THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Kingstone Mining Holdings Limited (the "Company"), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

VERY SUBSTANTIAL ACQUISITIONS AND MAJOR TRANSACTION
(1) ENTRUSTED LOAN AGREEMENTS
(2) LOANS TO AN ASSOCIATE
(3) STRUCTURED DEPOSIT AGREEMENTS

A notice convening an extraordinary general meeting of the Company (the "EGM") to be held at 3:00 p.m. on Thursday, 15 November 2012 at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong is set out on pages 66 to 68 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

26 October 2012

CONTENTS

Page

Definitions 1

Letter from the Board 4

Appendix I — Financial information of the Group 21

Appendix II — General information 59

Notice of the EGM 66

In this circular, the following expressions have the meanings respectively set out below unless the context otherwise requires:

"associate"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Borrowers" (each a "Borrower")	Guangzhou Huasheng and Guangzhou Xingguang
"Company"	China Kingstone Mining Holdings Limited (中國金石礦業控股有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"Entrusted Loan Agreements" (each an "Entrusted Loan Agreement")	the three entrusted loan agreements dated 2 August 2011, 4 August 2011 and 17 August 2011, respectively, entered into between Kingstone Guangzhou, Shenzhen Development Bank and the respective Borrower
"Group"	the Company and its subsidiaries from time to time
"Guangdong Jiapeng"	Guangdong Jiapeng Construction Co., Ltd.* (廣東嘉鵬建設有限公司), a company owned as to 49% by the Group
"Guangzhou Huasheng"	Guangzhou Huasheng Industrial Co., Ltd.* (廣州華勝實業有限公司), an Independent Third Party
"Guangzhou Xingguang"	Guangzhou Xingguang Properties Co., Ltd.* (廣州星光置業有限公司), an Independent Third Party
"Guangzhou Zhongling"	Guangzhou Zhongling Dredging Co., Ltd* (廣州中淩疏浚有限公司), a company incorporated under the laws of the PRC and an Independent Third Party
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"ICBC"	Industrial and Commercial Bank of China Guangzhou Tianpingjia sub-branch (中國工商銀行股份有限公司廣州天平架支行), a bank incorporated in the PRC

"Independent Third Party(ies)"	Party(ies), together with his/her/its ultimate beneficial owner(s), is/are independent of the Company and its connected persons (as defined under the Listing Rules)
"Kingstone Guangzhou"	Kingstone (Guangzhou) Stone Industry Co., Ltd.* (金石(廣州)石業有限公司), a wholly-owned subsidiary of the Company
"Latest Practicable Date"	25 October 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Letter of Intent"	Letter of Intent of Strategic Investment and Cooperation* (戰略投資合作意向書) entered into between Kingstone Guangzhou, Yunfu Huihua, Yunfu Chengjiu, Yunfu Kailong and Yunfu Zhijing on 6 March 2012
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Loans to an Associate" (each a "Loan to an Associate")	the two loan agreements dated 15 July 2011 and 9 September 2011, respectively, entered into between Sichuan Jinshida, ICBC and Guangdong Jiapeng
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Taiwan and Macau
"Prospectus"	the prospectus of the Company dated 7 March 2011 relating to the initial public offering of the Company's shares on the main board of the Stock Exchange
"RMB"	Renminbi, the lawful currency of the PRC
"Rosy Ever"	Rosy Ever Limited (茂世有限公司), an Independent Third Party
"Shareholder(s)"	the holder(s) of share(s) of the Company
"Shenzhen Development Bank"	Shenzhen Development Bank Guangzhou Zhujiang New Town Sub-branch (深圳發展銀行股份有限公司廣州珠江新城支行), a bank incorporated in the PRC
"Sichuan Jinshida"	Sichuan Jiangyou Jinshida Stone Industry Co., Ltd.* (四川江油金時達石業有限公司), a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Partners"	Yunfu Chengjiu, Yunfu Huihua, Yunfu Kailong and Yunfu Zhijing

"Structured Deposit Agreements" (each a "Structured Deposit Agreement")	the six structured deposit agreements dated 7 June 2011, 4 July 2011, 5 September 2011, 19 September 2011, 16 October 2011 and 1 November 2011, respectively, entered into between the Company and Rosy Ever
"Yunfu Chengjiu"	Yunfu Chengjiu Stone Co., Ltd.* (雲浮市成就石材有限公司), a company incorporate under the laws of the PRC and an Independent Third Party
"Yunfu Huihua"	Yunfu Huihua Stone Co., Ltd.* (雲浮市輝華石材有限公司), a company incorporate under the laws of the PRC and an Independent Third Party
"Yunfu Kailong"	Yunfu Kailong Stone Co., Ltd.* (雲浮市凱隆石材有限公司), a company incorporate under the laws of the PRC and an Independent Third Party
"Yunfu Zhijing"	Yunfu Zhijing Stone Co., Ltd.* (雲浮市致景石材有限公司), a company incorporate under the laws of the PRC and an Independent Third Party
"%"	per cent.

* *For identification purpose only*

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)

Executive Directors:
Mr. Xiong Wenjun

Independent non-executive Directors:
Mr. Liu Yuquan
Mr. Lei Zhaochun

Registered office:
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal place of business in Hong Kong
Unit 6812–13
The Center
99 Queen's Road Central
Hong Kong

26 October 2012

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITIONS AND MAJOR TRANSACTION (1) ENTRUSTED LOAN AGREEMENTS (2) LOANS TO AN ASSOCIATE (3) STRUCTURED DEPOSIT AGREEMENTS

INTRODUCTION

On 22 June 2012, the Board announced that (1) Kingstone Guangzhou, a wholly-owned subsidiary of the Company, entered into the Entrusted Loan Agreements and provided entrusted loans aggregating to RMB310,000,000 through Shenzhen Development Bank to the Borrowers who are Independent Third Parties; (2) Sichuan Jinshida, a wholly owned subsidiary of the Company, entered into loan arrangements with ICBC and Guangdong Jiapeng, a 49%-owned associate of the Group, and provided entrusted loans aggregating to RMB80,000,000 through ICBC to Guangdong Jiapeng; and (3) the Company entered into Structured Deposit Agreements and temporarily deposited monies with Rosy

Ever, who is an Independent Third Party, for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds.

On 11 October 2012, the Board further announced that Sichuan Jinshida, Guangdong Jiapeng and Kingstone Guangzhou entered into an agreement in relation to the extension and repayment of the two entrusted loans to Guangdong Jiapeng on 28 July 2012 (the "**Extension Agreement**"). As of 8 October 2012, Sichuan Jinshida has not received any repayment by Guangdong Jiapeng in respect of the principal amount of the two entrusted loans to Guangdong Jiapeng, nor has Guangdong Jiapeng made any instalments on the principal amount outstanding under the Extension Agreement in respect of the RMB35 Million Entrusted Loan. Accordingly, Sichuan Jinshida initiated civil actions against Guangdong Jiapeng for the recovery of the principal amount of the two entrusted loans to Guangdong Jiapeng together with the interest accrued by filing two civil complaints (民事起訴狀) with the Guangzhou Intermediate People's Court on 8 October 2012.

When aggregated under Rules 14.22 and 14.23 of the Listing Rules, each of the Entrusted Loan Agreements and the Structured Deposit Agreements constituted very substantial acquisitions of the Company under Chapter 14 of the Listing Rules. The Loans to an Associate also constituted major transactions of the Company under Chapter 14 of the Listing Rules when aggregated under Rules 14.22 and 14.23 of the Listing Rules.

Given the materiality of these transactions, pursuant to Chapter 14 of the Listing Rules, the Company should have published an announcement, issued this circular to the Shareholders and obtained the Shareholders' approval as soon as possible after the terms of the relevant transactions were finalized and before entering into such transactions. However, due to deficiencies in the Company's internal control system, the Company inadvertently and unintentionally failed to comply with the relevant requirements under Chapter 14 of the Listing Rules in a timely manner.

With due regret, the Company wishes to inform the Shareholders and members of the public that, irrespective of the outcome at the upcoming EGM, the transactions under the Entrusted Loan Agreements, Loans to an Associate and the Structured Deposit Agreements have already been entered into by the Company.

As such, the purpose of publishing this circular and holding the EGM is to provide you with further information on the Entrusted Loan Agreements, Loans to an Associate and Structured Deposit Agreements and to also serve as a remedial action taken by the Company for the purpose of its compliance with the Listing Rules.

Going forward, in order to improve the Company's internal control system and to avoid similar non-compliance with the Listing Rules, on 8 August 2012, the Company has engaged an external internal control adviser, Zenith Risk Management Advisory Limited, to conduct reviews of the Company's internal control system, to identify defects and to provide recommendations and measures for the consideration and implementation by the Company. In addition, further training will also be provided by the external legal advisers of the Company to the Directors and its senior management on the continuous obligations of the Company and its Directors under the Listing Rules.

DETAILS OF THE TRANSACTIONS

(1) Entrusted Loan Agreements

The major terms of the Entrusted Loan Agreements are set out below:

(i) *RMB220 million entrusted loan to Guangzhou Huasheng*

Date	:	2 August 2011
Lender	:	Kingstone Guangzhou
Borrower	:	Guangzhou Huasheng
Lending Agent	:	Shenzhen Development Bank
Amount of the entrusted loan	:	RMB220,000,000, which shall be released to Guangzhou Huasheng at the request of Guangzhou Huasheng and upon deposit by Kingstone Guangzhou of the fund into the account designated by Shenzhen Development Bank
Term	:	four months commencing from 2 August 2011 to 2 December 2011. Pursuant to a loan extension agreement entered into between Kingstone Guangzhou, Guangzhou Huasheng and Shenzhen Development Bank on 2 December 2011, the term of the loan was extended for a further three months from 3 December 2011 to 2 March 2012
Interest rate	:	a fixed interest rate of 1.5% per month from 2 August 2011 to 2 December 2011 and a fixed interest rate of 27% per annum from 3 December 2011 to 2 March 2012
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangzhou Huasheng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangzhou Huasheng to purchase environmentally friendly equipments
Guarantees and security measures	:	Guangzhou Huasheng did not provide any security for the entrusted loan
Handling fee	:	Shenzhen Development Bank charged a handling fee of 1% per annum of the principal amount of the entrusted loan, which shall be paid by Guangzhou Huasheng

(ii) ***RMB20 million entrusted loan to Guangzhou Huasheng***

Date	:	4 August 2011
Lender	:	Kingstone Guangzhou
Borrower	:	Guangzhou Huasheng
Lending Agent	:	Shenzhen Development Bank
Amount of the entrusted loan	:	RMB20,000,000, which shall be released to Guangzhou Huasheng at the request of Guangzhou Huasheng and upon deposit by Kingstone Guangzhou of the fund into the account designated by Shenzhen Development Bank
Term	:	four months commencing from 4 August 2011 to 4 December 2011. Pursuant to a loan extension agreement entered into between Kingstone Guangzhou, Guangzhou Huasheng and Shenzhen Development Bank on 4 December 2011, the term of the loan was extended for a further three months from 5 December 2011 to 4 March 2012
Interest rate	:	a fixed interest rate of 1.5% per month from 4 August 2011 to 4 December 2011 and a fixed interest rate of 27% per annum from 5 December 2011 to 4 March 2012
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangzhou Huasheng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangzhou Huasheng to purchase environmental friendly equipments
Guarantees and security measures	:	Guangzhou Huasheng did not provide any security for the entrusted loan
Handling fee	:	Shenzhen Development Bank charged a handling fee of 1% per annum of the principal amount of the entrusted loan, which shall be paid by Guangzhou Huasheng

(iii) ***RMB70 million entrusted loan to Guangzhou Xingguang***

Date	:	17 August 2011
Lender		Kingstone Guangzhou
Borrower	:	Guangzhou Xingguang
Lending Agent:		Shenzhen Development Bank
Amount of the entrusted loan	:	RMB70,000,000, which shall be released to Guangzhou Xingguang at the request of Guangzhou Xingguang and upon deposit by Kingstone Guangzhou of the fund into the account designated by Shenzhen Development Bank
Term	:	three months commencing from 18 August 2011 to 18 November 2011. Pursuant to a loan extension agreement entered into between Kingstone Guangzhou, Guangzhou Xingguang and Shenzhen Development Bank on 18 November 2011, the term of the loan was extended for a further four months from 19 November 2011 to 18 March 2012
Interest rate	:	a fixed interest rate of 24% per annum from 18 August 2011 to 18 November 2011 and a fixed interest rate of 36% per annum from 19 November 2011 to 18 March 2012
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangzhou Xingguang on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangzhou Xingguang to purchase raw materials
Guarantees and security measures	:	Guangzhou Xingguang did not provide any security for the entrusted loan
Handling fee	:	Shenzhen Development Bank charged a handling fee of 1% per annum of the principal amount of the entrusted loan, which shall be paid by Guangzhou Xingguang

The aggregate principal amount of the loans outstanding as at 31 December 2011 pursuant to the Entrusted Loan Agreements amounted to RMB310 million. During the respective term of the entrusted loans, aggregate interest income earned by the Group pursuant to the Entrusted Loan

Agreements amounted to RMB43.2 million. The Group has subsequently received the repayment of the principal amount and related interest under the Entrusted Loan Agreements in full in March 2012.

Reasons for and Benefits of the Entrusted Loan Agreements

Reference is made to the section headed "Future Plans and Use of Proceeds" of the Prospectus. As disclosed in the Prospectus, the Company intended to use: (i) approximately 70% of the net proceeds of the global offering 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; (ii) approximately 20% to establish distribution channels and networks to sell the Company's marble products and to build the Company's brand; and (iii) approximately 10% to acquire and development additional marble reserves.

Immediately prior to 2 August 2011, when the first Entrusted Loan Agreement was entered into, approximately 90% of the net proceeds of the global offering (approximately RMB796,700,000) has not been utilised.

The terms of the Entrusted Loan Agreements, including the interest rate, was agreed by the relevant parties after arm's length negotiations having taken into account: (i) the interest rates under the Entrusted Loan Agreements were higher than the prevailing benchmark interest rate for fixed deposits in Renminbi announced by the People's Bank of China; and (ii) not all of the net proceeds of the global offering are immediately applied to the purposes as set out in the Prospectus. Accordingly, the Directors considered that the Entrusted Loan Agreements provided a reasonable return to the spare cash of the Group. Further, the Directors understood from Shenzhen Development Bank that the Borrowers are creditworthy and considered the risk of default to be minimal. Accordingly, the Company made short term investment in respect of its spare cash from the net proceeds of the global offering through the Entrusted Loan Agreements. As at the date of this Circular, the loan principals and the interests under the Entrusted Loan Agreements have been repaid to the Group in full. The Company intends to continue to utilize the net proceeds from the global offering in accordance with the original intention as stated in the Prospectus. To the extent that the net proceeds from the global offering are not immediately applied to the purposes as stated in the Prospectus, the Company would deposit the proceeds into interest-bearing 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.

The Directors are of the opinion that the terms of the Entrusted Loan Agreements are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Financial Effects of the Entrusted Loan Agreements

The Group entered into the above three entrusted loans and had received the repayment in full by March 2012. The entrusted loans had no impact on the total assets and the total liabilities of the Group as at 31 December 2011. The entrusted loans enabled the Group to earn a net income of approximately RMB24,644,000 and RMB22,040,000 during the year ended 2011 and year ending 2012 respectively.

General Information on the Parties

The Group is principally engaged in marble mining and currently owns and operates two marble mines, the Zhangjiaba Mine and the Tujisi Mine.

Guangzhou Huasheng is principally engaged in development and operation of real estate, investment with its own capital, wholesale and retail trading.

Guangzhou Xingguang is principally engaged in the provision of real estate agency services, investment planning, wholesale and retail trading, research and development of computer software and hardware.

Shenzhen Development Bank is a commercial bank established in the PRC and is principally engaged in banking, financial and other financial related services.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Shenzhen Development Bank, Guangzhou Huasheng and Guangzhou Xingguang and each of their respective ultimate beneficial owner is an Independent Third Party.

Implications under the Listing Rules

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Entrusted Loan Agreements will be aggregated. When aggregated, the Entrusted Loan Agreements constituted (i) advances to an entity under Rule 13.13 of the Listing Rules as such advances exceed 8% under the asset ratio as defined under the Listing Rule 14.07 and (ii) very substantial acquisitions of the Company under Chapter 14 of the Listing Rules.

(2) Loans to an Associate

The major terms of the loans to Guangdong Jiapeng (which is a 49%-owned associate of the Group) in the form of entrusted loans are set out below:

(i) ***RMB35 million loan to Guangdong Jiapeng ("RMB35 Million Entrusted Loan")***

Date	:	15 July 2011
Lender	:	Sichuan Jinshida
Borrower	:	Guangdong Jiapeng
Lending agent	:	ICBC
Amount of the entrusted loan	:	RMB35,000,000, which shall be released to Guangdong Jiapeng at the request of Sichuan Jinshida and upon deposit by Sichuan Jinshida of the fund into the account designated by ICBC

Term	:	one year commencing from 15 July 2011 to 14 July 2012
Interest rate	:	a fixed interest rate of 7.216% per annum
Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangdong Jiapeng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis. Pursuant to the Extension Agreement, the maturity date of the RMB35 Million Entrusted Loan was extended to 13 September 2012 and repayment to be made by instalments before 30 November 2012. Please refer to the paragraph headed "Extension of the Two Entrusted Loans to Guangdong Jiapeng" for further details
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangdong Jiapeng to purchase stone materials and as working capital
Guarantees and security measures	:	trade receivables of Guangdong Jiapeng (expired on 14 July 2012). Please see below the paragraph headed "Expiration of the Securities Provided by Guangdong Jiapeng" for further details
Handling fee	:	nil

(ii) ***RMB45 million loan to Guangdong Jiapeng (the "RMB45 Million Entrusted Loan")***

Date	:	9 September 2011
Lender	:	Sichuan Jinshida
Borrower	:	Guangdong Jiapeng
Lending agent	:	ICBC
Amount of the entrusted loan	:	RMB45,000,000, which shall be released to Guangdong Jiapeng at the request of Sichuan Jinshida and upon deposit by Sichuan Jinshida of the fund into the account designated by ICBC
Term	:	one year commencing from 9 September 2011 to 8 September 2012
Interest rate	:	a fixed interest rate of 7.216% per annum

Repayment terms	:	the principal amount of the entrusted loan shall be repayable in full by Guangdong Jiapeng on the expiry of the entrusted loan, with interest thereunder repayable on a monthly basis. Pursuant to the Extension Agreement, Guangdong Jiapeng shall repay the RMB45 Million Entrusted Loan by four instalments as follows: RMB10 million for each of the three months from December 2012 to February 2013 and RMB15 million in March 2013. Please refer to the paragraph headed "Extension of the Two Entrusted Loans to Guangdong Jiapeng" for further details
Purpose of the entrusted loan	:	the entrusted loan shall be used by Guangdong Jiapeng to purchase stone materials and as working capital
Guarantees and security measures	:	trade receivables of Guangdong Jiapeng (expired on 8 September 2012). Please see below the paragraph headed "Expiration of the Securities Provided by Guangdong Jiapeng" for further details
Handling fee	:	nil

The aggregate outstanding principal amount of the loans to Guangdong Jiapeng as at 30 June 2012 amounted to RMB80 million. During the respective term of the loans to Guangdong Jiapeng, the aggregate interest income earned by the Group pursuant to the loans to Guangdong Jiapeng amounted to RMB5.8 million.

Default of Guangdong Jiapeng

Guangdong Jiapeng failed to repay the principal amount of the RMB35 Million Entrusted Loan on the expiration of its term on 14 July 2012, and based on the legal opinion issued by Deheng Law Offices, the PRC legal advisers of the Company, such failure to repay constituted a default under the loan agreement in relation to the RMB35 Million Entrusted Loan by Guangdong Jiapeng.

Information in relation to the above-mentioned Guangdong Jiapeng's default has also been disclosed in the Company's interim results announcements for the six months ended 30 June 2012 dated 27 August 2012 and the 2012 interim report of the Company for the same period dated 27 September 2012.

Extension of the Two Entrusted Loans to Guangdong Jiapeng

On 28 July 2012, Sichuan Jinshida, Guangdong Jiapeng and Kingstone Guangzhou entered into the Extension Agreement in relation to the extension and repayment of the two entrusted loans to Guangdong Jiapeng. According to the Extension Agreement, (i) the maturity date of the RMB35 Million Entrusted Loan will be extended to 13 September 2012 and Guangdong Jiapeng shall then repay the principal amount of RMB35 million and the relevant interests by installments before 30

November 2012, and (ii) Guangdong Jiapeng shall repay the RMB45 Million Entrusted Loan by four instalments as follows: RMB10 million for each of the three months from December 2012 to February 2013 and RMB15 million in March 2013.

According to Deheng Law Offices, as ICBC is not a party to the Extension Agreement, Sichuan Jinshida will no longer be entitled to require ICBC to collect the principal amounts and relevant interests from Guangdong Jiapeng under the two entrusted loans, and ICBC is no longer bound to perform any other obligations or duties as the lending agent under the two original entrusted loan agreements (the "**Original Agreements**") dated 15 July 2011 and 9 September 2011, respectively. Nevertheless, the creditor's rights of Sichuan Jinshida under each of the Original Agreements shall still be validly existing and enforceable and Sichuan Jinshida has the full right to collect the amount owing including the relevant interests under the two entrusted loans directly from Guangdong Jiapeng.

As confirmed by Deheng Law Offices, the Extension Agreement is valid, enforceable and legally binding among the relevant signing parties under the PRC laws, and Guangdong Jiapeng should make repayments according to the terms and conditions of the Extension Agreement.

Expiration of the Securities Provided by Guangdong Jiapeng

As the securities provided by Guangdong Jiapeng to Sichuan Jinshida in relation to the RMB35 Million Entrusted Loan and the RMB45 Million Entrusted Loan expired on 14 July 2012 and 8 September 2012, respectively, according to Deheng Law Offices, the corresponding security rights of Sichuan Jinshida in relation to the two entrusted loans to Guangdong Jiapeng may not be recognized or protected under the relevant PRC laws upon the respective above-mentioned expiration dates.

Reasons for and Benefits of the Loans to Guangdong Jiapeng

In July 2011, the Group acquired 49% of equity interests in Guangdong Jiapeng and it was envisaged at the time that the Group would co-operate with Guangdong Jiapeng to expand the distribution channels for the Group's products. According to the loan agreements dated 15 July 2011 and 9 September 2011, respectively, entered into between Guangdong Jiapeng, ICBC and Sichuan Jinshida and the confirmation signed by Guangdong Jiapeng and Sichuan Jinshida dated 20 April 2012, Guangdong Jiapeng shall use the loans to purchase stone materials and as working capital to expand the distribution channel for the Group.

The terms of the Loans to Guangdong Jiapeng and the Extension Agreement including the interest rate was agreed by Sichuan Jinshida and Guangdong Jiapeng after arm's length negotiations having taken into account: (i) the loans to Guangdong Jiapeng were part of the Group's effort to establish distribution channels and networks; and (ii) the loans were kept in a specified bank account which required Sichuan Jinshida's approval for any transfer. Accordingly, the Directors are of the opinion that the terms of the loans to Guangdong Jiapeng are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Financial Effects of the Loans to an Associate

The Group had made the above two loans to an associate. As a result of the loans, the "loans to an associate" of the Group was increased by RMB80 million whereas the Group's cash held decreased by RMB$80 million as at 31 December 2011. The above two loans had no impact on the liabilities of the Group as at 31 December 2011. The above two loans enabled the Group to earn a net income of approximately RMB2,192,000 and RMB3,581,000 during the year ended 31 December 2011 and the year ending 2012 respectively.

As of 8 October 2012, Sichuan Jinshida has not received any repayment by Guangdong Jiapeng in respect of the principal amount of the two entrusted loans to Guangdong Jiapeng, nor has Guangdong Jiapeng made any instalments on the principal amount outstanding under the Extension Agreement in respect of the RMB35 Million Entrusted Loan. Accordingly, Sichuan Jinshida initiated civil actions against Guangdong Jiapeng for the recovery of the principal amount of the two entrusted loans to Guangdong Jiapeng together with the interest accrued by filing two civil complaints (民事起訴狀) with the Guangzhou Intermediate People's Court (the "**Actions**") on 8 October 2012.

Pursuant to the two civil complaints, Sichuan Jinshida is seeking: (i) repayment of the principal of the two entrusted loans to Guangdong Jiapeng which amounted to RMB80 million in aggregate; (ii) the interest accrued from the respective commencement date of each of the two entrusted loans to Guangdong Jiapeng until the date when the respective principal under the two entrusted loans to Guangdong Jiapeng is fully repaid, which as of 17 September 2012, amounted to approximately RMB6,309,991.11 in aggregate; (iii) the litigation costs of the Actions and other relevant costs incurred in relation to the recovery of the debt which is currently estimated to be RMB2,020,000 in respect of the RMB35 Million Entrusted Loan; and (iv) that Guangdong Jiapeng shall pay additional overdue interest if Guangdong Jiapeng fails to pay according to the judgment to be given by the Guangzhou Intermediate People's Court.

As at the Latest Practicable Date, the Actions are in progress and the Company is not in a position to indicate the outcome or financial effect on the Company. The Company will make further announcement on any update of the litigation as and when appropriate.

General Information on the Parties

The Group is principally engaged in marble mining and currently owns and operates two marble mines, the Zhangjiaba Mine and the Tujisi Mine.

Guangdong Jiapeng is a professional engineering company principally engaged in the design and construction of curtain wall engineering as well as decoration for construction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the Group's interest in 49% of the equity of Guangdong Jiapeng, Guangdong Jiapeng and each of its ultimate beneficial owner is an Independent Third Party.

ICBC is a commercial bank established in the PRC and is principally engaged in banking, financial and other financial related services.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, ICBC and each of its ultimate beneficial owner is an Independent Third Party.

Implications under the Listing Rules

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the above two loans to Guangdong Jiapeng will be aggregated. When aggregated, the loans to Guangdong Jiapeng constituted major transactions of the Company under Chapter 14 of the Listing Rules.

(3) Structured Deposit Agreements

The major terms of the Structured Deposit Agreements are set out below:

(i) ***Structured Deposit Agreement of HK$260,000,000***

Date	:	7 June 2011
Parties	:	the Company Rosy Ever
Amount of the deposit	:	HK$260,000,000
Term	:	8 June 2011 to 24 June 2011
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the Structured Deposit Agreement to Rosy Ever

(ii) ***Structured Deposit Agreement of HK$150,000,000***

Date	:	4 July 2011
Parties	:	the Company
		Rosy Ever
Amount of the deposit	:	HK$150,000,000
Term	:	5 July 2011 to 15 July 2011
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the Structured Deposit Agreement to Rosy Ever

(iii) ***Structured Deposit Agreement of HK$160,000,000***

Date	:	5 September 2011
Parties	:	the Company
		Rosy Ever
Amount of the deposit	:	HK$160,000,000
Term	:	6 September 2011 to 15 October 2011
Income	:	2% per month during the term and payable on the maturity date of the deposits

Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the Structured Deposit Agreement to Rosy Ever

(iv) ***Structured Deposit Agreement of HK$50,000,000***

Date	:	19 September 2011
Parties	:	the Company Rosy Ever
Amount of the deposit	:	HK$50,000,000
Term	:	20 September 2011 to 31 October 2011
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the Structured Deposit Agreement to Rosy Ever

(v) ***Structured Deposit Agreement of HK$163,582,795***

Date	:	16 October 2011
Parties	:	the Company Rosy Ever
Amount of the deposit	:	HK$163,582,795

Term	:	16 October 2011 to 31 January 2012
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the Structured Deposit Agreement to Rosy Ever

(vi) ***Structured Deposit Agreement of HK$51,161,666***

Date	:	1 November 2011
Parties	:	the Company Rosy Ever
Amount of the deposit	:	HK$51,161,666
Term	:	1 November 2011 to 31 January 2012
Income	:	2% per month during the term and payable on the maturity date of the deposits
Investment products	:	Rosy Ever shall invest the deposits into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds
Financial service charge	:	The Company shall pay a financial service fee of 15% of the income gained under the Structured Deposit Agreement to Rosy Ever

The aggregate principal amount under the Structured Deposit Agreements amounted to RMB684,490,458. As some of the structured deposits had matured during 2011, the outstanding structured deposits amounted to RMB170.2 million as at 31 December 2011. During the respective term of the Structured Deposit Agreements, aggregate interest income earned by the Group pursuant to the Structured Deposit Agreements amounted to RMB19.9 million. The Group has subsequently received the repayment of the principal amount and the related interest under the Structured Deposit Agreements in full in March 2012.

Reasons for and Benefits of the Structured Deposit Agreements

The terms of the Structured Deposit Agreements including the income were agreed by the Company and Rosy Ever after arm's length negotiation having taken into account that the interest rates under the Structured Deposit Agreements were higher than the prevailing benchmark interest rate for fixed deposits in Renminbi announced by the People's Bank of China. Accordingly, the Directors considered that the Structured Deposit Agreements provided a reasonable return to the spare cash of the Group and are fair and reasonable and in the interest of the Company and its Shareholder as a whole.

Financial Effects of the Structured Deposit Agreements

The Group had entered into six short term structure deposit agreements respectively during the period from 8 June 2011 to 16 June 2011, and had received repayment of principal and interest in full by March 2012. The structured deposits had no impact on the total assets and total liabilities of the Group as at 31 December 2011. The structured deposits enabled the Group to earn a net income of approximately HK$20,299,000 and HK$3,651,000 during the year ended 31 December 2011 and year ending 2012 respectively.

General Information on the Parties

The Group is principally engaged in marble mining and currently owns and operates two marble mines, the Zhangjiaba Mine and Tujisi Mine.

Rosy Ever is principally engaged as an investment company.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Rosy Ever and each of its ultimate beneficial owner is an Independent Third Party.

Implications under the Listing Rules

Pursuant to Rules 14.22 and 14.23 of the Listing Rules, the Structured Deposit Agreements will be aggregated. When aggregated, the Structured Deposit Agreements constituted very substantial acquisitions of the Company under Chapter 14 of the Listing Rules.

EGM

Set out on pages 66 to 68 of this circular is the notice to convene and hold the EGM at 3:00 p.m. on Thursday, 15 November 2012 at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong.

It is proposed that at the EGM, ordinary resolutions for the approval of the Entrusted Loan Agreements, Loans to an Associate and Structured Deposit Agreements be put to the Shareholders for their consideration and voting at the EGM. Voting will be conducted by poll pursuant to the Listing Rules.

As aforementioned, the holding of the EGM is part of the remedial action taken by the Company for the purpose of its compliance with the Listing Rules, the outcome of the EGM will not alter the fact that the transactions under the Entrusted Loan Agreements, Loans to an Associate and the Structured Deposit Agreements have already been entered into by the Company.

For the purposes of the EGM, the register of members of the Company will be closed from 13 November 2012 to 15 November 2012 (both days inclusive), during which no transfer of Shares will be registered. Accordingly, holders of Shares whose names appear on the register of members of the Company at the close of business on 12 November 2012 shall have the right to attend the EGM.

Each Shareholder who has the right to attend and vote at the EGM is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote at the EGM on his behalf.

The proxy form for use in connection with the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

RECOMMENDATIONS

The Directors consider that the terms of the Entrusted Loan Agreements, Loans to an Associate and the Structured Deposit Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Entrusted Loan Agreements, the Loans to an Associate and the Structured Deposit Agreements.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
China Kingstone Mining Holdings Limited
Xiong Wenjun
Executive Director

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Details of the audited consolidated financial information of the Group for the year ended 31 December 2009 has been set out in the prospectus of the Company dated 7 March 2011 and for each of the two years ended 31 December 2011 has been set out in the annual reports of the Company, which have been published on the website of the Stock Exchange at *www.hkex.com.hk* and the Company's website at *www.kingstonemining.com*.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of its present available financial resources, the Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 August 2012, being the latest practicable date for the purpose of this indebtedness statement, apart from normal trade payables, the Group did not have any debt securities, any outstanding bank loans and overdrafts, mortgages, charges, debentures or other loan capital or other similar indebtedness, or any finance lease commitments, hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors were not aware of any material change in respect of the indebtedness or other contingent liabilities of the Group.

5. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below is the management discussion and analysis of the performance of the Group for each of the three years ended 31 December 2011 and the six months ended 30 June 2012 based on the annual report of the Company for each of the three years ended 31 December 2011 and the interim report for the six months ended 30 June 2012. Please also refer to the prospectus of the Company dated 7 March 2011, the annual reports of the Company for each of the two years ended 31 December 2011 and the interim report for the six months ended 30 June 2012 for more information.

(a) For the Year Ended 31 December 2009

BUSINESS REVIEW

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 m^3 of measured and indicated marble resources, which represents 16.8 million m^3 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 km^2 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 m^3 per annum and our marble slab processing capacity at our processing facilities are expected to reach 3.0 million m^2 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 m^3. 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.

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.

FINANCIAL REVIEW

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, there was no revenue for the year ended 31 December 2009.

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 year ended 31 December 2009.

Other income

Other income representing the interests of our interest-bearing bank deposits. We recorded other income of RMB2,000 for the year ended 31 December 2009.

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 RMB270,000 for the year ended 31 December 2009.

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 RMB2.6 million for the year ended 31 December 2009.

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 RMB690,000 for the year ended 31 December 2009.

Finance costs

Finance costs represent interest and surcharges on our borrowings. We incurred finance costs of RMB2.0 million for the year ended 31 December 2009.

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 year ended 31 December 2009.

We recorded income tax benefit of RMB241,000 for the year ended 31 December 2009.

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:

	Year ended 31 December 2009 *(RMB'000)*
Cash and cash equivalents at beginning of the year/period	739
Net cash flows used in operating activities	(1,966)
Net cash flows used in investing activities	(12,489)
Net cash flows from financing activities	19,386
Net increase/(decrease) in cash and cash equivalents	4,931
Net foreign exchange difference	—
Cash and cash equivalents at end of the year/period	5,670

Operating activities

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.

Investing activities

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.

Financing activities

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.

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 2009 *(RMB'000)*
Prepayments for purchase of:	
— Raw materials	87
— Utilities	68
Prepaid operating lease rentals to be amortized within one year	
— Office	30
Deposits	102
Other receivables	135
Total current portion	422

The carrying amounts of prepayments, deposits and other receivables closely approximate their respective fair values. 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.

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 2009 *(RMB'000)*
Advances from customers	97
Accruals related to:	
— Property, plant and equipment	1,758
— Taxes other than income tax	423
— Payroll and welfare	1,368
— Interest of borrowings	155
Deposits received	100
Payable for rehabilitation	1,400
Other payables	95
	5,396

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 amounted 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.

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 2009
	(RMB'000)
Repayable within one year:	
Bank loans	
— Secured and guaranteed	4,000
Other borrowings	
— Unsecured	7,860
	11,860

As at 31 December 2009, our interest-bearing borrowings were denominated in RMB. The carrying amounts of our bank loans are approximate to their fair value.

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 year ended 31 December 2009. 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 year ended 31 December 2009 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.

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 year ended 31 December 2009.

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 2009 *(RMB'000)*
Current assets	
Cash and bank balances	5,670
Prepayments, deposits and other receivable	422
	6,092
Current liabilities	
Interest-bearing borrowings	11,860
Other payables and accruals	5,396
Due to the Controlling Shareholder	27,419
	44,675
Net current assets/(liabilities)	(38,583)

During the year ended 31 December 2009, 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 2009.

(b) For the Year Ended 31 December 2010

BUSINESS REVIEW

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 China Stone Material Association ("CSMA") in August 2010. As at 31 December 2010, the Zhangjiaba Mine, located in Sichuan Province of China, contains 44.2 million m^3 of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") compliant measured and indicated marble resources, which represents 16.8 million m^3 of proved and probable marble reserves based on a block rate of 38% according to the report dated 7 March 2011 prepared by Behre Dolbear Asia, Inc. Our Zhangjiaba 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.

Zhangjiaba Mine Marble Resource and Reserve Summary, as of 31 December 2010 (JORC Compliant)

JORC Resource and Reserve Class	*(Mm^3)*
Measured Resource	15.74
Indicated Resource	28.41
Total Resource	44.15
Proved Reserve	5.98
Probable Reserve	10.80
Total Reserve	16.78

Our operation results from September 2010 to December 2010 are summarized as follow:

	September – November 2010	December 2010	September – December 2010
Marble Block Mining			
Marble blocks mined (m^3)	415	730	1,145
Marble blocks for direct sales (m^3)	24	—	24
Marble blocks for slab processing (m^3)	391	730	1,121
Marble Slab Processing & Sales			
Outsourced Marble Slab Processing			
Marble slabs processed (m^2)	3,165	9,287	12,452
Pure Beige (m^2)	1,044	2,043	3,087
Mixed Beige (m^2)	2,121	7,244	9,365
Total Marble Slabs Sold (m^2)	3,000	9,000	12,000
Pure Beige (m^2)	1,000	2,000	3,000
Mixed Beige (m^2)	2,000	7,000	9,000
Average Selling Prices (ASP)			
Marble block ASP (RMB/m^3)	3,414	—	3,414
Marble slab ASP (RMB/m^2)			
Pure Beige (RMB/m^2)	842	842	842
Mixed Beige (RMB/m^2)	570	570	570
Unit Production Cost			
Marble block production cash cost (RMB/m^3)	14,670	2,655	7,012
Marble block production total cost (RMB/m^3)	14,917	2,939	7,280
Equivalent marble slab production cash cost (RMB/m^2)	577	196	325
Equivalent marble slab production total cost (RMB/m^2)	585	204	332

From September to December 2010, we mined 1,145 m^3 marble blocks and produced 12,452 m^2 marble slabs. From September to December 2010, we sold 12,000 m^2 marble slabs and recorded total revenue of approximately RMB6.6 million. The VAT inclusive Average Selling Prices (ASP) was RMB842 per m^2 for Pure Beige slab and RMB570 per m^2 for Mixed Beige slab. The unit production cash cost of marble block mainly included the cost of workforce employment, fuel, water and electricity, administration cost and marketing cost. The decrease of the unit cash cost in December of 2010 was mainly due to the economy of scale of production. For the same reason, our outsourcing marble slab production cash cost, which mainly consisted of marble block production cash cost and slab processing cost for the contractors and transportation cost, decreased from RMB577 per m^2 to RMB196 per m^2 in December of 2010.

The gross margin was 59.5% for September to November 2010 due to the low production volume, and increased to 69.4% for September to December 2010 as production volume increased. As we continue our ramp-up plan and increase the production volume, we expect that the gross margin will further increase.

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 m^3 per annum and our marble slab processing capacity at our processing facilities is expected to reach 3.0 million m^2 per annum from 2013 onwards. 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 m^3. Prior to the commencement of commercial operations of our processing facilities, we engaged third-party processing plants to process our marble blocks into marble slabs.

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. 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 REVIEW

Consolidated Income Statement

	2010 *RMB'000*	2009 *RMB'000*
Revenue	6,615	—
Cost of sales	(2,023)	—
Gross profit	4,592	—
Other income	64	2
Selling and distribution costs	(477)	(270)
Administrative expenses	(25,748)	(2,610)
Other expenses	(1,371)	(690)
Finance costs	(2,320)	(2,042)
Loss before tax	(25,260)	(5,610)
Income tax benefit	4,205	241
Loss for the year	(21,055)	(5,369)
Other comprehensive loss:		
Exchange differences on translation of foreign operations	(2,568)	—
Total comprehensive loss for the year attributable to owners of the Company	(23,623)	(5,369)

Revenue

We commenced commercial production at our Zhangjiaba Mine in September 2010 and began generating revenue in October 2010 and recorded revenue of approximately RMB6.62 million for the year ended 31 December 2010. Comparing with 2009, during which time, we focused on mine planning, construction and infrastructure development and did not generate revenue from our operations in 2009. We had a significantly growth in 2010.

Cost of sales

During 2009, we did not incur any cost of sales prior to the commencement of our commercial production in September 2010. For the year ended 31 December 2010, we incurred cost of sales of RMB2.02 million.

Gross profit and gross margin

During 2009, we did not record gross profit because we had not commenced commercial production. For the year ended 31 December 2010, we recorded gross profit of RMB4.59 million and our gross margin was 69.42%.

Other income

Our other income increased from RMB2,000 for the year ended 31 December 2009 to RMB64,000 for the year ended 31 December 2010 due to the increase in interest income as a result of bank deposits increased.

Selling and distribution costs

Our selling and distribution costs increased from RMB0.27 million for the year ended 31 December 2009 to RMB0.48 million for the year ended 31 December 2010. The increase was primarily due to the increase in advertisement costs of our products prior to our commercial production as well as staff costs.

Administrative expenses

Our administrative expenses increased from RMB2.61 million for the year ended 31 December 2009 to RMB25.75 million for the year ended 31 December 2010. The increase was primarily due to the increase in consultation and service fees in relation to our listing on the Stock Exchange and staff costs as a result of our business expansion.

Other expenses

Our other expenses increased from RMB0.69 million for the year ended 31 December 2009 to RMB1.37 million for the year ended 31 December 2010. The increase was primarily due to foreign exchange losses incurred as a result of the depreciation of U.S. dollars during the year ended 31 December 2010.

Finance costs

Our finance costs increased from RMB2.04 million for the year ended 31 December 2009 to RMB2.32 million for the year ended 31 December 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 RMB0.24 million for the year ended 31 December 2009 to RMB4.21 million for the year ended 31 December 2010 due to an increase in loss before tax in 2010.

Loss for the year

As a result of the foregoing factors, our loss increased from RMB5.37 million for the year ended 31 December 2009 to RMB21.06 million for the year ended 31 December 2010.

Dividend

No dividends were declared for the two years ended 31 December 2009 and 2010.

Consolidated Cash Flow Statement

	2010	**2009**
	RMB'000	*RMB'000*
Cash and cash equivalents at beginning of year	5,670	739
Net cash flows used in operating activities	(23,752)	(1,966)
Net cash flows used in investing activities	(68,779)	(12,489)
Net cash flows from financing activities	170,031	19,386
Net increase in cash and cash equivalents	77,500	4,931
Net foreign exchange difference	(3,088)	—
Cash and cash equivalents at end of year	80,082	5,670

Operating activities

Net cash outflows from operating activities for the year ended 31 December 2010 were RMB23.75 million primarily as a result of a loss before tax for the year in the amount of RMB25.26 million, and adjusted for: (i) an interest on borrowings of RMB2.14 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 RMB6.12 million; and (iii) an increase in trade receivables of RMB5.68 million.

Investing activities

Net cash flows used in investing activities for the year ended 31 December 2010 were RMB68.78 million primarily due to purchase of items of property, plant and equipment of RMB63.29 million.

Financing activities

Net cash inflows from financing activities were RMB170.03 million for the year ended 31 December 2010. Our cash inflows from financing activities during the Year primarily consisted of: (i) capital injection of RMB143.36 million; (ii) advances from the ultimate controlling shareholder of RMB52.26 million to support our mine development; and (iii) proceeds from interest-bearing borrowings of RMB73.31 million; and partly offset by (i) repayment of interest-bearing borrowings of RMB11.86 million; (ii) repayment to the ultimate controlling shareholder of RMB79.68 million; and (iii) payment of part of the consultation and services fees in relation to our listing on Stock Exchange of RMB5.46 million.

Cash and cash equivalents at the end of the year

Cash and cash equivalents net increased RMB77.50 million and the exchange loss was RMB3.09 million as at 31 December 2010. The increase in cash and cash equivalents was from RMB5.67 million as at 31 December 2009 to RMB80.08 million as at 31 December 2010. Of the RMB80.08 million, the equivalent of RMB2.88 million was held in Hong Kong Dollars ("HKD" or "HK$"), the equivalent of RMB62.84 million was held in United States Dollars ("USD" or "US$") and the rest was held in RMB.

Liquidity and financial resources

Our primary uses of liquidity were to invest in the development of our mine, to service our indebtedness and to fund our working capital. We financed our cash requirements through a combination of interest-bearing bank borrowings, cash generated from operating activities, capital contributions by our holding company using the proceeds from the issuance of the Exchangeable Note and other debt financing. As at 31 December 2010, gearing ratio (calculated as interest-bearings divided by total assets) was 0.34.

Interest-bearing Borrowings

Group	*Notes*	**2010** *RMB'000*	**2009** *RMB'000*
Repayable within one year:			
Bank loans			
— unsecured	*(a)*	70,000	—
— secured	*(b)*	3,308	—
— secured and guaranteed	*(c)*	—	4,000
Other borrowings — unsecured	*(d)*	—	7,860
		73,308	11,860

Notes:

Except for a secured bank loan which is denominated in United States dollars, all borrowings are in RMB.

(a) These unsecured bank loans are borrowed from Guangdong Development Bank and China Construction Bank, with amounts of RMB60.00 million and RMB10.00 million, respectively, and bear interest at respective fixed rates in the range from 4.00% to 5.00% per annum.

(b) The secured bank loan is borrowed from Industrial and Commercial Bank of China with amount of US$0.50 million (equivalent to approximately RMB3.31 million), and bears interest at 2.00% per annum above the LIBOR. It is secured by the pledge of the Group's time deposit amounting to US$0.50 million.

(c) As at 31 December 2009, the secured and guaranteed bank loan bore interest at a fixed interest rate of 6.90% 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 2.00% of the guaranteed loan principal, and to secure certain of its property, plant and equipment with a net carrying amount of approximately RMB4.96 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 fully released in August 2010 when the Group fully repaid this bank loan.

(d) The other borrowings were borrowed from several independent third party individuals and bore interest at a fixed interest rate of 36.00% per annum. The other borrowings were fully repaid in June 2010.

Treasury policies

The Group has established a treasury policy with the objective of achieving better control of treasury operations and lowering cost of funds. Therefore, funding for all its operations and foreign exchange exposure have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates on specific transactions, foreign currency borrowings, currency structured instruments and other appropriate financial instruments were used to hedge material exposure. It is the policy of the Group not to enter into any derivative products for speculative activities.

The treasury policies followed by the Group aim to:

(a) *Minimise interest risk*

This is accomplished by loan re-financing and negotiation. The Board will continue to closely monitor the Group's loan portfolio and compare the loan margin spread under its existing agreements against the current borrowing interest rates under different currencies and new offers from banks.

(b) *Minimise currency risk*

In view of the current volatile currency market, the Board closely monitors the Group's foreign currency borrowings. As the amount of foreign currency borrowings is insignificant, no hedging arrangement is made to offset the exposures to fluctuations in exchange rates.

Cost of borrowing

Average borrowing costs in financial year 2010 were approximately 9.88% per annum as compared to 24.04% per annum in financial year 2009.

Capital expenditures

For the year ended 31 December 2010, the Group invested approximately RMB67.21 million in purchase of items of property, plant and equipment. These capital expenditures were fully financed by internal resources and bank borrowings.

Capital commitments

The Group made capital expenditure commitments mainly for the construction and purchase of property plant and equipment of approximately RMB0.40 million which were contracted but not provided for in the financial statement. These commitments were mainly related to the purchase and installation of machineries and equipment for the expansion of the Group's production capacity and improvement of efficiency of the production for a better cost control and enhancement of its profitability.

Operating lease commitments

As at 31 December 2010, we had contracted obligations consisting of operating leases which totaled approximately RMB1.05 million with approximately RMB0.13 million due within one year, approximately RMB0.37 million due between two to five years and the rest of RMB0.55 million due after five years.

Contingencies

On 13 August 2010, MS China 3 Limited (the "MS China 3"), an independent third party, entered into a note purchase agreement (the "Note Purchase Agreement") with the Company, Wongs Investment Development Holding Group Limited ("Wongs Investment") and the ultimate controlling shareholder of the Company, pursuant to which MS China 3 agreed to purchase an 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 ultimate 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.

Financial instruments

The Company did not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2010 and 2009.

Segment information

The Group is organized into business units based on the products and services. The Group has one operating segment, which is mining development, for the year ended 31 December 2010 and 2009. Further, all the principal assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is provided.

Employees and emoluments policy

As at 31 December 2010, the number of employees of the Group was 134 (31 December 2009: 48). During the year ended 31 December 2010, the staff costs (including Directors' remuneration in the form of salaries and other allowance) were approximately RMB6.70 million (2009: approximately RMB2.60 million).

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for the their contribution to the Group. The Group has adopted a share option scheme for its employees, the details of which are set out under the section of "Share Option Scheme" in the Directors' Report of this annual report.

FUTURE PLANS

Our goal is to be the largest marble producer in China through continuous ramp-up our mine, increase in marble production volume and enhancement in economic efficiency. Once we fully ramp up to our mining capacity to 150,000 m^3 from 2014 onwards, we will be the largest marble producer in China. We ramp up our mine to strive for a gradual growth of production capacity and revenue of existing mine on a stable basis. We have signed letters of intent to acquire three neighboring mines. Meanwhile, we are under negotiation with two beige marble mines and one white marbles mine in Sichuan Province, the PRC. Other than that we also launch extensive information search nationwide to acquire and integrate high quality mines to increase our marble resources.

(c) For the Year Ended 31 December 2011

1. BUSINESS REVIEW

i. Business Overview

The Group, being the largest beige marble producer in China, currently owns and operates two marble mines in Sichuan Province, namely Zhangjiaba Mine and Tujisi Mine. According to the certification issued by China Stone Material Association (中國石材協會), Zhangjiaba Mine is the largest mine in China in terms of beige marble reserves. According to the reserve report as examined and approved by the National Land Resources Bureau of Sichuan Province, Zhangjiaba Mine contains approximately 44,200,000 m^3 of premium beige marble reserves and approximately 16,800,000 m^3 of block reserves. According to the exploration report issued by Chinese Construction Material, Geology, Engineering and Exploration Research Institute (中材地質工程勘查研究院), Tujisi Mine contains marble reserves of approximately 12,213,200 m^3, which is significantly higher than the preliminary estimate of reserves of 6,100,000 m^3 at acquisition. Since September 2010, the Group has conducted commercial production at Zhangjiaba Mine, and began to generate revenue from October 2010. The Group currently holds an extended mining permit to Zhangjiaba Mine, which was granted in February 2011 by the National Land Resources Bureau of Sichuan Province, with an initial term of 10 years, being the longest term which could be granted by the government. Since Zhangjiaba Mine is a massive mine, the Group paid the one-off consideration for the mining permit, which includes a reserve that can be mined for a term of 30 years. In other words, upon the expiry of the 10-year term for the mining permit, it will not be necessary for the Group to pay any fees for its extension.

During the Year, the Group actively expanded the infrastructures in its mines and increased its efforts on mining. Mining platform in Zhangjiaba Mine has reached 23,000 m^2, and the annual mining volume for blocks amounted to approximately 21,849 m^3. During the year, the Group has invested a lot of resources and currently adopted the digital mining management system for marble mines in its Zhangjiaba Mine, which is a set of unique digital practical technique invented in the production process in Zhangjiaba Mine. The system inputs the geological characteristics of the mine into the three-dimensional (the "3D") orientation system, which collects the texture and types of mines found, and establishes the 3D model for the mine. With the 3D orientation numbering on every block and determination of the space and location of blocks, the management on the distance, shape, quality examination, transportation and stocking for blocks is conducted based on such numbering. This is the most precise management method which accurately regulates the design on exploration of the mine, formulation of production planning and quality control of the marble mine. According to our knowledgement, such digitalized mining management system is unprecedented in global stone mining industry, thereby making us the leader in the whole world. In addition, on 29 August 2011, the Group acquired 100% equity interests in Beichuan Lida Mining Co., Ltd. ("Beichuan Lida"), which holds a mining right of Tujisi Mine. We have successfully completed the geographical exploration in October 2011 and the exploration report has been issued. Situated on the same mineral vein as Zhangjiaba Mine, Tujisi Mine contains approximately 12,213,200 m^3 of resources (331+332+333 under Chinese Standard), which is far higher than the preliminary estimate for resources of 6,100,000 m^3 at acquisition. With an anticipated mining capacity for blocks of 50,000 m^3 per annum, such acquisition helps the Group to further enhance its own mining capacity for blocks, in particular, enriching the texture and types of its high-end beige marble series as well as increasing its market competitiveness.

To realize its objectives of becoming the best integrated stone operator, the Group has been planning and identifying suitable area for the construction of its self-owned processing plant with a view to optimize the industry chain. The Group has previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant given the policy adjustment on local industry structure, and upon active communication between the Group and the government, the Group has re-signed an intent of co-operation with the government of Jiangyou in November 2011, under which, the government of Jiangyou would provide other suitable sites for the construction of the Group's processing plant, while undergoing discussion on the possibility of constructing processing plants and trading platforms via new construction and integration with certain important stone industry players in China. Upon the completion of the overall ramp-up plan for production capacity in 2014, it is expected that the Group's annual mining capacity for marble blocks would reach 150,000 m^3, and the processing capacity for marble slabs of the processing facilities is anticipated to reach 3,000,000 m^2. According to the anticipation of China Stone Material Association, upon the completion of the capacity ramp-up plan, the Group would rank first among all beige marble mining companies in China in terms of mining and processing capacities for a single category of mine.

In addition, while members of the Group kept on developing their production capacity and establishing sales channels, idle cash was temporarily used in structured deposits and entrustment loans to generate interest income for the Group during the Year, and thus realized the value maintenance and even appreciation for the capital.

ii. Summary of Production and Sales Performance

The Group has always put the enhancement of mining capacity as its business focus with an aim to enhance business performance and consolidate its leading position in domestic marble stone mining industry. During the Year, we produced a total of 21,849 m^3 of marble blocks in Zhangjiaba Mine, which is a marble mine owned by the Group in Sichuan, and processed a portion of the blocks into an aggregate of 247,486 m^2 of marble slabs, of which, about 85,776 m^2 was Pure Beige marble slabs and approximately 161,710 m^2 was Mixed Beige and other marble slabs. The exploration work for Tujisi Mine, which is owned by the Group, has just been completed, but no mining activities have been duly conducted at present.

As at 31 December 2011, the Group has sold about 7,620 m^3 of self-produced marble blocks and about 214,330 m^2 of self-produced marble slabs, which amounted to approximately RMB61,700,000 and approximately RMB121,392,000 respectively. The Group has also sold about 113,680 m^2 stone products purchased from outside, which amounted to approximately RMB106,332,000. Sales of self-produced marble blocks and marble slabs represented 21.3% and 41.9% of the total revenue for 2011 respectively.

During the Year, the average selling price of each square meter of Pure Beige marble slab was RMB865 and the average selling price of each square meter of Mixed Beige marble slab was RMB568.

Zhangjiaba Mine Marble Resource and Reserve Summary, as of 31 December 2011 (JORC Compliant)

JORC Resource and Reserve Class	*(million m^3)*
Measured Resource	15.74
Indicated Resource	28.41
Total Resource	44.15
Proved Reserve	5.98
Probable Reserve	10.80
Total Reserve	16.78

Information and Reserve Summary on Marble Stones in Tujisi Mine

Name of the mine:	Tujisi Mine
Location:	Yunlin Village, Xiangquan Country, Beichuan County
Mining permit area:	0.1748 km^2
Mining permit elevation:	980 m to 1,160 m above MSL
Mining permit expiration date:	1 June 2017
Resources (331+332+333 under Chinese Standard):	12,213,200 m^3

Our operation results from January to December 2011 are summarized as follows:

	January – December 2011	**January – June 2011**	**July – December 2011**
Marble Block Mining			
Marble block mined (m^3)	21,849	9,371	12,478
Marble Block for Sales & Processing			
Marble blocks for direct sales (m^3)	7,620	7,612	8
Marble blocks for slab processing (m^3)	6,810	2,474	4,336
Subtotal	14,430	10,086	4,344
Marble Slab for Processing & Purchases			
Marble Slabs Processed (m^2)			
Pure Beige (m^2)	85,776	1,338	84,438
Mixed Beige (m^2)	134,391	62,803	71,588
Others (m^2)	27,319	27,319	—
Subtotal	247,486	91,460	156,026

	January – December 2011	January – June 2011	July – December 2011
Slab for Sales			
Self-produced (m^2)			
Pure Beige (m^2)	80,924	1,107	79,817
Mixed Beige (m^2)	107,527	61,827	45,700
Others (m^2)	25,879	25,450	429
Purchased outside (m^2)	113,680	—	113,680
Subtotal	328,010	88,384	239,626
Average Selling Prices (Note)			
Self-produced			
Marble block ASP (RMB/m^3)	9,610	9,610	9,610
Marble slab ASP			
Pure Beige (RMB/m^2)	865	865	865
Mixed Beige (RMB/m^2)	568	568	568
Others (RMB/m^2)	539	539	539
Purchased outside (RMB/m^2)	935	—	935

Note: The average selling price includes the value added tax, but excludes the selling price for slabs purchased outside.

iii. Acquisition of Mines and Strategic Co-operation

On 29 August 2011, the Group acquired 100% equity interest in Beichuan Lida which holds a mining right of Tujisi Mine locating in the same mineral vein as our Zhangjiaba Mine, which has resources of approximately 12,213,200 m^3 (331+332+333 under Chinese Standard) and is far higher than the preliminary estimate for resources of 6,100,000 m^3 at acquisition. It is anticipated that the mining capacity for blocks will reach 50,000 m^3 per annum, where new products would be introduced to the market to meet requirements of various customers. Such acquisition helps the Group to further enhance its own mining capacity for blocks, in particular, enriching its texture and types of its high-end beige marble series as well as increasing its market competitiveness.

In September 2011, the Group signed supply contracts with two large real estate development companies in Inner Mongolia in China, providing premium decorative stones including our self-produced marble slabs, granite and other marble related products for their various massive construction projects, including hotels, clubhouses and commodity markets, etc.

During the year, stone experts of the Group conducted continuous research across China to identify suitable stone resources, and actively expanded the resource share of the Group for stone resources, such as precious, high-end marble stones and granite with high amount of consumption.

iv. Development of Downstream Business

To facilitate more effective resources integration and extend its competitive edges on quality mine resources, the Group consistently takes an active role in identifying partnership of development potential with an aim to put synergy effect into full play. In July 2011, the Group successfully acquired 49% equity interests in Guangdong Jiapeng Construction. Guangdong Jiapeng Construction is a professional engineering company on the design and construction of curtain wall engineering as well as decoration for construction, and has gained a certain degree of awareness in Guangzhou and Pearl River delta area. Such acquisition could complement the resources and strengths of both parties, allowing the Group to directly access to large high-end customers, and leverage on landmark construction projects to establish its brand awareness, while expanding the sales channel of its own mine products and increasing its market share.

2. FINANCIAL REVIEW

Revenue

We commence commercial production on September 2010 at our Zhangjiaba Mine and generated revenue at October 2010. Throughout the production in 2011, the Group generated revenue amounted RMB289,424,000, of which RMB121,392,000 were from the sales of self-produced marble slabs, and RMB61,700,000 were from the sales of self-produced marble blocks. While RMB106,332,000 were generated from the sales of other marble products and granite purchased outside.

Cost of sales

During 2011, the Group incurred cost of sales amounted RMB115,364,000. Of which RMB3,885,000 were for the costs related to the production of self-produced marble blocks, RMB24,077,000 were for the costs related to the production of self-produced marble slabs and RMB87,402,000 were cost of products purchased outside.

Gross profit and gross margin

Given a full year operation in 2011 compared to a quarter's operation in 2010, the increase of the capacity of production also led to an increase in the gross profit. Gross profit of the Group rose sharply from RMB4,592,000 at 2010 to RMB174,060,000 at 2011, representing an increase approximately 36.9 times. Including in the gross profit, the sales of other marble products and granite purchased outside contributed the gross profit amounted RMB18,930,000.

Gross margin of the Group decreased from 69.4% in 2010 to 60.1% in 2011. We further analyzed the gross margin as follows:

	2011	2010
Sales of self-produced marble blocks and slabs	84.7%	69.4%
Sales of marble products purchased outside	17.8%	—

Other income and gains

Other income and gains were RMB64,000 for the year ended 31 December 2010, as compared to RMB44,292,000 for the year ended 31 December 2011, of which RMB43,913,000 were the interest income from time deposits, entrustment loans and structured deposits.

Selling and distribution cost

Selling and distribution cost of the Group was RMB477,000 for the year ended 31 December 2010, as compared to RMB1,820,000 for the year ended 31 December 2011. Selling and distribution cost included staff cost, travelling and accommodation for business negotiation and brand-building expense.

Administrative expenses

Administrative expenses of the Group were RMB25,748,000 for the year ended 31 December 2010, as compared to RMB104,272,000 for the year ended 31 December 2011. Substantial increase for the year was related to the professional services for the initial public offer (the "IPO") amounted RMB24,916,000. Moreover, non-cash equity-settled share option expenses of RMB49,843,000 was recorded in the year ended 31 December 2011.

Finance cost

Finance cost of the Group was RMB2,320,000 for the year ended 31 December 2010, as compared to RMB5,428,000 for the year ended 31 December 2011. Since the foreign exchange position did not in line with the Group's development, the Group used an offshore deposit to secure the onshore loan in China which amount to RMB97,000,000. The interest expenses therefore increased in the year.

Other expenses

Other expenses were RMB1,371,000 for the year ended 31 December 2010, as compared to RMB8,517,000 for the year ended 31 December 2011, which mainly consisted of foreign exchange loss and compensation provision for the lawsuit amounting to RMB5,037,000 and RMB3,130,000 respectively.

Income tax expense

Income tax expense of the Group amounted RMB46,310,000 for the year ended 31 December 2011. Compared to the tax benefit amounted RMB4,205,000 for the year ended 31 December 2010, the Group commenced commercial production and generate assessable profit in 2011 and hence income tax expense incurred in the year ended 31 December 2011.

Profit for the year

With a full year operation for the year 2011, the result of the Group has a turnaround from a loss of RMB21,055,000 for the year ended 31 December 2010 to a profit of RMB53,247,000 for the year ended 31 December 2011. The Group also recorded a total consolidated comprehensive income amounted RMB48,904,000 in the year ended 31 December 2011 compare to a consolidated comprehensive loss amounted RMB23,623,000 for the year ended 31 December 2010. While excluded the equity-settled share option expense of RMB49,843,000 and the global offer cost of RMB24,916,000, the total consolidated comprehensive income of the Group for the year ended 31 December 2011 was RMB123,663,000.

Dividend

No dividends were to be proposed for the two years ended 31 December 2010 and 31 December 2011.

Consolidated Statement of Cash Flows

	2011	**2010**
	RMB'000	*RMB'000*
Cash and cash equivalent at beginning of year	80,082	5,670
Net cash flow used in operating activities	(59,606)	(23,752)
Net cash flow used in investing activities	(799,805)	(68,779)
Net cash flow from financing activities	915,994	170,031
Net increase in cash and cash equivalent	56,583	77,500
Net foreign exchange difference	(9,380)	(3,088)
Cash and cash equivalent at end of year	127,285	80,082

Operating activities

Net cash outflow from operating activities for the year ended 31 December 2011 amounted RMB59,606,000 mainly as a result of the profit before tax for the year amounted RMB99,557,000 and respective adjustments, including (i) the non-cash equity-settled share-based expense amounted RMB49,843,000 and (ii) the interest income amounted RMB43,913,000; and (iii) increase of prepayments, deposits and other receivable amounted RMB39,274,000; and (iv) the increase of the trade receivable of RMB101,983,000.

Investing activities

Net cash outflow for investing activities for the year ended 31 December 2011 amounted RMB799,805,000. The cash outflow from investing activities during the year mainly consisted of (i) purchase of property, plant and equipment amounted RMB108,790,000, (ii) placing of structured deposits and entrustment loans amounted RMB170,247,000 and RMB310,000,000 respectively, (iii) amounted RMB107,196,000 was placed as deposit for securing the bank borrowing, (iv) amounted RMB39,109,000 for purchasing the mining rights and (v) RMB6,000,000 and RMB13,500,000 were used to acquiring 100% equity interest of Beichuan Lida and 49% equity interest of Guangdong Jiapeng Construction respectively.

Financing activities

Net cash inflow from financing activities for the year ended 31 December 2011 amounted RMB915,994,000. The Company was listed on the Main Board of Stock Exchange at 18 March 2011. The net proceed from the Company's issue of new share capital (after deducting the expenses related to the issue of the new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$1,069,733,000, equivalent to RMB900,437,000.

Cash and cash equivalent

Cash and cash equivalent of the Group increased from RMB80,082,000 as at 31 December 2010 to RMB127,285,000 as at 31 December 2011, with the net foreign exchange difference increased from RMB3,088,000 to RMB9,380,000. Out of the RMB127,285,000, the equivalent of RMB2,904,000 was held in Hong Kong Dollars and the net was held in RMB.

Interest-bearing bank loans

	Group	
	2011	**2010**
	RMB'000	*RMB'000*
Repayable within one year		
Bank Loan		
— Unsecured	—	70,000
— Secured	97,000	3,308

Operating lease commitment

As at 31 December 2011, the Group had contracted obligation of operating leases which totalled approximately RMB21,033,000 with approximately RMB7,566,000 due within one year, approximately RMB13,020,000 due between two to five years and the rest of approximately RMB447,000 due after five years.

Financial instruments

The Group does not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2011 and 31 December 2010.

Capital expenditures

The Group invested approximately RMB108,790,000 capital expenditures mainly for the construction and purchase of property, plant and equipment in the year ended 31 December 2011. In addition, RMB39,109,000 was invested for the purchase of mining rights. The capital expenditure were fully financed by internal resources and proceeds from the Group's IPO.

Segment information

The Group's revenue and contribution to profit were mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan Province and Guangdong Province, China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Employees and emoluments policy

As at 31 December 2011, there were a total of 223 employees in the Group. The staff cost, including directors' remuneration in form of salary, equity-settled share option expense and allowance were approximately RMB76,556,000.

3. FUTURE PROSPECTS

The Group believes that thorough coverage of industry chain is the path of sustainable development of stone enterprises. To become the best enterprise in the stone industry, apart from its self-owned quality mine resources upstream, we also need to equip ourselves with advanced and modern processing equipment for the production process, and ensure that our marble products are of premium quality, while maintaining a strong and solid customer base in terms of sales. Looking forward, the Group will expand its quality mine resources via merger and acquisition of great investment value, which will in turn enrich our marble product types. Currently, the Group has already commenced the establishment of its own renowned design team, which will realize its innovative design concepts in near future, and transform various types of stones into unique and invaluable gems. Meanwhile, the Group will continue to seek for strategic co-operation opportunities of great development potential, which could not only enhance its brand awareness in the market, but also helps the Group to link domestic and foreign resources and markets to fully capitalize on synergy effect. We will keep an eye on global resources and target on global market with an aim to become a large integrated stone operator with dominance in the industry and international competitiveness.

Due to the influence from the combined factors of the slowdown in the macro-economic development in China, a decrease in the investment in fixed assets and downturn in manufacturing industry as well as the slowdown in global economy under the European debt crisis and weakening domestic economy in the United States, the degree of the overall prosperity in the stone industry in 2011 declined significantly. Yet, the Group has still overcome various difficulties and made good achievements.

The Group believes that the economy in China would still be on the track of stable growth in the future. With continuous promotion of urbanization and determination to create international cities by the Chinese Government, it could be expected that the development of various large projects, high-end real estate projects and the construction market at first-tier cities would be blooming, and the tremendous consumption and demand on stones would create more opportunities for the Group. Meanwhile, the significant enhancement in terms of wealth or taste in China over these years also suggests a corresponding increase in the demand for new houses or renovated houses, and thus high-end marbles would become popular items.

(d) For the Six Months Ended 30 June 2012

BUSINESS REVIEW

A combination of factors in the six months ended 30 June 2012 (the ''Period''), including a global economic slowdown plus a retreat in the expansion of fixed assets investments and manufacturing activities in China, caused a major setback of marble industry as well as the Group's businesses in the Period. During the Period, despite the challenges brought by the external environment and corporate growth, the Group still focused on consolidating its business foundation. In order to maintain its competitiveness, the Group made efforts to enhance its mining and processing capabilities, increase the value added to its marble products, and continue its endeavour to explore more end target markets.

The Group currently owns two marble mines in Sichuan Province, namely the Zhangjiaba Mine and the Tujisi Mine. Their major products are premium beige marble slabs and blocks.

The Zhangjiaba Mine, with an abundance of natural resources, is equipped with strategically located processing facilities. According to the certification issued by the China Stone Material Association (中國石材協會), the Zhangjiaba Mine is the largest mine in China in terms of beige marble reserves. It contains approximately 44,200,000 m^3 of premium beige marble reserves and approximately 16,800,000 m^3 of block reserves. The Zhangjiaba Mine has been in commercial production since September 2010. The Group holds a mining permit for the Zhangjiaba Mine with a term of 10 years and has paid a consideration for a reserve that can be mined for 30 years, making the Group the owner of the largest reserve of beige marble in China.

The Group has been actively expanding its mining infrastructure and investing in more resources to scale up the mining capacity. Currently, the mining platform in the Zhangjiaba Mine has reached 23,000 m^2.

Situated on the same mineral vein as the Zhangjiaba Mine, the Tujisi Mine contains a marble reserve of approximately 12,213,200 m^3 (Grade 331+332+333 by Chinese Standard), which is far higher than the preliminary estimate of 6,100,000 m^3 at the time of acquisition. The mine is anticipated to have an annual mining capacity of 50,000 m^3 for blocks and an annual processing capacity of 1,000,000 m^2 for slabs.

Summary of Production and Sales Performance

As at 30 June 2012, the Group sold approximately 1,440 m^3 of self-produced marble blocks for a sales (net of tax) amount of approximately RMB15,353,000. Sales of marble blocks accounted for 100% of the total revenue for the Period.

Meanwhile, prospecting has been completed for the Tujisi Mine. Currently, its mining operations have not yet commenced, but are expected to be kick-started in 2013. The Group will capitalize on its existing technological expertise, infrastructures and facilities to further develop the Tujisi Mine. After it has commenced operations, the mine is expected to further enhance the Group's blocks mining and slabs processing capacities, particularly enriching the product mix of premium beige marble series, thereby enlarging its market share.

Zhangjiaba Mine's Marble Resources and Reserves Summary, as of 30 June 2012 (JORC Compliant)

JORC Resource and Reserve Class	*(million m^3)*
Measured Resources	15.74
Indicated Resources	28.41
Total Resources	44.15
Proved Reserves	5.98
Probable Reserves	10.80
Total Reserves	16.78

Tujisi Mine's Information and Marble Reserves Summary

Name of the mine:	Tujisi Mine
Location:	Yunlin Village, Xiangquan Country, Beichuan County
Mining permit area:	0.1748 km^2
Mining permit elevation:	980 m to 1,160 m above Mean See Level
Mining permit expiration date:	1 June 2017
Resources (331+332+333 by Chinese Standard):	12,213,200 m^3

Premium Marble Products

Currently, the Group mainly produces premium beige marble blocks and slabs. In particular, its Pure Beige and Mixed Beige marble are ranked as high grade marble products, and its Wood Grain and Gray Net marble are positioned as medium to high grade marble products. Besides, marble mined from the Zhangjiaba Mine, which is owned by the Group, features a high degree of purity, consistency, density, and a low degree of porosity, and can be made into premium decorative marble blocks and slabs.

The Group's Pure Beige, Mixed Beige, Wood Grain and Gray Net marble accounted for 51.0%, 32.7%, 6.4% and 9.9% of its marble reserves respectively. With the extremely high quality beige marble from the Zhangjiaba Mine, the Group's marble products are priced from medium to high end and are suitable for the high-end construction and renovation markets.

Digitalized Mining Management System

The Group makes use of highly efficient mining and processing technologies to ensure lower operating costs and maintain safety and environmental protection in its mining and production operations. Currently, the Group has invested a lot of resources to develop a digitalized mining management system for the Zhangjiaba Mine. Such system represents a set of unique digital applied technologies invented on the basis of the production practices of the Zhangjiaba Mine. The system has integrated the geological characteristics of the mine into its three-dimensional ("3D") orientation system, which collects data about the textures and types of marble found to establish a 3D model of the mine. By using 3D orientation numbering to identify every block and determine their dimensions and locations, the management of the extraction, shaping, quality examination, transportation and stocking of marble blocks can be conducted on the same basis. This high precision management method makes available accurate parameters for mining design, production planning and quality control of the mine. As far as we know, such a digitalized mining management system is unprecedented in the global marble mining industry, making the Group the leader in the world.

Identifying the Site for Construction of a Self-Owned Processing Plant

The Group has been actively searching for a suitable site for construction of its self-owned processing plant. The Group previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant due to policy changes in relation to the local industry structure. Through active communication with the government, the Group re-signed a co-operation agreement with the government of Jiangyou in November 2011. Under the agreement, the government of Jiangyou would provide another suitable site for the construction of the Group's processing plant. At the same time, the Group has been probing the feasibility of several sites in the important marble industry bases in China for building a new plant or redeveloping an existing one.

According to a projection by the China Stone Material Association, upon completion of the capacity ramp-up plan, the Group is expected to rank first among all marble mining companies in China in terms of mining and processing capacities for a single category of marble.

FINANCIAL REVIEW

Revenue

For the Period, the Group recorded revenue of RMB15,353,000, representing a decrease of approximately 85.3% as compared to the corresponding period of last year. The decrease in revenue is mainly attributable to the slowdown in China's property market and thus adversely affected the overall sales performance of the Group for the Period. In addition, the cancellation of the long-term sales contracts in 2011 with four customers due to relocation and the fact that the remaining three long-term customers had not placed order with the Group during the Period also resulted in the decrease of the revenue in the Period.

Cost of sales

For the Period, cost of sales of the Group amounted to RMB5,712,000, representing a decrease of 59.9% as compared to the corresponding period of last year, and bears about 37.2% of the revenue in the Period. Such change was mainly due to the decrease of the sales in the Period.

Gross Profit

The Group recorded a gross profit amounted to RMB9,641,000 for the Period, representing a decrease of 89.3% as compared to the corresponding period of last year. The gross profit ratio is approximately 62.8% for the Period compared to 86.4% for the six months ended 2011. As the sales dropped significantly for the Period, it caused the low production in Zhangjiaba Mine and the production expenses during the Period of low production were recorded in the cost of sales, instead of being capitalised into the inventories produced, causing the decrease in gross margin for the Period.

Other income and gains

Other income and gains of the Group increased from RMB4,202,000 for the six months ended 30 June 2011 to RMB34,151,000 for the Period.

For the Period, other income mainly comprises interest income from entrustment loans, structured deposits, loan to an associate and other interest income of the Group as disclosed in the notes to interim condensed financial information.

Selling and distribution costs

The selling and distribution costs of the Group increased from RMB103,000 for the six months ended 30 June 2011 to RMB1,309,000 for the Period. Selling and distribution cost mainly included staff cost, travelling and accommodation for business negotiation and brand-building expense.

Administrative expenses

The administrative expenses of the Group were RMB35,893,000 for the Period, as compared to RMB57,246,000 for the six months ended 30 June 2011. Decrease in the administrative expenses mainly because global offering expenses amounted to RMB24,916,000 incurred for the six months ended 30 June 2011, whereas there was no such expense during the Period. Moreover, the amortisation of share option expense was reduced from RMB20,406,000 for the six months ended 30 June 2011 to RMB11,602,000 during the Period as the vesting period of most share options was ended in the first quarter of 2012.

Finance costs

Finance costs of the Group was RMB3,268,000 for the Period, as compared to RMB1,622,000 for the six months ended 30 June 2011. The substantial increase in finance cost was mainly due to the increase in bank interest expenses from a interest-bearing bank loan amounted RMB97,000,000 was obtained at August 2011 with a tenure of one year.

Income tax expense

Income tax expense of the Group amounted to RMB8,943,000 for the Period, as compared to RMB20,868,000 for the six months ended 30 June 2011.

The decrease in the tax expenses was resulted by the substantial decrease in the sales and the profit of the Group.

Loss for the Period

As a combined effect of the above, the Group recorded the loss of approximately RMB7,247,000 for the Period, as compared to the profit of RMB12,501,000 for the six months period ended 30 June 2011.

Dividend

The board (the "Board") of Directors (the "Directors") of the Company does not recommend the payment of interim dividend for the Period at a meeting of the Board held on 27 August 2012 (corresponding period of 2011: nil).

Liquidity and Capital Resources

The Group's condensed consolidated statement of cash flows for the Period was set out in page 25 of this report.

Net Cash Flows used in Operating Activities

Net cashflow outflow from operating activities were RMB96,566,000 for the Period, as compared to a net cash inflow of RMB30,227,000 for the six months ended 30 June 2011. The decrease in the cash inflow in the Period mainly resulted from (1) the loss before tax for the Period of RMB1,696,000, (2) increase in prepayments of inventories of RMB18 million, (3) payment of refundable deposit for development of sales network amounting to RMB43 million, (4) the payment of Enterprise Income Tax in the amount of RMB16 million.

Net Cash Flows from Investing Activities

Net cash inflow from investing activities of the Group amounted to approximately RMB45,409,000 for the Period, as compared to a net cash outflow from investing activities for the six months ended 30 June 2011 were RMB309,084,000. The net cash inflow from investing activities for the Period mainly represented the receipts of the investments of entrustment loans of RMB310 million, the receipts of structured deposits of RMB170 million and interest received of RMB26 million. These cash receipts were set off by the effect of payments for processing facilities projects in Yunfu amounting to RMB310 million, and payments in advance for property, plant and equipment including the construction of mining infrastructure amounting to RMB142 million.

Net Cash Flows used in Financing Activities

Net cash inflow from financing activities of the Group decreased from RMB819,634,000 for the six months ended 30 June 2011 to a net cash outflow of approximately RMB32,270,000 for the Period. The decline mainly represented the payment for redemption of ordinary shares of the Company of approximately RMB29,044,000 and the interest paid of approximately RMB3,226,000 for the Period while there was net proceeds from IPO in March 2011 with an amount of approximately HK$1,050,000,000 and repayment of interest bearing borrowing of RMB3,308,000 in 2011.

For the Period, the Group principally engaged in the exploration, mining, and sale of marble blocks and slabs in China.

Our planned future capital expenditures mainly comprise the capital requirements for the mining operations, acquisition of exploration and mining rights and cash reserves to carry out future acquisitions. Our capital requirements include construction of infrastructures and processing facilities. During the Period, the capital expenditure mainly included the amount of RMB310 million paid under the Strategic Cooperation Agreements (as defined below) and amount paid in advance for property, plant and equipment amounting to RMB142 million.

Cash and cash equivalents (excluding pledged deposits) declined from approximately RMB127,285,000 as at 31 December 2011 to approximately RMB44,017,000 as at 30 June 2012. Out of cash and cash equivalents amounting to RMB44,017,000, the carrying amounts of RMB17,794,000 and RMB248,000 are denominated in Hong Kong dollar and US dollar, respectively.

Contractual Obligations

As at 30 June 2012, the Group's capital and operating commitment were disclosed in the note 20 to interim condensed financial information.

Borrowings and the Pledge of Assets

As at 30 June 2012, the Group had a bank loan amounted to RMB97,000,000 with a fixed rate of 6.1% per annum and was secured by the pledged deposits of US$16,880,000 (equivalent to approximately RMB107,794,000). Gearing, ratio being total interest-bearing debt divided by total assets, was 0.079.

Employees and emoluments policy

As at 30 June 2012, the number of employees of the Group was 145. For the Period, staff costs (included directors' remuneration in the form of salaries, equity-settled share option expenses and other allowances) were approximately RMB22,438,000.

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and China, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

Contingent Liabilities

As at 30 June 2012, the Group had no significant contingent liabilities.

Exposure to foreign exchange risk

Substantially all of our revenue, cost of sales and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. Most of the Group's assets and liabilities are denominated in Renminbi, except for certain assets, mainly the pledged deposits, and certain payables of administrative expenses in Hong Kong office and such amounts are denominated in US dollars and Hong Kong dollars. We do not believe our operations are currently subject to any significant direct foreign exchange risk and have not used any derivative instruments to hedge our exposure to the foreign exchange risk.

Strategic Cooperation

During the Period, the Group entered into a series of strategic cooperation agreements ("Strategic Cooperation Agreements") with the Strategic Partners to jointly develop and expand stone material processing capacity in Yunfu, Guangdong Province and to develop national distribution network for stone products. Pursuant to these Strategic Cooperation Agreements, the Group had made payments in advance aggregating to RMB310,000,000 to the Strategic Partners through Guangzhou Junqi Investment Management Co., Ltd. (廣州駿啟投資管理有限公司), an independent third party.

In the event that, one year after the signing of the Strategic Cooperation Agreements, the Group decides not to acquire the well-established stone processing base or the well-developed national distribution network from the Strategic Partners, the Group will be refunded with its initial advanced payment in the amount of RMB310,000,000 under the Strategic Cooperation Agreements, together with interest calculated based on the interest rate of one-year fixed term deposit announced by People's Bank of China.

FUTURE PROSPECTS

The Group believes that realizing thorough coverage of its industry chain is the way to ensure the sustainable development of its marble enterprise. To become the best enterprise in the marble industry, apart from owning quality mine resources for the upstream, we also need to equip ourselves with advanced and modern processing equipment for the production process, and to ensure that our marble products are of premium quality, while maintaining a strong and solid customer base in respect of sales.

Going forward, the Group will expand its quality mine resources via the pursuit of mergers and acquisitions of good investment value, in order to enrich its marble product lines. Currently, the Group has already started to establish its own team of renowned designers and it expects to be able to realize its innovative design concepts in the near future, and transform various types of marble into unique and valuable gems. Meanwhile, the Group will continue to seek strategic co-operation opportunities for growth potential, which is expected to not only help enhance awareness of its brand in the market, but will also be beneficial for the Group to link up domestic and overseas resources and markets to fully capitalize on the synergy effect. We will keep our eyes open for global resources and gain a position in the global market to become a large-scale integrated marble business operator with industrial leadership and international competitiveness.

Despite a slowdown in the growth of the industry in the first half of the year, the Group believes that the Chinese economy will remain on a stable growth trend down the road. As urbanization continues to progress, and with local governments' determination to develop their cities into international metropolises, one can foresee a boom for all sorts of large-scale construction projects, high-end property development projects, and the overall development of the construction industry in the first-tier cities. The resultant huge consumer demand for marble is expected to create more business opportunities for the Group. Meanwhile, in recent years, people of PRC have been leaping forward in terms of wealth and lifestyle standards, leading to an increase in their demand for new houses or renovations, which has in turn driven the popularity of high-end marble products.

So far this year, the Chinese government has already announced two rounds of interest rate cuts. The intention behind them is to stimulate demand in the real economy and to maintain stability in economic growth, which is favourable for the construction industry. With a number of economic indicators bottoming out in the first half of 2012, China is expected to roll out a series of monetary and fiscal measures to drive the economy forward. The Group believes that the Chinese economy will be heading for a turnaround in the second half of the year and the construction and marble industries are anticipated to recover gradually, which will be significantly positive for the Group's business development.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and Chief Executives' Interests and Short Positions in Securities of the Company and its Associated Corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (pursuant to Divisions 7 and 8 of Part XV of the SFO and within the meaning of Part XV of the SFO), including interests and short positions which were taken or deemed to have under such provisions of the SFO, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

(ii) Persons who have Interests or Short Positions which are Discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholders	Number of Shares held	Capacity	Approximate % of issued share capital of the Company
Mr. Huang Xian You	1,226,926,277	Interest in controlled corporation *(Note 1)*	62.3%
Wongs Investment Development Holdings Group Limited	1,226,926,277	Beneficial Owner *(Note 1)*	62.3%

Note:

(1) The entire share capital of Wongs Investment Development Holdings Group Limited, a company incorporated in the British Virgin Islands with limited liability, is held by Mr. Huang Xianyou.

Save as disclosed above, none of the existing directors is aware that any person (not being a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as at the Latest Practicable Date.

3. LITIGATION

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

4. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Further, there is no contract or arrangement in which any of the Directors was materially interested and which was significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Guangzhou Jiucheng Mining Co., Ltd 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 Limited, the Company, Mr. Huang Xianyou and Wongs Investment Development Holdings Group Limited ("Wongs Investment"), pursuant to which MS China 3 Limited 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");

(f) a deed of share charge dated 19 August 2010, pursuant to which the Company created a charge in favor of MS China 3 Limited the security of such charge consisting of all of the issued and outstanding ordinary shares of Kingstone Industrial Investment Limited 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 Limited;

(g) a deed of share charge dated 19 August 2010, pursuant to which Kingstone Industrial Investment Limited created a charge in favor of MS China 3 Limited the security of such charge consisting of all of the issued and outstanding ordinary shares of Kingstone (HK) Group Limited 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 Limited;

(h) an agreement on pledge of equity interest in Chinese dated 19 August 2010, pursuant to which Kingstone (HK) Group Limited pledged in favor of MS China 3 Limited 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 Limited;

(i) a shareholders' and noteholder's agreement dated 19 August 2010 among MS China 3 Limited, the Company, Mr. Huang Xianyou and Wongs Investment setting out certain rights of MS China 3 Limited 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 Kingstone (HK) Group Limited as the lender and Kingstone Guangzhou as the borrower for a shareholder's loan of US$15 million;

(k) a deed of shareholder loan assignment dated 24 August 2010 between Kingstone (HK) Group Limited, MS China 3 Limited and Guangzhou Kingstone, pursuant to which Kingstone (HK) Group Limited has agreed to assign, among others, its rights under the shareholder loan agreement to MS China 3 Limited as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3 Limited;

(l) an agreement on release of pledge of equity interests in Chinese dated 24 February 2011, pursuant to which Kingstone (HK) Group Limited, Guangzhou Kingstone and MS China 3 Limited 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 Limited;

(m) a deed of non-competition dated 4 March 2011 entered into by Mr. Huang Xianyou and Wongs Investment, in favor of the Company;

(n) the underwriting agreement dated 4 March 2011 relating to the Hong Kong public offering entered into between, among others, the Company, Citigroup Global Markets Asia Limited and the Hong Kong Underwriters (as defined in the Prospectus);

(o) a deed of indemnity dated 4 March 2011 entered into between Mr. Huang Xianyou, Wongs Investment and the Company for itself and as trustee for its subsidiaries, under which Mr. Huang Xianyou and Wongs Investment have given certain indemnities in favour of the Company;

(p) a structured deposit agreement dated 7 June 2011 entered into between the Company and Rosy Ever, under which the Company deposited HK$260,000,000 with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds;

(q) a structured deposit agreement dated 4 July 2011 entered into between the Company and Rosy Ever, under which the Company deposited HK$150,000,000 with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds;

(r) a loan agreement dated 15 July 2011 entered into between Sichuan Jinshida, ICBC and Guangdong Jiapeng, under which Sichuan Jinshida provided loan in the amount of RMB35,000,000 through ICBC to Guangdong Jiapeng;

(s) an entrusted loan agreement dated 2 August 2011 entered into between Kingstone Guangzhou, Shenzhen Development Bank and Guangzhou Huasheng, under which Kingstone Guangzhou provided entrusted loan in the amount of RMB220,000,000 through Shenzhen Development Bank to Guangzhou Huasheng;

(t) an entrusted loan agreement dated 4 August 2011 entered into between Kingstone Guangzhou, Shenzhen Development Bank and Guangzhou Huasheng, under which Kingstone Guangzhou provided entrusted loan in the amount of RMB20,000,000 through Shenzhen Development Bank to Guangzhou Huasheng;

(u) an entrusted loan agreement dated 17 August 2011 entered into between Kingstone Guangzhou, Shenzhen Development Bank and Guangzhou Xingguang, under which Kingstone Guangzhou provided entrusted loan in the amount of RMB70,000,000 through Shenzhen Development Bank to Guangzhou Xingguang;

(v) a structured deposit agreement dated 5 September 2011 entered into between the Company and Rosy Ever, under which the Company deposited HK$160,000,000 with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds;

(w) a loan agreement dated 9 September 2011 entered into between Sichuan Jinshida, ICBC and Guangdong Jiapeng, under which Sichuan Jinshida provided loan in the amount of RMB45,000,000 through ICBC to Guangdong Jiapeng;

(x) a structured deposit agreement dated 19 September 2011 entered into between the Company and Rosy Ever, under which the Company deposited HK$50,000,000 with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds;

(y) a structured deposit agreement dated 16 October 2011 entered into between the Company and Rosy Ever, under which the Company deposited HK$163,582,795 with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds;

(z) a structured deposit agreement dated 1 November 2011 entered into between the Company and Rosy Ever, under which the Company deposited HK$51,161,666 with Rosy Ever for investment into a portfolio of financial products with features of capital preservation, floating income and without predetermined duration, including but not limited to government debts, the central bank notes and other bonds;

(aa) a procurement agreement dated 1 March 2012 entered into between Kingstone Guangzhou and Guangzhou Zhongling whereby Guangzhou Zhongling was engaged to procure various production, transportation and other related equipment for Kingstone Guangzhou and under which, Kingstone Guangzhou is required to make a prepayment in the amount of RMB94,726,238;

(ab) a letter of Intent entered into between Guangzhou Kingstone and the Strategic Partners on 6 March 2012 setting out the basic framework of the cooperation between the relevant parties:

(i) Yunfu Huihua and Yunfu Chengjiu will jointly establish stone material processing base in Yunfu, Guangdong Province and develop national distribution network for stone products, and Kingstone Guangzhou will provide an advance in the amount of RMB240 million to Yunfu Huihua and Yunfu Chengjiu for the above-mentioned purpose;

(ii) Yunfu Kailong and Yunfu Zhijing will jointly establish stone material processing base in Yunfu, Guangdong Province and develop national distribution network for stone products, and Kingstone Guangzhou will provide an advance in the amount of RMB70 million to Yunfu Kailong and Yunfu Zhijing for the above-mentioned purpose;

(ac) a strategic cooperation agreement entered into by Kingstone Guangzhou, Yunfu Huihua and Yunfu Chengjiu on 13 March 2012, together with a supplemental agreement entered into between the same parties on the same date, setting out details of the cooperation between the relevant parties;

(ad) a strategic cooperation agreement entered into by Kingstone Guangzhou, Yunfu Kailong and Yunfu Zhijing on 12 March 2012, together with a supplemental agreement entered into between the same parties on 13 March 2012, setting out details of the cooperation between the relevant parties; and

(ae) the Extension Agreement entered into by Sichuan Jinshida, Guangdong Jiapeng and Kingstone Guangzhou on 28 July 2012 in relation to the extension to and repayment of the RMB35 Million Entrusted Loan and RMB45 Million Entrusted Loan by Guangdong Jiapeng.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong from the date of this circular up to and including 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the material contracts as referred to in the paragraph headed "Material contracts" above in this appendix;

(c) the prospectus of the Company dated 7 March 2011;

(d) the annual reports of the Company for each of the two years ended 31 December 2011 and the interim report of the Company for the period ended 30 June 2012;

(e) legal opinion issued by Deheng Law Offices dated 28 September 2012 in relation to the Extension Agreement; and

(f) this circular.

9. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong.

(b) The principal share registrar and transfer agent of the Company is Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman, KY1-1107, Cayman Islands. The Hong Kong share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(c) The secretary of the Company is Mr. Law Wai Fai. Mr. Law holds a master's degree in Business Administration from Hong Kong Polytechnic University and a bachelor's degree in Accountancy from the City University of Hong Kong. He is also a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

(d) The English text of this circular shall prevail over the Chinese text.

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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the ''Meeting'') of China Kingstone Mining Holdings Limited (the ''Company'') will be held at 3:00 p.m. on Thursday, 15 November 2012 at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. ''**THAT**:

   (a) each of the Entrusted Loan Agreements (copies of which are tabled at the EGM, marked ''A'' and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;

   (b) any one director (''Director'') and/or the company secretary of the Company be and are hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to effect and implement the Entrusted Loan Agreements and the transactions contemplated thereunder.

   (c) all actions taken and documents signed by any Director in connection with the subject matter of these resolutions prior to the date of the resolutions be hereby approved and ratified in all respects.''

2. ''**THAT**:

   (a) each of the Loans to an Associate (copies of which are tabled at the EGM, marked ''B'' and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;

   (b) any one Director and/or the company secretary of the Company be and are hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to effect and implement the Loans to an Associate and the transactions contemplated thereunder.

(c) all actions taken and documents signed by any Director in connection with the subject matter of these resolutions prior to the date of the resolutions be hereby approved and ratified in all respects."

3. "**THAT**:

(a) each of the Structured Deposit Agreements (copies of which are tabled at the EGM, marked "C" and initialed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;

(b) any one Director and/or the company secretary of the Company be and are hereby authorised to perform all such acts, deeds and things and execute all documents as they consider necessary or expedient to effect and implement the Structured Deposit Agreement and the transactions contemplated thereunder.

(c) all actions taken and documents signed by any Director in connection with the subject matter of these resolutions prior to the date of the resolutions be hereby approved and ratified in all respects."

By Order of the Board
China Kingstone Mining Holdings Limited
Xiong Wenjun
Executive Director

Hong Kong, 26 October 2012

Notes:

1. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and, on poll, vote on his behalf. A proxy needs not be a Shareholder of the Company.

2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.

3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at the Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Share Registrar, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at least 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the EGM, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

5. For the purposes of the EGM, the register of members of the Company will be closed from 13 November 2012 to 15 November 2012 (both days inclusive), during which no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong Share Registrar, at 17M/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m., 12 November 2012.

6. Unless otherwise specified in herein, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 26 October 2012.