' Jiangyou Project, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- High Risk: the factor poses an immediate danger of a failure, which if uncorrected, could have a material impact ($>15\%$) on the project cash flow and performance and could potentially lead to project failure.
- Moderate Risk: the factor, if uncorrected, could have a significant impact ($>10\%$) on the project cash flow and performance unless mitigated by some corrective action.
- Low Risk: the factor, if uncorrected, could have little or no effect on project cash flow and performance.

Risk Component	Comments
Limestone Resources <i>Low Risk</i>	The Jiangyou Project limestone deposit is a marine sedimentary deposit; it consists of large, stratiform mineralized bodies of generally thousands of meters in dimension along both the strike and dip directions and with good continuity in thickness, chemical composition and physical properties. The current limestone resources of the deposit were estimated by a polygonal method using surface drill holes and surface trenches. The Measured resource was estimated by drilling and trench sampling at a data spacing of 100 m to 150 m and the Indicated resources was estimated by a data spacing from 200 m to 300 m. The karst cave volume was deducted from the resource estimates based on an averaging karst cave percentage determined from the drill hole data. BDASIA considers the limestone resource estimate reasonable and acceptable.

Risk Component	Comments
Limestone Dimension Stone Reserves <i>Low to Moderate Risk</i>	Proved and Probable limestone dimension stone reserves under the JORC Code have been defined for the Jiangyou Project based on the Northwestern Sichuan Brigade April 2010 resource estimation and the Building Materials Institute's May 2010 feasibility study report. The Proved reserve and Probable reserve were estimated from the Measured resource and Indicated resource within the designed open pit, respectively. The planned mining method is diamond wire saw/chain/disc saw cutting in open pit. A mining recovery factor, or the blocks rate, of 38% was used in reserve estimation, which BDASIA considers reasonable at this stage. BDASIA suggests to closely monitoring the mining recovery factor during the actual mining process of the Jiangyou Project, and to use more accurate mining recovery factors based on actual mining to adjust the limestone dimension stone reserve estimation for the project, if necessary. Currently defined limestone dimension stone reserves for the Jiangyou Project are sufficient to support a mine production at the designed production capacity of 150, 000 m³pa for over 110 years.
Limestone Block Mining <i>Low Risk</i>	The Jiangyou Project uses standard and tested equipment to mine the limestone blocks. The new workforce will need significant training but the Company has currently engaged an operational consultant from Italy to train the workforce and shake out the new equipment. He will also aid in setting up quarry operating procedures and guidelines.
Limestone Slab and Other By-Products Production <i>Low to Moderate Risk</i>	The proposed processing plant will use standard and accepted equipment but workforce development and plant layout will be critical to achieve production targets. Management of the Company has sufficient experience in the limestone industry and many members of the senior management are industry veterans and experts. Management has planned an extensive employee training program as the facility is ramped up to mitigate this risk. By-product production should have no problem achieving or exceeding projections.
Infrastructure <i>Low Risk</i>	Access to both the Jiangyou Project mine site and the proposed limestone slab processing plant is good. Electricity and water supplies for both sites are readily available and sufficient.
Production Targets <i>Low to Moderate Risk</i>	The quarry production targets are achievable if the quarry is organized, staffed and equipped from its earlier phases. The development of the higher quality stone benches is critical as is the large number of working faces. The ramp up period to 2014 should be adequate to mitigate this risk.

Risk Component	Comments
Operating Cost <i>Low to Moderate Risk</i>	Operating cost estimates appear to be reasonable but development and startup delays could significantly impact these costs in the short to medium term. A new workforce will typically increase maintenance costs and reduce productivity of the mining and processing equipment. Management has applied reasonable contingencies to mitigate these factors but workforce development for the higher skilled staff is critical.
Capital Cost <i>Low to Moderate Risk</i>	Budgeted capital costs appear to be reasonable but overruns could occur if construction and shake out issues delay steady state operations. Additional mobile equipment or cutting equipment may need to be deployed to achieve steady state operations. Management appears to have budgeted adequate numbers of cutting tools but delays could occur if additional saws are unavailable. Used mobile equipment or contractors could be used in the short term if additional mobile equipment is required.
Environment and Social Issues <i>Low Risk</i>	Mitigation measures are being put in place to ensure environmental and social risks are minimized and regulatory environmental requirements are satisfied. Buildings and infrastructure are being constructed to withstand a seismic intensity of 8 and a peak ground acceleration of 0.01 g; however, any waste from this mine will be chemically benign, should a seismic or any other natural hazard occur. The Project appears to be in compliance with PRC laws and regulations, to have appropriately conducted the necessary permitting process and to have minimized any potential liabilities. The Project also complies with requirements outlined in the IFC's Environmental Health & Safety ("EHS") Guidelines for Construction Materials Extraction.
Occupational Health and Safety <i>Low Risk</i>	Jinshida holds a valid safety permit, seeks to conduct its operations in accordance with national safety regulations and has maintained a good safety record.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2010 under the Companies Law. The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 24 January 2011. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares

in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re

elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) *Alterations to constitutional documents*

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) *Alteration of capital*

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the Directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of

the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) *Special resolution majority required*

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear Business Days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear Business Days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) *Voting rights*

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any Shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

(g) *Requirements for annual general meetings*

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

(h) *Accounts and audit*

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the Directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) *Notices of meetings and business to be conducted thereat*

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear Business Days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(j) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that Shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to Shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every Business Day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or

such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) *Rights of the minorities in relation to fraud or oppression*

There are no provisions in the Articles relating to rights of minority Shareholders in relation to fraud or oppression. However, certain remedies are available to Shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) *Procedures on liquidation*

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of

different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) *Untraceable members*

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) *Subscription rights reserve*

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands under the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) *Operations*

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) *Share capital*

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) *Financial assistance to purchase shares of a company or its holding company*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) *Purchase of shares and warrants by a company and its subsidiaries*

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) *Dividends and distributions*

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) *Protection of minorities*

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) *Management*

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) *Accounting and auditing requirements*

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) *Exchange control*

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) *Taxation*

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 13 April 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) *Stamp duty on transfers*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) *Loans to directors*

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) *Inspection of corporate records*

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) *Winding up*

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the

Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) *Reconstructions*

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) *Compulsory acquisition*

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer

their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) *Indemnification*

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. *Incorporation***

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law on 29 March 2010. The Company has established a place of business in Hong Kong and was registered with the Companies Registry as a non-Hong Kong company in Hong Kong with the Company's principal place of business in Hong Kong at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong under Part XI of the Companies Ordinance on 3 September 2010. Mr. Lou Sai Tong of House No. 2, 22 Tsing Sai Road, Siu Lam, N.T., Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. The Company changed its name from China Kingstone Mining Holdings Ltd. to China Kingstone Mining Holdings Limited 中國金石礦業控股有限公司 on 26 April 2010.

As the Company is incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and to its constitutional documents comprising the Memorandum and the Articles. A summary of various provisions of its constitutional documents and relevant aspects of the Companies Law is set out in Appendix VI to this Prospectus.

2. *Changes in share capital of the Company*

The Company was incorporated in the Cayman Islands on 29 March 2010 with an authorized share capital of HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each, one of which was allotted and issued for cash at par to Codan Trust Company (Cayman) Limited. The Share was transferred to Wongs Investment on the same date. On 24 January 2011 the authorized share capital of the Company was increased to HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each.

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Option Scheme and the Share Option Scheme), the authorized share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Shares, of which 2,000,000,000 Shares will be issued fully paid or credited as fully paid, and 3,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 24 January 2011" in this Appendix and pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme, our Directors do not have any present intention to issue any of the authorized but unissued share capital of the Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this Prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the sole Shareholder passed on 24 January 2011

Pursuant to the written resolutions of our sole Shareholder entitled to vote at general meetings of the Company, which were passed on 24 January 2011, among other matters:

- (a) the authorized share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each by the creation of 4,996,200,000 Shares of HK\$0.10 each which rank *pari passu* in all respects with the Shares in issue as at the date of passing of the written resolutions;
- (b) conditional on the share premium account of the Company being credited as a result of the Global Offering, our Directors were authorized to capitalize the sum of HK\$149,999,999.90 and apply towards paying up in full at par 1,499,999,999 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company as at the close of business on 24 January 2011 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its then existing shareholdings in the Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares;
- (c) conditional on the conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus having been fulfilled:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares on and subject to the terms and conditions stated in this Prospectus and in the relevant Application Forms and our Directors were authorised to do all things and execute all documents in connection with or incidental to the Global Offering with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;
 - (ii) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorized to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme and to grant options to subscribe for Shares thereunder and to issue, allot and deal with Shares pursuant to the exercise of options granted thereunder;
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to (1) administer the Share Option Scheme; (2) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (3) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (4) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (5) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; (6) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme; and (7) sign the Share Option Scheme offer letters;

- (d) a general unconditional mandate was given to our Directors to exercise all the powers of the Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Company and/or any of its subsidiaries or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company);

- (e) a general unconditional mandate was given to our Directors to exercise all powers of the Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue; and
- (g) the adoption of the Articles.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (1) at the conclusion of the Company's next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) upon the expiry of the period within which the Company is required by any applicable law of the Cayman Islands or the Articles to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

4. Corporate Reorganization

In preparation for the Listing, our Company underwent the Corporate Reorganization. A diagram showing the corporate structure of our Company after the Corporate Reorganization is set out in the section headed "History and Corporate Development" in this Prospectus.

Details of the Corporate Reorganization undertaken are as follows:

- (a) On 29 March 2010, the Company was incorporated in the Cayman Islands as an exempted company under the Companies Law.
- (b) On 7 April 2010, Kingstone Industrial was incorporated under the laws of the BVI by the Company as an investment holding company.
- (c) On 14 April 2010, Hong Kong Kingstone was incorporated under the laws of Hong Kong by Kingstone Industrial as an investment holding company.
- (d) On 26 May 2010, Guangzhou Kingstone was established in Guangzhou under the laws of the PRC by Hong Kong Kingstone as a limited liability company with its registered capital of US\$30.0 million.
- (e) On 26 July 2010, Guangzhou Kingstone, Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao entered into four equity transfer agreements, respectively, pursuant to which Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao transferred 59%, 20%, 15% and 6% of the equity interests in Sichuan Jinshida, respectively, to Guangzhou Kingstone for the considerations of RMB5.9 million, RMB2.0 million, RMB1.5 million and RMB0.6 million, respectively.

5. *Changes in share capital of subsidiaries*

The Company's subsidiaries are listed in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

The following alterations in the share capital of a subsidiary of the Company took place within the two years immediately preceding the date of this Prospectus:

Sichuan Jinshida

On 26 July 2010, Guangzhou Kingstone, Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao entered into four equity transfer agreements, pursuant to which Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao transferred the equity interest of 59%, 20%, 15% and 6% of the equity interests, respectively, in Sichuan Jinshida to Guangzhou Kingstone for the considerations of RMB5.9 million, RMB2.0 million, RMB1.5 million and RMB0.6 million, respectively.

Save as disclosed in this Prospectus and except for as referred to in the paragraph headed "Corporate Reorganization" above in this Appendix, there has been no changes in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this Prospectus.

6. *Salient features of the Company's subsidiaries established in the PRC*

The salient features of the Company's subsidiaries established in the PRC are as follows:

(a) Guangzhou Kingstone

Nature of the company:	limited liability company (wholly foreign owned enterprise)
Date of establishment:	26 May 2010
Registered capital:	US\$30.0 million
Term of operation:	30 years
Scopes of businesses:	wholesale, commission agency (exclusive of auction) and import and export of building stone projects and building materials; provision of after-sales services and related consulting services (no shop operation). The business of those goods subject to quota license or special administration should be conducted in accordance with the relevant state regulations (except for the products exclusively operated or controlled by the state)
The Company's attributable percentage interest:	100%
Owner of the registered capital:	Hong Kong Kingstone

(b) Sichuan Jinshida

Nature of the company:	limited liability company
Date of establishment:	20 September 2005
Registered capital:	RMB10.0 million
Term of operation:	6 years
Scopes of businesses:	business activities requiring pre-licensing: open-pit exploitation of limestone used in cement and decorative stone (until 16 June 2012 and can only be conducted by branch company); general business activities: stone processing and sales; installation of stone projects
The Company's attributable percentage interest:	100%
Owner of the registered capital:	Guangzhou Kingstone

7. Repurchase by the Company of its own securities

This section sets out information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary Listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval in relation to a particular transaction.

On 24 January 2011, our Directors were granted a general unconditional mandate to repurchase the Shares as referred to in the paragraph headed “A. Further Information About the Company — 3. Written resolutions of the sole Shareholder passed on 24 January 2011” above in this Appendix on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, (the “Repurchase Mandate”). The Repurchase Mandate will be exercisable upon Listing and will expire at the conclusion of next annual general meeting of the Company, or the expiration of the period within which next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws to be held, or when varied or revoked by an ordinary resolution of the Shareholders, whichever shall first occur (the “Relevant Period”).

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of Shares which the Company may repurchase on the Stock Exchange is the number of Shares representing up to a maximum of 10% of the aggregate number of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering. The Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the Company is prohibited from repurchasing its securities on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from repurchasing its securities which will result in Shares held by the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the Company as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable.

(v) Suspension of repurchase

The Company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the Company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if the Company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, the Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate price paid.

(vii) Connected persons

The Company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a Director, chief executive or substantial shareholders of the Company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his/her securities to the Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of the Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to repurchase securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and our Shareholders as a whole.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this Prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell Shares to the Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No purchase of Shares has been made by the Company within six months prior to the date of this Prospectus.

If, as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Company within the two years preceding the date of this Prospectus and are or may be material:

- (a) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Jiucheng Mining transferred 59% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB5.9 million;
- (b) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Mr. Zhang Lin transferred 20% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB2.0 million;
- (c) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Ms. Li Xiaohong transferred 15% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB1.5 million;
- (d) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Ms. Bai Yanxiao transferred 6% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB0.6 million;
- (e) a note purchase agreement dated 13 August 2010 between MS China 3, the Company, Mr. Huang and Wongs Investment, pursuant to which MS China 3 agreed to purchase the Exchangeable Note;
- (f) a deed of share charge dated 19 August 2010, pursuant to which the Company created a charge in favor of MS China 3 the security of such charge consisting of all of the issued and outstanding ordinary shares of Kingstone Industrial and all proceeds deriving from the legal or beneficial ownership of such shares as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (g) a deed of share charge dated 19 August 2010, pursuant to which Kingstone Industrial created a charge in favor of MS China 3 the security of such charge consisting of all of the issued and outstanding ordinary shares of Hong Kong Kingstone and all proceeds deriving from the legal or beneficial ownership of such shares as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (h) an agreement on pledge of equity interest in Chinese dated 19 August 2010, pursuant to which Hong Kong Kingstone pledged in favor of MS China 3 its 20% equity interests in Guangzhou Kingstone and all proceeds deriving from such interests as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (i) a shareholders' and noteholder's agreement dated 19 August 2010 among MS China 3, the Company, Mr. Huang and Wongs Investment setting out certain rights of MS China 3 as noteholder of the Exchangeable Note and the management and operation of the Company and of other subsidiaries of the Company;
- (j) a shareholder loan agreement in Chinese dated 24 August 2010 between Hong Kong Kingstone as the lender and Guangzhou Kingstone as the borrower for a shareholder's loan of US\$15 million;

- (k) a deed of shareholder loan assignment dated 24 August 2010 between Hong Kong Kingstone, MS China 3 and Guangzhou Kingstone, pursuant to which Hong Kong Kingstone has agreed to assign, among others, its rights under the shareholder loan agreement to MS China 3 as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (l) an agreement on release of pledge of equity interests in Chinese dated 24 February 2011, pursuant to which Hong Kong Kingstone, Guangzhou Kingstone and MS China 3 agreed to release the pledge of the 20% equity interests in Guangzhou Kingstone and all proceeds deriving from such interest in favor of MS China 3;
- (m) the Deed of Non-competition;
- (n) the Hong Kong Underwriting Agreement; and
- (o) the Deed of Indemnity.

2. Intellectual property rights

The following intellectual property rights are or may be material in relation to our Company's business:

(a) Trademarks

As at the Latest Practicable Date, our Company was the registered owner of the following trademarks:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry Date
	Sichuan Jinshida	Hong Kong	19	301714798	13 September 2020
	Sichuan Jinshida	Hong Kong	37	301714798	13 September 2020
	Sichuan Jinshida	Hong Kong	40	301714798	13 September 2020
	Sichuan Jinshida	Hong Kong	42	301714798	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	19	301714806	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	37	301714806	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	40	301714806	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	42	301714806	13 September 2020

As at the Latest Practicable Date, our Company applied for registration of the following trademarks, the registration of which have not yet been granted:

Trade mark	Applicant	Place of Registration	Application Date	Class	Application Number
	Sichuan Jinshida	PRC	17 August 2010	19	8582362
	Sichuan Jinshida	PRC	17 August 2010	37	8582377
	Sichuan Jinshida	PRC	23 August 2010	40	8596158
	Sichuan Jinshida	PRC	17 August 2010	42	8582400

(b) Domain Names

As at the Latest Practicable Date, our Company registered the following domain name:

Domain name	Registered Owner	Expiry Date
jsmarble.com	Sichuan Jinshida	24 July 2011
kingstonemining.com	Guangzhou Kingstone	11 August 2011
kingstonemining.com.cn	Guangzhou Kingstone	27 August 2011
kingstonemining.cn	Guangzhou Kingstone	27 August 2011
kingstonemining.com.hk	Hong Kong Kingstone	6 September 2013
kingstonemining.hk	Hong Kong Kingstone	3 September 2013

(c) Mining rights

Details of our Company's mining rights are set out in the section headed "Business — Our Mineral Resources and Mining Rights" in this Prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Disclosure of interests****(a) Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and the Capitalization Issue**

Immediately following completion of the Global Offering and the Capitalization Issue and the sale of the Sale Shares (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to exercise of the Pre-IPO Share Option Scheme and the Share Option Scheme), the interests or short positions of our Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Interests and short positions in the Shares, underlying Shares and debentures and associated corporations:

<u>Name of Director</u>	<u>Capacity/Number of Shares</u>	<u>Number of Shares issuable pursuant to options granted under the Pre-IPO Share Option Scheme</u>	<u>Approximate percentage of issued Shares immediately after the Capitalization and the Global Offering</u>
Ms. Chen Tao	30,000,000	30,000,000	1.5%

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme), in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in our shares or underlying shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, 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 member of our Company.

Interests and short positions in our Shares and underlying Shares:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in the Company immediately upon completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full (assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option is not exercised)
Mr. Huang ^{(1), (2), (3) and (4)}	Interest in controlled corporation	1,313,926,277	65.7%
Wongs Investment ^{(1), (2), (3) and (4)} . .	Beneficial Owner	1,313,926,277	65.7%
MS China 3 ^{(5) and (6)}	Beneficial Owner	106,073,723	5.3%

Notes:

- (1) Wongs Investment is wholly owned and controlled by Mr. Huang and Mr. Huang is therefore deemed to be interested in the Shares held by Wongs Investment.
- (2) Assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option is exercised in full, Wongs Investment will remain interested in an aggregate of 1,226,926,277 Shares, representing approximately 61.3% of the entire issued share capital of the Company.
- (3) Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is not exercised, Wongs Investment will remain interested in an aggregate of 1,348,756,455 Shares, representing approximately 67.4% of the entire issued share capital of the Company.
- (4) Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is exercised in full, Wongs Investment will remain interested in an aggregate of 1,261,756,455 Shares, representing approximately 63.1% of the entire issued share capital of the Company.
- (5) MS China 3 is a wholly-owned subsidiary of Morgan Stanley Emerging Markets Inc., which in turn is wholly-owned by Morgan Stanley. Morgan Stanley is therefore deemed to be interested in the Shares held by MS China 3. Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is not exercised, MS China 3 will be interested in an aggregate of 71,243,545 Shares, representing approximately 3.6% of the entire issued share capital of the Company.
- (6) For the purpose of calculating the number of Shares to be exchanged by MS China 3, the exchange rate was made at US\$1.00 to HK\$7.7882 which was mutually agreed to between us and MS China 3.

2. Substantial Shareholders

Information on persons, not being Directors or chief executive of the Company, who will have, immediately following the Global Offering, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO is set out in the section headed “Substantial Shareholders” in this Prospectus.

3. *Directors' service contracts*

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Other than our non-executive Directors, each of our Directors is entitled to a basic salary or director's fee. Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year of our Company may not exceed 5% of audited consolidated or combined net profit of (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the performance-based bonus payable to him/her.

<u>Name</u>	<u>Annual Amount</u>
Ms. Chen Tao	RMB2.0 million
Mr. Lin Yuhua	RMB0.52 million
Mr. Liao Yuanshi	RMB0.48 million
Mr. Xiong Wenjun	RMB0.45 million

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. *Directors' remuneration during the Track Record Period*

The Company's principal policies concerning remuneration of executive Directors are to enable our Company to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives. Under the policy, a Director is not allowed to approve his/her own remuneration. The principal elements of our Company's executive remuneration package include salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

For each of the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009, none of the executive Directors and independent non-executive Directors of the Company received remuneration from our Company. For the eleven months ended 30 November 2010, the aggregate remuneration paid to our executive Directors by our Company amounted to RMB744,000.

Under the current arrangements, our Directors is entitled to receive an estimate of the aggregate remuneration which, for the financial year ending 31 December 2011, with an amount to RMB5.5 million, excluding the discretionary bonuses payable to our Directors.

The independent non-executive Directors have been appointed for an initial term of three years subject to early termination as stipulated in the appointment letters and the Articles, including retirement by way of rotation at each annual general meeting. Save for Director's fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as independent non-executive Directors.

5. Agency fees or commissions

Save as disclosed in this Prospectus, within the two years preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

6. Disclaimers

Save as disclosed in this Prospectus,

- (a) Save as disclosed in the paragraph headed “Disclosure of interests” in this Appendix, none of our Directors or chief executive of the Company has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer in the Listing Rules, will be required to be notified to the Company and the Stock Exchange, in each case once the Shares are listed;
- (b) Save as disclosed in the paragraph headed “Disclosure of interests” in this Appendix, our Directors are not aware of any person (not being our Director or chief executive officer) who will, immediately following completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of options or the exercise granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be 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;
- (c) none of our Directors nor the experts named in the paragraph headed “F. Other Information — 7. Consents of experts” below in this Appendix is interested in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of our Company, or are proposed to be acquired or disposed of by or leased to any member of our Company;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting as at the date of this Prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Company taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “F. Other Information — 7. Consents of experts” below in this Appendix has any shareholding in any member of our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company;

- (f) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “F. Other Information — 7. Consents of experts” below in this Appendix is materially interested in any contract or arrangement subsisting as at the date of this Prospectus which is significant in relation to the business of our Company taken as a whole;
- (g) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this Prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this Prospectus;
- (h) so far as is known to our Directors, none of our Directors or their associates (as defined in the Listing Rules), or the existing Shareholders who are expected to be interested in 5% or more of the issued shares capital of the Company has any interest in any of the five largest customers or the five largest suppliers of our Company; and
- (i) none of our Directors are interested in any business apart from our Company’s business which competes or is likely to compete, directly or indirectly, with the business of our Company.

D. PRE-IPO SHARE OPTION SCHEME

1. *Summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to give our employees, advisers, consultants and business partners an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to our Company and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such employees, advisers, consultants and business partners who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Company. The principal terms of the Pre-IPO Share Option Scheme, approved by our Shareholders pursuant to the written resolutions of our Shareholders dated 24 January 2011, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme shall be HK\$0.6; and
- (b) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner and, in any event, cannot be exercised for a period of twelve months after the Listing:

<u>Exercise period</u>	<u>Maximum percentage of options exercisable</u>
Any time after the first anniversary of the Listing Date	100% of the total number of options granted

The option period shall commence on the first anniversary of the Listing Date and expire on the fifth anniversary of the Listing Date.

The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 40,000,000 Shares, representing approximately 2% of the enlarged issued share capital of the Company immediately following completion of the Global Offering and the Capitalization Issue. Save for the options which were granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the 40,000,000 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

2. Outstanding Options granted

As at the Latest Practicable Date, options to subscribe for an aggregate of 40,000,000 Shares (representing approximately 2% of the enlarged issued share capital of the Company immediately following completion of the Global Offering and the Capitalization Issue) at an exercise price of HK\$0.6 were conditionally granted to two participants by the Company under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on 24 January 2011 at a consideration of HK\$1.0 paid by each grantee and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

A full list of such grantees containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules is set out below:

No.	Name of grantee	Title	Address	Date of joining our Company	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option entitlement	Percentage of total issued share capital of the Company
<i>Director</i>						
1.	Ms. Chen Tao . . .	executive Director, chairman of the Board and chief executive officer of the Company	Room 1503, No 8, Lantingjie, Huangzhuangnan Road, Baiyun District, Guangzhou, China	August 2008	30,000,000	1.5%
<i>Other employee</i>						
2.	Ms. Chen Dong Dong	director and general manager of Guangzhou Kingstone	Room 401, No. 19, Lane 630, Xuchang Road Shanghai, China	August 2008	10,000,000	0.5%

The total number of Shares to be issued under all options granted under the Pre-IPO Share Option Scheme represents approximately 2% of the Company's enlarged issued share capital immediately following completion of the Global Offering and the Capitalization Issue. If all options are exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 0.6% and a dilutive effect of approximately HK\$0.0003 on loss per Share such that the forecast loss per Share for the financial year ended 31 December 2010 will be diluted from HK\$0.013 to HK\$0.013. However, as

the options are exercisable for a period of up to the fifth anniversary of the Listing Date, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they will not exercise the options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering and Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

E. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our sole Shareholder passed on 24 January 2011 and adopted by a resolution of the Board on 24 January 2011 (the “Adoption Date”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to our Company and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Company, and additionally in the case of Executives (as defined below), to enable our Company to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (i) subject to (ii) and (iii) below, the approval and adoption of the Share Option Scheme by the sole Shareholder of the Company;
- (ii) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 200,000,000 Shares to be allotted and issued pursuant to the exercise of the Options (as defined below) in accordance with the terms and conditions of the Share Option Scheme; and
- (iii) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date.

3. *Who may join*

The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Company (“Executive”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Company (“Employee”);
- (ii) a director or proposed director (including an independent non-executive director) of any member of our Company;
- (iii) a direct or indirect shareholder of any member of our Company;
- (iv) a supplier of goods or services to any member of our Company;
- (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Company;
- (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Company; and
- (vii) an associate of any of the persons referred to in paragraphs (i) to (v) above.

(the persons referred above are the “Eligible Persons”):

4. *Maximum Number of Shares*

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not in aggregate exceed 10% of the Shares in issue (a maximum of 200,000,000 Shares) as at the Listing Date (the “Scheme Mandate Limit”) provided that:

- (i) The Company may at any time as the Board may think fit seek approval from our Shareholder to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by Shareholder in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (ii) The Company may seek separate approval from our Shareholder in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholder containing the details and information required under the Listing Rules.

- (iii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

5. *Maximum Entitlement of each Participant*

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholder of the Company in general meeting with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Company's Shareholder and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. *Offer and Grant of Options*

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

7. *Granting Options to Connected Persons*

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of the Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option). Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director of the Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and

- (ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by the Shareholders of the Company (voting by way of a poll). The Company shall send a circular to the Shareholders containing the information required under the Listing Rules. All connected persons of the Company must abstain from voting in favor at such general meeting.

Approval from the Shareholders of the Company is required for any change in the terms of Options granted to an Eligible Person who is a substantial shareholder of the Company or an independent non-executive Director of the Company, or any of their respective associates.

8. *Offer Period and Number Accepted*

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the “Acceptant Date”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. *Restriction on the Time of Grant of Options*

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until an announcement of such price sensitive information has been published in accordance with Listing Rules. In particular, no Option shall be granted during the period commencing two months immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. *Minimum Holding Period, Vesting and Performance Target*

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations

relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

11. *Amount Payable for Options*

The amount payable on acceptance of an Option is HK\$1.0.

12. *Subscription price*

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of Share;
- (ii) the closing price of Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average closing price of Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

13. *Exercise of Option*

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(iv) Subject as hereinafter provided:

- (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
- (b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Company) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Company at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Company by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholder of the Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;
- (d) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the Option Period (in respect of any particular Option, the period commencing immediately after the Business Day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court,exercise in whole or in part his Option.

- (e) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

14. *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

15. *Life of Share Option Scheme*

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16. *Lapse of Share Option Scheme*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (iii) subject to the period mentioned in paragraph headed “Exercise of option” in this section, the date of the commencement of the winding-up of the Company;

- (iv) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the Share Option Scheme; or
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. *Adjustment*

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a Capitalization Issue), the auditors appointed by the Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. *Cancellation of Options not Exercised*

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the “Cancellation Date”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be canceled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

19. *Termination*

The Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. *Transferability*

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

21. *Amendment*

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of the Company in general meeting: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; and (iii) any alteration to the aforesaid termination provisions.

F. OTHER INFORMATION**1. *Estate duty, tax and other indemnity***

The Controlling Shareholders (the “Indemnifiers”) have entered into the Deed of Indemnity with and in favor of the Company (for itself and as trustee for each of its subsidiaries) to provide indemnities in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Company and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Company on or before the date on which the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of our subsidiaries under the laws of the Cayman Islands and the BVI, being jurisdictions in which one or more of the companies comprising our Company are incorporated.

Under the Deed of Indemnity, the Indemnifiers have also jointly and severally kept our Company indemnified against taxation which might result from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Global Offering become unconditional.

2. *Litigation*

As at the Latest Practicable Date, no member of our Company was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Company.

3. *Sole Sponsor*

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

4. *Preliminary expenses*

The estimated preliminary expenses of the Company are HK\$41,900 and are borne by the Company.

5. *Promoter*

The Company has no promoter.

6. Qualifications of experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Citigroup Global Markets Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
Ernst & Young	Certified public accountants
Jones Lang LaSalle Sallmanns Limited.	Property valuers
Commerce & Finance.	PRC legal adviser
Conyers Dill & Pearman.	Cayman Islands Attorneys-at-law
Behre Dolbear.	Independent Technical Consultant
Hatch.	Independent Industry Consultant
China Stone Material Association	Independent Industry Association

7. Consents of experts

Each of Citi, Ernst & Young, Jones Lang LaSalle Sallmanns Limited, Commerce & Finance, Conyers Dill & Pearman, Behre Dolbear, Hatch and CSMA has given and has not withdrawn their respective written consents to the issue of this Prospectus with inclusion of their reports and/or valuation report and/or letters and/or opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

8. No material adverse change

Our Directors confirm that save as disclosed in this Prospectus, there has been no material adverse change in the financial position or trading position of our Company since 30 November 2010 (being the date to which our latest audited consolidated financial statements were made up).

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. *The Latest Financial Period Reported on by the Reporting Accountants Required Under the Listing Rules and the Companies Ordinance*

According to the Listing Rules and the Companies Ordinance, the Company is required to disclose certain financial information in relation to certain financial periods. In this regard, the Company has applied for (i) a waiver from strict compliance with the disclosure requirements under Rule 4.04(1) to the Listing Rules (which the Stock Exchange has granted) and (ii) an exemption from strict compliance with the disclosure requirements of paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance (which the SFC has granted). Further details of such waiver and exemption are set out in the section headed “Waivers from Strict Compliance with the Listing Rules and the Companies Ordinance” in this Prospectus.

11. *Bilingual Prospectus*

The English language and the Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. *Miscellaneous*

- (a) Save as disclosed in this Prospectus,
 - (i) within the two years preceding the date of this Prospectus, no Share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) none of our Directors or any of the persons whose names are listed in the paragraph headed “F. Other Information — 6. Qualifications of experts” above in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Company within the two years preceding the date of this Prospectus;
 - (iii) 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;
 - (iv) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
 - (v) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (vi) the Company has no outstanding convertible debt securities or debentures;
 - (vii) within the two years preceding the date of this Prospectus, no commission has been paid or payable (except commission to Underwriters) to any persons for subscription or purchase, agreeing to subscribe or purchase, procuring subscription or purchase or agreeing to procure subscription or purchase of any Shares in the Company;

- (viii) there has been no material adverse change in the financial or trading position of our Company since 30 November 2010 (being the date to which the latest audited consolidated financial statements of our Company were made up); and
- (ix) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a significant effect on the financial position of our Company in the 12 months proceeding date of this Prospectus.
- (b) As at the Latest Practicable Date, there was no restriction in Hong Kong affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

13. *Particulars of the Selling Shareholder*

The Selling Shareholder of the Sale Shares is Wongs Investment, an investment holding company with registered office at Palm Grove House, P.O. Box 438, Road Town, Tortola, the BVI.

The number of Shares for sale by the Selling Shareholder is 80,000,000 (assuming the Over-allotment Option is not exercised). The number of Shares for sale by the Selling Shareholder is 167,000,000 (assuming the Over-allotment Option is exercised in full).

Wongs Investment is wholly-owned by Mr. Huang, our Controlling Shareholder.

None of our Directors are interested in the Sale Shares.

APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed “Statutory and General Information — F. Other Information — 7. Consents of experts” in Appendix VII to this Prospectus, copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information About the Business — 1. Summary of material contracts” in Appendix VII to this Prospectus and the statement of the particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of at Orrick, Herrington & Sutcliffe, at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (1) the Memorandum and Articles of the Company;
- (2) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;
- (3) the audited financial statements of our Company for the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010, except for those companies for which there are no statutory audit requirements in their respective jurisdictions of incorporation or establishment;
- (4) the report on unaudited pro forma financial information received from Ernst & Young, the text of which is set out in the Appendix II to this Prospectus;
- (5) the letters relating to the loss estimate, the texts of which are set out in Appendix III to this Prospectus;
- (6) the letter, summary of values and valuation certificate prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in the section headed “Property Valuation” in Appendix IV to this Prospectus;
- (7) the report prepared by the Independent Technical Consultant, Behre Dolbear, the text of which is set out in the section headed “Competent Person’s Report” in Appendix V to this Prospectus;
- (8) the rules of the Pre-IPO Share Option Scheme and of the Share Option Scheme;
- (9) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of the Companies Law;
- (10) the Companies Law;
- (11) the legal opinions issued by Commerce & Finance, the PRC legal adviser, in respect of certain aspects of our Company and the property interests;
- (12) the report from Hatch;

**APPENDIX VIII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR INSPECTION**

- (13) the certificates issued by China Stone Material Association;
- (14) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts” in Appendix VII to this Prospectus;
- (15) the written consents referred to in the section headed “Statutory and General Information — F. Other Information — 7. Consents of experts” in Appendix VII to this Prospectus;
- (16) the service agreements or letters of appointment (as the case may be) referred to in the section headed “Statutory and General Information — C. Further Information About Directors, Management and Staff — 3. Directors’ service contracts” in Appendix VII to this Prospectus; and
- (17) the statement of the particulars of the Selling Shareholder including its names, addresses and description.



KINGSTONE
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China Kingstone Mining Holdings Limited
中國金石礦業控股有限公司