ARTGO MINING HOLDINGS LIMITED
雅 高 礦 業 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
Stock Code: 3313

GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

BofA Merrill Lynch

Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch 海通國際 HAITONG

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

ARTGO MINING HOLDINGS LIMITED
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Global Offering

Total number of Offer Shares under the Global Offering :	**333,334,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares :	**33,334,000 Shares (subject to adjustment)**
Number of International Offer Shares :	**300,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price :	**Not more than HK$3.03 per Share and expected to be not less than HK$2.43 per Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)**
Nominal value :	**HK$0.01 per Share**
Stock code :	**03313**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement by the Sole Global Coordinator, on behalf of the Underwriters, and our Company on or before Thursday, December 19, 2013 or such later time as may be agreed between the parties, but in any event, no later than Thursday, December 26, 2013. If, for any reason, the Sole Global Coordinator, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Thursday, December 26, 2013, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$3.03 per Share and is expected to be not less than HK$2.43 per Share although the Sole Global Coordinator, on behalf of the Underwriters, and our Company may agree to a lower price. The Sole Global Coordinator, on behalf of the Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus (being HK$2.43 per Share to HK$3.03 per Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.artgo.cn as soon as practicable but in any event not later than the morning of the day which is the latest day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, and in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Public Offer Shares, the Sole Global Coordinator, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Hong Kong Public Offering — Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only (i) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the US Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S.

December 16, 2013

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** *(note 2)*	11:30 a.m. on Thursday, December 19, 2013
Application lists for the Hong Kong Public Offering open *(note 3)*	11:45 a.m. on Thursday, December 19, 2013
Latest time for lodging WHITE and YELLOW Application Forms and giving **electronic application instructions** to HKSCC *(note 4)*	12:00 noon on Thursday, December 19, 2013
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, December 19, 2013
Application lists close *(note 3)*	12:00 noon on Thursday, December 19, 2013
Expected Price Determination Date *(note 5)*	Thursday, December 19, 2013
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.artgo.cn** on or before *(note 6)*	Friday, December 27, 2013
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to Apply for the Hong Kong Public Offer Shares — Publication of results") from	Friday, December 27, 2013
Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Friday, December 27, 2013
Share certificates (if applicable) in respect of wholly or partially successful applications to be despatched on or before	Friday, December 27, 2013
White Form e-Refund payment instructions/Refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before *(note 7)*	Friday, December 27, 2013
Dealings in Shares on the Stock Exchange to commence on	Monday, December 30, 2013

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering".

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 19, 2013, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for the Hong Kong Public Offer Shares — 10. Effect of bad weather on the opening of the application lists".

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" for details.

(5) The Offer Price is expected to be determined by Thursday, December 19, 2013, but in any event, the expected time for determination of the Offer Price will not be later than Thursday, December 26, 2013. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator, on behalf of the Underwriters, and our Company by Thursday, December 26, 2013, the Global Offering will not proceed.

(6) The announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Public Offer Shares and the successful applicants' identification document numbers will be published on or before Friday, December 27, 2013.

(7) Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have provided all required information may collect any refund cheque(s) (if applicable) and/or Share certificate(s) (if applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2013. Applicants being individuals who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Hong Kong Public Offer Shares or more and opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporations stamped with the corporations' chop. Identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection. Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms.

Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Friday, December 27, 2013, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Global Offering".

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, the Sole Global Coordinator, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at www.artgo.cn, does not form part of this prospectus.

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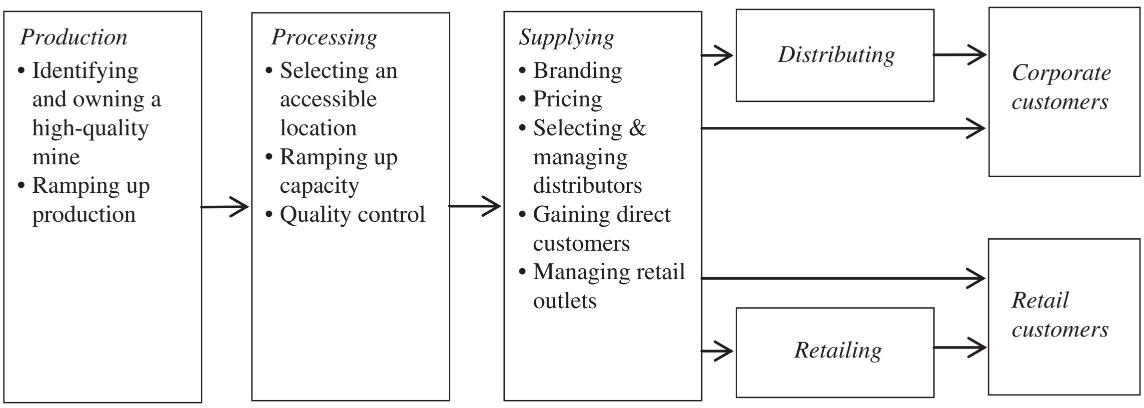
OVERVIEW

ArtGo is a branded marble producer with the largest marble mine and distribution network in China. We currently own and operate the Yongfeng Mine, which was the largest marble mine in China as of September 30, 2013 according to the F&S Report, with 106.9 million cubic meters of measured, indicated and inferred resources and 44.2 million cubic meters of proved and probable reserves as of September 30, 2013. The block recovery rate of our mine historically has been 46.7% and is expected to be approximately 45% over our entire deposit according to the CPR, compared to the industry average of 15% according to the F&S Report. We currently sell our marble products primarily through our distributors, which totaled 63 as of September 30, 2013 and was the largest marble distribution network in China according to the F&S Report, complemented by direct sales to our corporate customers. We also sell a small portion of our products into the overseas markets. All of the sales of our marble products through such expansive distribution channels are conducted under our "ArtGo" brand. We currently use third-party contractors for marble slab processing, and exercise stringent quality control by maintaining a dedicated quality control team at each third party processing plant. With a view to becoming a fully vertically integrated marble producer, we plan to construct our own marble processing plant, which is expected to commence operation in 2016.

We acquired the Yongfeng Mine in June 2011. After our acquisition, the Yongfeng Mine had been in limited commercial production until February 2013, when we commenced large-scale commercial production under our current mining permit of 250,000 cubic meters of marble per annum. We extracted 27,612 cubic meters of marble blocks from the Yongfeng Mine in the nine months ended September 30, 2013, and are currently on schedule to extract a total of 40,000 cubic meters of marble blocks in 2013. We expect the Yongfeng Mine to reach a marble output of 250,000 cubic meters per annum in 2017.

Our Business Model

We follow a vertically integrated business model. The following diagram illustrates the stages of the marble industry value chain in China.



According to the F&S Report, the stages in the above value chain that generate the most value are generally considered to be mining and supplying. We believe that our capabilities at each key stage of the value chain, especially our possession of a large, high-quality marble mine and ability to establish and manage a robust distribution network, help us better manage product quality and capture value along the entire value chain.

Yongfeng Mine

Our Yongfeng Mine is located in Yongfeng County of Jiangxi Province, China and is connected by a 72-kilometer county road to the Yongfeng exit of a newly constructed expressway, which connects us to China's national transportation system. The table below summarizes key information related to our current mining permit for the Yongfeng Mine.

Holder	Jueshi Mining (our subsidiary)
Nature of resource	marble
Covered area	approximately 2.0 square kilometers
Issuance date	February 5, 2013
Expiration date	February 5, 2018, which can be extended to February 5, 2043 according to applicable PRC laws and regulations
Permitted production volume	250,000 cubic meters per annum

The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million for a period of 30 years. After paying RMB18.6 million in January 2013, we obtained a mining permit with an initial term of five years from February 5, 2013 to February 5, 2018. The term of our mining permit can be extended for another 25 years according to applicable PRC laws and regulations upon completion of our payment of the remaining mining right fee of RMB37.2 million plus interest accrued in four equal annual installments in the next four years. The first installment is due in February 2014, which will be paid by the Company's own funds.

The following table summarizes the marble resources and reserves of our Yongfeng Mine estimated as of September 30, 2013 under the JORC Code.

	Millions of cubic meters
Resources	
Measured	51.477
Indicated	46.646
Inferred	8.820
Total	106.944

	Millions of cubic meters
Reserves	
Proved	23.165
Probable	20.991
Total	44.155

Based on our 44.2 million cubic meters of marble reserves, the mine life of our Yongfeng Mine is approximately 177 years with the planned output from the second half of 2013 to 2016 and a full production capacity of 250,000 cubic meters per annum beginning in 2017.

Our Yongfeng Mine enjoys favorable topographical and geological conditions, which allow us to ramp up production scale easily and quickly. Such conditions, together with the convenient location of the Yongfeng Mine and its ready access to utilities, help us to achieve a low operating cost and a high profit margin. Our actual unit cash operating costs of one-side-polished slabs for 2012 and the nine months ended September 30, 2013 were RMB218 and RMB136 per square meter, respectively. We outsourced the processing of our marble slabs to third-party contractors during these periods.

According to the CPR, the Competent Person forecasts that when we reach our full mining output in 2017, the total unit cash operating costs for our one-side-polished slabs processed by our contractors will be RMB150 per square meter. Based on the actual cash operating cost we have achieved during 2012 and the nine months ended September 30, 2013, we believe we will be able to achieve that unit cost level or even better results while we further ramp up our production. In addition, with the construction of our own processing plant, it is expected that unit cash operating costs for our self-processed one-side-polished slabs will be reduced to RMB130 per square meter in 2017 when we reach our full mining output.

Mine Development and Production

Our Yongfeng Mine has an open-pit design, and as of the Latest Practicable Date, we had developed two mining areas at the mine. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, we produced 1,588, 13,456 and 27,612 cubic meters, respectively, of marble blocks from the Yongfeng Mine. We plan to rapidly ramp up our mining capacity by developing more mining areas at the Yongfeng Mine in the next three years. These mining areas will enable our Yongfeng Mine to reach a production capacity of 60,000, 120,000, 180,000 and 250,000 cubic meters per annum in 2013, 2014, 2015 and 2016, respectively. We aim to reach an annual mining output of 250,000 cubic meters of marble blocks by 2017.

Our Products

Our marble stone project at the Yongfeng Mine is a dolomite and limestone dimension stone mining project. Generally, dolomite and limestone are commercially classified as marble in the stone industry. See "Business — Our Principal Products — Properties of Our Stone" on page 111. The marble blocks that we produce at our Yongfeng Mine are generally white, off-white, light grey or grey, which, according to the F&S Report, are the most popular colors in the Chinese marble market in terms of customer preference. Under our "ArtGo" brand, we categorize our products into three series, namely, Aris, Abba and Ally, based on the different colors and patterns of our marble stones. As of the Latest Practicable Date, we have not yet commenced producing the Ally series. By-products of our mining operations include small stones and rubble, which can be sold as construction materials.

The following table sets forth the total revenue by product series and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Aris Series	95	54.9	1,342	16.3	940	40.7	57,470	62.4
Abba Series	78	45.1	6,868	83.7	1,367	59.3	34,584	37.6
Total	173	100.0	8,210	100.0	2,307	100.0	92,054	100.0

Based on tests conducted by Switzerland-based Société Générale de Surveillance, or SGS, a leading inspection, verification, testing and certification company, as well as The TÜV Rheinland Group, or TUV, a leading provider of technical services worldwide and according to the F&S Report, the physical quality of our marble products is above China's industry average and comparable to a number of leading international brands. These features of our marble products have helped us to quickly establish our brand recognition in the market. The retail prices of our one-side-polished slabs generally ranged between RMB600 and RMB950 per square meter in 2012, which were significantly higher than the industry average of RMB267 per square meter for domestic white/grey marble but were still below imported products, according to the F&S Report. As we continue to improve our brand recognition, we expect to further increase the average selling price and retail prices of our marble products in the future.

Marble Slab Processing

We sell most of our marble products as marble slabs, which are processed from marble blocks mined from our Yongfeng Mine. Currently we outsource all of the marble slab processing to third-party contractors. To improve quality control, increase profit margin and increase our adaptability and flexibility in meeting customers' needs, we plan to construct our own marble processing plant in Yongfeng County, Jiangxi Province. The construction of our self-owned processing plant is expected to start in the first quarter of 2015 and be conducted in three phases, which are planned to be completed in 2015, 2017 and 2019, respectively. After phase 3 of our processing plant is ramped up to full capacity at the end of 2021, we expect to produce approximately 9.0 million square meters of marble slabs annually at our processing plant.

Our Sales Network

We currently sell our marble products primarily through a network of distributors. With 63 distributors covering 74 cities across 25 provinces and municipalities, our distribution network was the largest in China as of September 30, 2013, according to the F&S Report. Our marble distributors have been selected based on their market position, operating history and commitment to our products. We plan to add more distributors to our distribution network to cover a larger geographic area in China and further penetrate in our existing markets. By leveraging our distributors' own distribution networks and sales channels, we believe this sales model provides us with an efficient and cost-effective distribution structure and enables us to shorten the time for introducing our products to the market and save costs on logistics and operations. We manage our distributors through our eight regional sales centers across China under a hub-and-spoke system.

We complement our sales to distributors with direct sales to corporate customers, including property developers and construction and remodeling companies. Our regional sales centers are responsible for our direct sales in China. We plan to boost our direct sales by focusing on corporate and retail customers in tier one cities in China. As part of that plan, we intend to establish marble retail outlets in several major Chinese cities, which are expected to serve not only as channels for our direct sales to retail customers but also as show rooms to support our sales to distributors and corporate customers, which in turn are expected to further promote our brand image and recognition.

The following table sets forth our domestic revenue by sales channel and percentage to our domestic sales revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Sales to distributors	—	—	3,894	55.0	—	—	39,409	43.5
Direct sales	173	100.0	3,203	45.0	1,530	100.0	51,140	56.5
Total domestic sales	173	100.0	7,097	100.0	1,530	100.0	90,549	100.0

Estimated Capital, Cash Operating and Production Costs

Capital Costs

For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, our capital costs incurred in connection with the Yongfeng Mine amounted to RMB9.1 million, RMB19.5 million and RMB44.4 million, respectively. The table below sets forth our estimated total capital costs from June 2011 through 2020 based on the CPR, the actual capital costs incurred from June 2011 up to September 30, 2013, the estimated capital costs for the last quarter of 2013, the year ending December 31, 2014 and the period from 2015 through 2020.

	Estimated total capital costs from June 2011 through 2020 according to CPR	Capital costs incurred from June 2011 up to September 30, 2013	Estimated capital costs for the last quarter of 2013	Estimated capital costs for the year ending December 31, 2014	Estimated capital costs for the period from 2015 through 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Marble mine					
Mine construction	47,666	2,384	8,767	12,905	23,610
Support facility construction	48,446	2,012	590	—	45,844
Equipment for mine	88,724	23,633	609	21,879	42,603
Equipment for other facility	69,720	7,059	1,037	8,644	52,980
Roads	12,967	5,277	4,177	3,168	345
Land acquisition	56,232	2,347	—	—	53,885
Mining right fees	73,441	30,289	—	11,681	31,471
Other	47,060	—	3,826	3,233	40,001
Total mine capital costs	444,256	73,001	19,006	61,510	290,739
Marble slab plant					
Land acquisition	45,392	—	—	13,108	32,284
Plant construction	165,829	—	—	—	165,829
Support facility construction	227,766	—	—	—	227,766
Equipment for plant	321,953	—	—	—	321,953
Equipment for other facility	41,190	—	—	—	41,190
Installation	59,005	—	—	—	59,005
Other	51,389	—	—	3,892	47,497
Total plant capital costs	912,524	—	—	17,000	895,524
Of which:					
Phase 1	284,248	—	—	17,000	267,248
Phase 2	280,571	—	—	—	280,571
Phase 3	347,705	—	—	—	347,705
Total plant capital costs	912,524	—	—	17,000	895,524
Total capital costs for mine and plant	1,356,780	73,001	19,006	78,510	1,186,263

As of September 30, 2013, we are under contractual obligations to pay for 39.1%, 20.2% and 2.7% of the estimated capital costs for the last quarter of 2013, the year ending December 31, 2014 and the period from 2015 through 2020.

Cash Operating and Production Costs

The following table sets forth the actual unit mine cash operating and production costs for 2012 and the nine months ended September 30, 2013 and the estimated annual unit mine cash operating and production costs from 2013 to 2022.

	Year ended December 31,	Nine months ended September 30,	Year ending December 31,									
	2012(A)	**2013(A)**	**2013(E)**	**2014(E)**	**2015(E)**	**2016(E)**	**2017(E)**	**2018(E)**	**2019(E)**	**2020(E)**	**2021(E)**	**2022(E)**
Unit mine cash operating costs (RMB/m^3)												
Block for direct sales	6,040	2,190	2,106	1,566	1,536	1,507	1,457	1,431	1,438	1,422	1,415	1,400
Block for self processed slab	—	—	—	—	—	1,028	1,000	1,004	1,008	1,005	995	986
Block for outsource-processed slab	1,442	1,005	980	1,035	990	947	919	923	927	924	914	—
Unit mine production costs (RMB/m^3)												
Block for direct sales	6,362	2,287	2,201	1,635	1,647	1,611	1,542	1,516	1,523	1,507	1,500	1,485
Block for self processed slab	—	—	—	—	—	1,132	1,085	1,090	1,093	1,090	1,081	1,072
Block for outsource-processed slab	1,764	1,102	1,075	1,104	1,101	1,051	1,004	1,009	1,012	1,009	1,000	—

According to the CPR, forecast unit mine cash operating costs and production costs after 2022 will be similar to that in 2022. Both the unit mine cash operating costs and the unit mine production costs have decreased significantly since 2012 because the unit consumables costs and unit general and administration costs have decreased significantly as a result of the rapid ramp-up of our production scale.

The following table sets forth the actual unit slab cash operating and production costs for 2012 and the nine months ended September 30, 2013 and the estimated annual unit slab cash operating and production costs from 2013 to 2022.

	Year ended December 31,	Nine months ended September 30,	Year ending December 31,									
	2012(A)	2013(A)	2013(E)	2014(E)	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)	2021(E)	2022(E)
Unit slab cash operating costs (RMB/m²)												
Self processed one-side-polished slab	—	—	—	—	—	134	130	131	130	129	126	123
Self processed cut-to-size slab	—	—	—	—	—	149	144	146	146	145	141	137
Outsource-processed one-side-polished slab	218	136	138	158	157	152	150	152	152	152	150	—
Outsource-processed cut-to-size slab	—	424	288	231	230	223	220	223	223	223	220	—
Unit slab production costs (RMB/m²)												
Self processed one-side-polished slab	—	—	—	—	—	139	136	138	139	137	134	131
Self processed cut-to-size slab	—	—	—	—	—	156	153	156	157	156	152	148
Outsource-processed one-side-polished slab	255	140	144	160	164	158	156	159	161	160	158	—
Outsource-processed cut-to-size slab	—	435	299	233	239	231	228	232	234	234	230	—

According to the CPR, the strip ratio for the designed pit at the Yongfeng Mine as of September 30, 2013 was approximately 0.16. The stripping costs for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013 were nil, nil and RMB2.4 million, respectively.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the key strengths of our company include: (i) our position as a branded marble producer, supplier and seller in China following a vertically integrated business model, which is a large and rapidly expanding market; (ii) having the largest marble distribution network in China complemented by direct sales and overseas expansion; (iii) owning the largest marble resource in China, with premium quality and significant pricing potential; (iv) our low operating cost and high profit margin; and (v) our experienced and dedicated management team with proven track record.

Our business strategy to achieve our goals includes the following: (i) strengthening brand recognition to increase pricing power; (ii) broadening and deepening distribution network and increasing international and direct sales; (iii) rapidly ramping up mining capacity at the Yongfeng Mine; (iv) building and expanding processing capabilities to improve quality control and increase product customization; and (v) expanding marble resources and diversifying product range through selective acquisitions.

OUR CHALLENGES

We face a number of challenges in our business and industry. In particular, if our end customers' consumption pattern changes, our marble products may fail to gain market acceptance. Our dependence on a single mining project is also a source of risk and uncertainty. In addition, our marble resources and reserves are estimates based on a number of assumptions and we may not be able to produce the estimated amount of marble. Furthermore, the quality and characteristics of our marble produced in the future may not be the same as the samples currently available to us. Moreover, construction of our mine and our self-owned processing plant are capital intensive. For more details of the risks and uncertainties that we face, see "Risk Factors" beginning on page 24 in this prospectus.

In addition, we had certain historical non-compliance incidents relating to contribution to our employees' social insurance. For details, see "Business — Non-compliance" beginning on page 155 in this prospectus.

FINANCIAL TRACK RECORD

The following table sets forth our selected items from the consolidated statements of comprehensive income for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30,	
			2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Revenue	173	8,210	2,307	92,054
Gross profit	47	3,705	1,173	56,473
Profit/(loss) before tax	(4,385)	(19,404)	(11,255)	18,120
Profit/(loss) the year/period and total comprehensive income/(loss) for the year/period	(4,385)	(19,421)	(11,252)	9,321
Attributable to:				
Owners of the Company	(4,122)	(19,421)	(11,252)	9,321
Non-controlling interests	(263)	—	—	—

The following table sets forth the revenue, sales volume and average selling price of our products for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30,	
			2012	2013
			(unaudited)	
Marble slabs				
One-side-polished slabs				
Revenue *(RMB'000)*	—	7,706	1,825	59,743
Sales volume *(square meter)*	—	32,070	6,730	275,562
Average selling price *(RMB/square meter)*	—	240	271	217
Cut-to-size slabs				
Revenue (*RMB'000*)	—	—	—	3,109
Sales volume (*square meter*)	—	—	—	11,997
Average selling price (*RMB/square meter*)	—	—	—	259
Marble blocks				
Revenue *(RMB'000)*	173	504	482	29,202
Sales volume *(cubic meter)*	97	103	95	4,951
Average selling price *(RMB/cubic meter)*	1,784	4,885	5,076	5,898

We launched our distribution network in October 2012, and commenced large-scale commercial production under our current mining permit of 250,000 cubic meters of marble per annum in February 2013. As a result, our operating results during the Track Record Period primarily reflects a combination of (i) revenue growth beginning in the fourth quarter of 2012, and (ii) investment in sales and marketing activities as well as expansion of our administrative staff as part of our business expansion.

The following table sets forth selected items from our consolidated statements of financial position as of the date indicated.

	As of December 31,		As of September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	3,861	15,091	40,459
Intangible assets	22,355	21,838	77,409
Total non-current assets	26,216	42,109	135,184
Current assets			
Inventories	6,437	28,135	54,390
Trade receivables	—	41	12,151
Cash and bank balances	1,470	201,092	129,317
Total current assets	25,067	238,413	228,856
Current liabilities			
Trade payables	156	3,888	22,717
Other payables and accruals	5,091	9,860	38,138
Interest-bearing bank loans	26,160	28,000	30,000
Due to related parties	6,442	250,551	71
Total current liabilities	37,849	292,319	98,124
Net current assets/(liabilities)	(12,782)	(53,906)	130,732
Non-current liabilities			
Deferred tax liabilities	2,968	2,965	3,059
Other payables	—	1,017	28,000
Provision for rehabilitation	—	176	9,746
Total non-current liabilities	2,968	4,158	40,805
Net assets/(liabilities)	10,466	(15,955)	225,111

For the period from June 15 to December 31, 2011 and in 2012, we focused our business activities on mine planning and construction, and infrastructure development. We had financed our cash requirements primarily through a combination of a shareholder loan from Liu's Group with proceeds from Carlyle's investment and interest-bearing bank loans during the period from June 15 to December 31, 2011 and the year ended December 31, 2012. As a result, we recorded net current liabilities of RMB12.8 million and RMB53.9 million as of December 31, 2011 and 2012, respectively. On June 29, 2013, we issued new ordinary shares to Liu's Group in exchange for the settlement of its shareholder's loans to us. Primarily as a result of such transaction, we had net current assets of RMB130.7 million as of September 30, 2013. See "Financial Information — Discussion of Certain Items from the Consolidated Statements of Financial Position" beginning on page 198 in this prospectus.

Our net cash outflows used in operating activities for the period from June 15 to December 31, 2011 and the year ended December 31, 2012 were RMB22.1 million and RMB17.9 million, respectively. Our net cash inflows from operating activities for the nine months ended September 30, 2013 was RMB7.3 million. See "Financial Information — Liquidity and Capital Resources — Cash Flows" beginning on page 208 in this prospectus.

See "Risk Factors — Risks relating to our Business — If we fail to manage our liquidity position, our ability to expand and, in turn, our results of operations may be materially and adversely affected" beginning on page 28 in this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the date indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
Return on equity	NM[(1)]	NM[(1)]	0.04
Current ratio	0.7	0.8	2.3
Debt to equity ratio	3.5	NM[(1)]	0.3
Net gearing ratio	3.4	NM[(1)]	NM[(1)]

(1) NM means not meaningful.

For a discussion of these financial ratios, see "Financial Information — Key Financial Ratios" beginning on page 211 in this prospectus.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$2.73 per Share (being the mid-point of the indicative range of the Offer Price of HK$2.43 to HK$3.03 per Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK$816 million.

We intend to use the net proceeds to be received from the Global Offering for the following purposes:

- approximately 40% of the net proceeds (approximately HK$326 million) to fund the future capital requirements of the Yongfeng Mine;
- approximately 30% of the net proceeds (approximately HK$244 million) to fund the construction of our slab processing facilities;
- approximately 10% of the net proceeds (approximately HK$82 million) to fund the expansion of our sales channels;

- approximately 10% of the net proceeds (approximately HK$82 million) to fund selective acquisitions of high-end and premium marble resources; and

- approximately 10% of the net proceeds (approximately HK$82 million) for working capital and other general corporate purposes.

See "Future Plans and Use of Proceeds — Use of Proceeds" beginning on page 220 in this prospectus for details.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range.

SHAREHOLDER INFORMATION

Immediately following the completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), Mr. Liu will hold, through companies controlled by him, approximately 48.7% to 53.9% of the post offering enlarged issued share capital of our Company and hence will continue to be the ultimate Controlling Shareholder of our Company. Our ultimate Controlling Shareholder confirms that he does not hold any interest in any business which competes or is likely to compete, directly or indirectly, with our business and which would require disclosure under Rule 8.10 of the Listing Rules. In addition, Carlyle is an investor in our Company, and will own approximately 21.1% to 26.3% of our issued and outstanding share capital immediately upon completion of the Global Offering, assuming the Over-allotment Option and any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme are not exercised. See "History and Corporate Development — Pre-IPO Investment — Exchange of the Exchangeable Notes" on page 95 for details.

RECENT DEVELOPMENTS

A total of 7,589 cubic meters of marble blocks were mined out from our Yongfeng Mine, and 38,738 square meters of one-side-polished slabs and 9,431 square meters of cut-to-size slabs were produced in October 2013. We sold 320 cubic meters of marble blocks, 36,151 square meters of one-side-polished slabs and 8,472 square meters of cut-to-size slabs in October 2013. Our revenue in October 2013 amounted to approximately RMB14.1 million, based on unaudited management accounts. The unit cash operating costs for the October 2013 production were RMB1,416 per cublic meter for direct sales marble blocks, RMB131 per square meter for the one-side-polished slabs and RMB207 per square meter for the cut-to-size slabs.

The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering comprising principally professional fees are expected to amount to approximately RMB43.9 million, of which approximately RMB10.9 million is directly attributable to the issue of new shares to the public and will be accounted for as a deduction from equity. The remaining estimated listing expenses which cannot be so deducted will be charged to profit or loss of our Group. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, listing expenses charged to profit or loss amounted to approximately RMB1.1 million, RMB2.3 million and RMB9.4 million, respectively, and RMB0.4 million, RMB0.8 million and RMB3.0 million, respectively, will be charged against equity upon successful listing according to relevant accounting standard. For the year ending December 31, 2013, we estimate that the listing expenses will amount to approximately RMB39.3 million, of which approximately RMB29.6 million will be charged to the profit and loss in the year and the remaining RMB9.7 million will be charged against equity upon successful listing, according to relevant accounting standard.

PRE-IPO SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme in which certain eligible participants may be granted options to acquire Shares before the Listing. Our Directors believe that the Pre-IPO Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Pre-IPO Share Option Scheme is set forth under "Pre-IPO Share Option Scheme" in Appendix V to this prospectus. The total number of Shares subject to the Pre-IPO Share Option Scheme is 16,666,675 Shares, representing 1.25% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalization Issue, but without taking into account all Shares which may fall to be issued under the Share Option Scheme, the Pre-IPO Share Option Scheme and the Over-allotment Option.

OFFER STATISTICS(1)

	Based on an Offer Price of HK$2.43 per Share	Based on an Offer Price of HK$3.03 per Share
Market capitalization of our Share(2)	HK$3,240 million	HK$4,040 million
Unaudited pro forma adjusted consolidated net tangible assets value per Share(3)	HK$0.68	HK$0.82

(1) All statistics in this table are presented based on the assumption that options granted under the Pre-IPO Share Option Scheme and the Over-allotment Option are not exercised.

(2) The calculation of market capitalization is based on 1,333,334,000 Shares expected to be in issue and outstanding following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(3) The unaudited pro forma adjusted consolidated net tangible assets value per Share is arrived at after the adjustments referred to in the section entitled "Appendix II — Unaudited Pro Forma Financial Information" and on the basis of 1,333,334,000 Shares expected to be in issue and outstanding following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2013, the date of the latest audited financial statements of our Company, and there has been no events since September 30, 2013 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), individually or collectively, as the context may require
"ArtGo BVI"	ArtGo Investment Limited, a company incorporated under the laws of BVI with limited liability on September 26, 2011 and a wholly owned subsidiary of the Company
"ArtGo HK"	ArtGo (HK) Investment Group Limited (雅高（香港）投資集團有限公司), a company incorporated under the laws of Hong Kong with limited liability on October 3, 2011 and an indirect wholly owned subsidiary of the Company
"ArtGo Stone"	ArtGo Stone (Jiangxi) Co., Ltd. (雅高石材（江西）有限公司), a company incorporated under the laws of the PRC with limited liability on September 17, 2013 and a wholly owned subsidiary of ArtGo HK
"Articles of Association" or "Articles"	our articles of association, as adopted on December 9, 2013, and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing SINOMA"	SINOMA Geological Engineering Exploration Academy in Beijing, a state owned industrial mineral exploration entity with a Class A exploration license for solid minerals issued by the MLR and an Independent Third Party of the Company
"Board of Directors" or "Board"	our board of Directors
"Business Day"	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands

"CAGP"	CAGP IV Co-Investment, L.P., an Independent Third Party of the Company
"CAGR"	compound annual growth rate
"Carlyle"	Carlyle Holdco, Carlyle Asia and CAGP (or any of them)
"Carlyle Asia"	Carlyle Asia Growth Partners IV, L.P., an Independent Third Party of the Company
"Carlyle Holdco"	China Marble Investment Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability on July 16, 2013 and an Independent Third Party of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", "ArtGo", "Group", "our Group", "we" or "us"	ArtGo Mining Holdings Limited (雅高礦業控股有限公司), a company incorporated under the laws of Cayman Islands with limited liability on September 23, 2011 and except where the context indicated otherwise (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the business operated by our present subsidiaries as if they were subsidiaries of our Company at that time

"Competent Person"	Behre Dolbear Asia, Inc., an Independent Third Party of the Company
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Liu and Liu's Group
"CPR"	The Competent Person's Report issued by the Competent Person dated December 16, 2013
"Director(s)"	the director(s) of the Company or any one of them
"Ernst & Young"	Ernst & Young, certified public accountants
"Exchangeable Notes"	the exchangeable notes in an aggregate principal amount of US$40 million issued by Liu's Group on July 26, 2012, exchangeable for Shares of our Company
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN application form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer Shares"	the 33,334,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in "Structure and Conditions of the Global Offering")

"Hong Kong Public Offering"	the offer by the Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in "Structure and Conditions of the Global Offering" at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering named in "Underwriting — Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the conditional Hong Kong underwriting agreement dated December 13, 2013 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters
"Huijin Stone"	Huijin Stone (Xiamen) Co., Ltd. (匯金石(廈門)有限公司), a company incorporated under the laws of PRC with limited liability on October 19, 2011 and a wholly owned subsidiary of ArtGo HK
"IFRSs"	International Financial Reporting Standards, including International Accounting Standards and interpretations promulgated by the International Accounting Standard Board
"Independent Third Party"	a party which is not connected (as defined in the Listing Rules) to our Company or our connected persons
"International Offer Shares"	the 300,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the International Offering (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering") together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option

"International Offering"	the conditional placing by the International Underwriters of the International Offer Shares outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S and to QIBs in the United States in reliance on Rule 144A for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed "Structure and Conditions of the Global Offering" on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
"International Underwriters"	the group of underwriters led by the Sole Global Coordinator and the Joint Bookrunners, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the conditional placing and purchase agreement relating to the International Offering and expected to be entered into by, among others, the Company, the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters on or about the Price Determination Date
"Joint Bookrunners as to Hong Kong Public Offering and International Offering"	Merrill Lynch International and Haitong International Securities Company Limited
"Joint Lead Managers as to Hong Kong Public Offering"	Merrill Lynch Far East Limited and Haitong International Securities Company Limited
"Joint Lead Managers as to International Offering"	Merrill Lynch International and Haitong International Securities Company Limited
"Jueshi Investment"	Jiangxi Jueshi Mining Investment Development Co., Ltd. (江西省玨石礦業投資開發有限公司), a company incorporated under the laws of PRC with limited liability on January 29, 2008 and an Independent Third Party of the Company
"Jueshi Mining"	Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. (江西省玨石(永豐)礦業有限公司) a company incorporated under the laws of PRC with limited liability on December 28, 2009 and an indirect wholly owned subsidiary of the Company
"Latest Practicable Date"	December 9, 2013, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date expected to be on or about December 30, 2013 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Liu's Group"	Liu Investment Development Holdings Group Limited, a company incorporated under the laws of BVI with limited liability on September 22, 2011 and the 100% shareholder of the Company
"MEP"	the Ministry of Environmental Protection (中華人民共和國環境保護部)
"MLR"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"Mr. Liu"	Liu Chuanjia, a Saint Christopher (St. Kitts) and Nevis citizen and Controlling Shareholder of our Company
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK$3.03 and is expected to be not less than HK$2.43, to be determined as described in the section headed "Structure and Conditions of the Global Offering — Pricing of the Global Offering"
"Offer Shares"	the Hong Kong Public Offer Shares and the International Offer Shares

"Over-allotment Option"	the option to be granted by the Company to the International Underwriters under the International Underwriting Agreement pursuant to which the Company may be required by the Sole Global Coordinator (on behalf of the International Underwriters), to allot and issue up to 50,000,000 additional new Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
"Over-allotment Shares"	up to 50,000,000 Shares which the Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pre-IPO Share Option Scheme"	the Pre-IPO Share Option Scheme adopted by the Company with effect from December 9, 2013, the principal terms of which are summarized in "Appendix V — Statutory and General Information — Pre-IPO Share Option Scheme"
"Price Determination Date"	the date, expected to be on or about December 19, 2013 (Hong Kong time), when the Offer Price is determined and, in any event, no later than December 26, 2013
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	the State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SASAC" or "State-owned Assets Supervision and Administration Commission"	State-owned Assets Supervision and Administration Commission of the PRC (中華人民共和國國有資產監督管理委員會)
"SAWS"	State Administration of Work Safety (中華人民共和國國家安全生產監督管理總局)
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on December 9, 2013, the principal terms of which are summarized in "Appendix V — Statutory and General Information — Share Option Scheme"
"Shareholder(s)"	holder(s) of Shares
"Sole Global Coordinator"	Merrill Lynch International
"Sole Sponsor"	Merrill Lynch Far East Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules
"Suzhou SINOMA"	Suzhou SINOMA Design and Research Institute of Non-Metallic Minerals Industry Co., Ltd., a state owned engineering entity with a Class A engineering license for the stone industry issued by NDRC and an Independent Third Party of the Company
"tonne" or "metric ton"	a unit measuring weight, equal to 1,000 kilograms
"Track Record Period"	period comprising the period from June 15, 2011 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States, as defined in Regulation S
"US Person"	has the meaning given to it in Regulation S
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

"White Form eIPO"	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	World Trade Organization
"Xiamen Zhonglianjian"	Xiamen Zhonglianjian Decoration Engineering Co., Ltd. (廈門中聯建裝飾工程有限公司), a limited liability company incorporated under the laws of PRC on September 23, 2009, which is owned as to 95% by Mr. Liu and 5% by Ms. Chen Shuangping and therefore a connected person of the Company
"Yongfeng Mine"	the marble mine situated in Yongfeng County, Jiangxi Province, wholly owned and operated by Jueshi Mining, and referred to as Shangsheng Mine in the CPR
"%"	per cent.

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

All times refer to Hong Kong time.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Unless otherwise specified, references to years in this prospectus are to calendar years.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.

Unless otherwise specified, discussions on and disclosure of financial data under the consolidated statements of comprehensive income are in relation to continuing operations.

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

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- developments and trends in consumer preferences and consumption pattern;
- supply and demand changes in white and grey marble;
- changes in prices of marble;
- uncertainties relating to the quality of our products;
- our production capabilities;
- our plans and objectives for future operations and expansion;
- our relationship with, and other conditions affecting, our distributors and customers;
- risks inherent to our mining and production;
- the actions and developments of our competitors;
- environmental laws and regulations;
- future legislation, including regulations and rules as well as changes in enforcement policies;
- changes in political, economic, legal and social conditions, including the government’s specific policies with respect to the mining industry;

- economic growth, inflation, currency exchange rates, capital market developments and the availability of credit; and

- our liquidity and financial condition.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Investing in the Offer Shares involves a high degree of risk. You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below and in "Appendix III — Competent Person's Report — Risk Analysis" in respect of, among others, our business and industry, when considering making an investment in the Offer Shares being offered in this Global Offering. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of the Offer Shares being offered in this Global Offering could decline and you could lose all or part of your investment.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in China; and (iv) risks relating to the Shares and the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our marble products may fail to gain market acceptance due to changes in our customers' consumption pattern.

We categorize our marble products into Aris, Abba and Ally Series according to the color and pattern of the stone at the Yongfeng Mine. We are currently producing and selling Aris and Abba Series of products. As we develop our mine and increase our mining capacity, our success will also rely partly on the market acceptance of our Ally Series of marble products. We cannot assure you that our Ally Series will gain market acceptance. As our revenue is dependent on a limited number of products, any adverse change in market demand, customer preference or market prices for our marble products or any failure to predict and adapt to such adverse change could result in a decrease in our sales, increased pressure on the pricing of our products or increased selling and promotional expenses incurred by us. In these circumstances, our business, prospects, financial condition and results of operations may be materially adversely affected.

Our business and profitability are dependent on our customers' preference and demand for our marble products. Consumer preferences change over time, and our products may not meet the particular preferences of consumers, or replace their existing preferences. Our failure to anticipate, identify or react to these particular preferences or changes in customer preferences may limit the demand for any new products we introduce, which may result in us not being able to recover our development, production and marketing costs. If this occurs, our business, prospects, financial condition and results of operations may be materially adversely affected.

We have a limited operating history and cannot guarantee that we will be able to grow our business as planned.

We have a limited operating history. Our principal PRC operating entity, Jueshi Mining, was established in December 2009 by Independent Third Parties. We acquired Jueshi Mining in June 2011 and the Yongfeng Mine is currently in a relatively early stage of large-scale commercial production. During the Track Record Period, we focused on expanding our marble mining capacity at the Yongfeng Mine. As a result, we incurred a loss of RMB4.4 million and RMB19.4 million for the period from June 15 to December 31, 2011 and the year ended December 31, 2012, respectively. In addition, we had negative operating cash flows for the period from June 15 to December 31, 2011 and the year ended December 31, 2012. It is difficult to evaluate our business and predict our future operating results and prospects due to our limited operating history. Period-to-period comparisons of our operating results may not be meaningful and therefore, the historical results for any period should not be relied upon as an indication of future performance.

In addition, we may encounter risks and uncertainties frequently experienced by companies in the early stage of large-scale commercial production, including those relating to:

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

Our business, prospects, financial condition and results of operations depend upon a single mining project.

As of the Latest Practicable Date, the Yongfeng Mine is our only mining project. We expect the Yongfeng Mine to be our only operating mine in the near term, on which we will depend for substantially all of our revenue and cash flows. The Yongfeng Mine project is still in the early stage of large-scale commercial production, and its operations are subject to operating risks and hazards. If we fail to derive expected economic benefits from the Yongfeng Mine project due to any delay or difficulty in its development, the occurrence of any event that causes it to operate at less-than-expected capacity or other significant negative development, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We face uncertainties in relation to our plan to ramp up our marble mining and processing capacities.

We plan to ramp up our marble mining and processing capacities by expanding our mining areas in the Yongfeng Mine and developing our own processing plant. Our ramp-up plan requires significant development and construction to bring our mine and processing facilities to the planned levels of operation. It may take longer than we currently anticipate to complete our ramp-up plan and there may be unforeseen delays and additional costs before our mining facilities and marble slab processing facilities are able to operate at our planned capacity.

For example, we may not be able to obtain the land use right for suitable parcels of land to develop our own processing plant as planned and may experience difficulties in obtaining necessary approvals or funding, technical or construction difficulties and other factors beyond our control. We cannot assure you that we will be able to adhere to our development and production schedule or that our estimates of the required capital and operating expenditure will prove accurate. Any delay in completing our ramp-up, cost overruns or failure to obtain the intended economic benefits from our ramp-up may adversely and materially affect our business, prospects, financial condition and results of operations.

Our marble resources and reserves are estimates based on a number of assumptions, and we cannot guarantee that we can produce the estimated amount of marble.

Our marble resource and reserve estimates are based on a number of assumptions made by the Competent Person in accordance with the JORC Code. Resource and reserve estimates involve expressions of judgment based on various factors such as knowledge, experience and industry practice, and the accuracy of these estimates may be affected by many factors, including quality of the results of exploration, drilling and analysis of marble samples, as well as the procedures adopted by and the experience of the person making the estimates. Our block recovery rate for the entire mine was estimated based on our historical block recovery rate.

Estimates of the resources, reserves and the block recovery rate at our Yongfeng Mine may change significantly when new information becomes available or new factors arise, and interpretations and deductions on which resource, reserve and block recovery rate estimates are based may prove to be inaccurate. Should we encounter mineralization different from that predicted by past drilling, sampling and similar examination, mineral resource and/or reserve estimates may have to be adjusted downward. In addition, if the block recovery rate is required to be adjusted downward based on actual mining results, our marble reserve estimate will also need to be adjusted downward, which will lead to decreased mine life, and our production cost will increase if we were to maintain the same planned production volume. The occurrence of any of the foregoing could materially affect our development and mining plans, which could materially and adversely affect our business and results of operations. We cannot assure you that the block recovery rates derived from historical production, drilling and sampling will remain at the same level in our expanded operations.

The inclusion of resource and reserve estimates should not be regarded as a representation that all these amounts can be economically exploited and nothing contained in this prospectus, including the estimates of mine lives, should be interpreted as assurance of the economic lives of our marble resources and reserves or the profitability of our future operations.

We rely on our ArtGo brand. If we fail to build and promote our brand image, our business, prospects, financial condition and results of operations would be materially and adversely affected.

All of our products are marketed and sold under the ArtGo brand. As a result, our brand image is crucial for our success as market perception and acceptance of a brand is a determining factor for customers in making their purchasing decisions for marble products. Our success in building and promoting our brand image depends on a number of factors, including:

- the success of our advertising and other marketing activities;
- our ability to manage our distribution network and our distributors' ability to manage their sales;
- network to sell and market our products;
- our ability to ensure the quality of our product;

- our ability to ensure quality of services provided in all retail outlets selling our products; and
- our ability to protect our brand from counterfeit products sold under our brand name.

If our efforts to build and promote our brand image are not effective for any reason, the market recognition of our products may deteriorate, which in turn could adversely affect our business, prospects, financial condition and results of operations.

Our business is exposed to risks and hazards associated with our mining operations.

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

We face uncertainties relating to the quality and characteristics of our marble products.

Our Yongfeng Mine is in a relatively early stage of large-scale commercial production. With respect to the color, pattern, texture, quality and other characteristics of our marble reserves in the Yongfeng Mine where we have not developed a mining area, our estimation is based on the CPR. The mineralogical and chemical composition, bulk density, hardness and water absorption and other mechanical properties and radioactivity levels of marble ultimately mined may differ from those indicated by drilling results and historical production. As a result, we cannot assure you that the color, pattern, texture, quality and other characteristics of the marble slabs processed and blocks mined from the Yongfeng Mine will be consistent with our current products or the samples currently available to us.

Inferior product quality may harm our reputation and result in reduction in orders and the marble prices or termination of contracts with our distributors and corporate customers, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations.

We currently categorize our products into three series, namely, Aris, Abba and Ally, based on the different colors and patterns of our marble stones. If the color, pattern and texture of marble stones produced in the future is materially different from our estimates, we may not be able to perform under contracts that we enter into and we may have to re-position ourselves in the market the failure of which could materially and adversely affect our business, prospects, financial condition and results of operations.

Construction of our Yongfeng Mine and our self-owned processing plant are capital intensive and we cannot assure you that we will have sufficient financial resources.

Construction of our Yongfeng Mine and our self-owned processing plant are capital intensive. We currently fund our capital costs with capital contributions from our Controlling Shareholder with the proceeds from the issuance of the Exchangeable Notes, bank borrowings and our operating cash flows.

We expect the total capital cost to construct our Yongfeng Mine and achieve a 250,000 cubic meters per year capacity to be RMB444.3 million. As of September 30, 2013, our capital cost in connection with our ramp-up plan of the marble block mining capacities at the Yongfeng Mine totaled RMB73.0 million. We expect the total capital expenditures for construction and equipment procurement for our processing facilities to be RMB912.5 million. As of September 30, 2013, we had not incurred any capital expenditure in relation to the processing facilities. We cannot guarantee that our actual capital expenditures will be consistent with our estimates.

We expect to finance the production ramp-up of our Yongfeng Mine and the construction of our marble slab processing plant with a portion of the proceeds from the Global Offering, our operating cash flows, bank borrowings and our current cash on hand and cash at banks. We cannot assure you that we will generate sufficient cash flows for our intended ramp-up plan, or at all. In the event that we do not have such cash flows, we may be required to seek additional financing, dispose of certain assets or seek to refinance some or all of our future debts.

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

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

If we are unable to obtain additional financial resources or there is a delay in obtaining such financial resources, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

As of December 31, 2011 and December 31, 2012, we had net current liabilities of RMB12.8 million and RMB53.9 million, respectively. See "Financial Information — Discussion of Certain Items from the Consolidated Statements of Financial Position". In addition, we had negative operating cash flows during the period from June 15, 2011 to December 31, 2011 and the year ended December 31, 2012 of RMB22.1 million and RMB17.9 million, respectively. See "Financial Information — Liquidity and Capital Resources — Cash Flows" for details.

We cannot assure you that our business will generate sufficient cash flows from operations in future to service any future debts and fund necessary capital expenditures. Failure to do so may require us to seek additional financing, dispose of certain assets or seek to refinance some or all of our future debts. We may also in the future seek to enter into additional credit facilities. If we are unable to repay any of our future debts when they fall due, our creditors may take action to recover such debts, which may have a material adverse effect on our business, financial condition and results of operations. If we are unable to obtain additional financial resources or there is a delay in obtaining such financial resources, our business, financial condition and results of operations may be materially and adversely affected.

Our contract backlog may not be indicative of our future results of operations.

In this prospectus, we have provided the contract backlog amounts, which represent that portion of the sales volume as of a specified date whose associated revenue has not been recognized.

As of the Latest Practicable Date, we entered into sales contracts with eleven direct sales corporate customers in China. These sales contracts provide for an aggregate sales volume of 40,000 square meters, 2.1 million square meters and 1.5 million square meters of cut-to-size slabs in 2013, 2014 and 2015, respectively.

These amounts, however, are calculated based on the assumption that the relevant contracts will be performed in full in accordance with their terms. For instance, under five of our contracts, our customers are required to pay a penalty of 35% of the shortfall sales value if they fail to purchase the contracted annual volume. Our customers are not obligated to renew or extend the existing sales contracts with us. If our customers, for any reason, elect to pay the penalty in lieu of purchase the contracted annual volume, our sales may be affected. In addition, these customers have the right to terminate the contracts for any default committed by us either upon such default or in the event that we do not cure such default within the period stipulated in these contracts. See "Business — Sales and Marketing — Direct Sales in the PRC — Corporate Customers — Recent Sales Contracts" for details.

We cannot assure you that we will not be subject to any material modifications, terminations or cancellations of our contracts or any default by our customers, which may have a material and adverse effect on our businesses and results of operations. In addition, we cannot guarantee that the amount estimated in our backlog will be realized in a timely fashion, or at all, or that, even if they are realized, will result in profits. In particular, because we only commenced large-scale commercial production in February 2013, we cannot assure you that the quality of our products will meet the expectations of our customers. There also can be no assurance that we will be able to deliver the products pursuant to these sales contracts without any significant delay, or at all. If our product quality does not meet our customers' expectations or our delivery is delayed, we may be required to pay the liquidated damage or other remedies. As a result of the foregoing, investors are cautioned not to place undue reliance on our backlog information presented in this prospectus as an indicator of our future earnings.

We may not be able to manage our existing distributors and maintain our relationships with them, or successfully retain new distributors.

We expanded our sales network rapidly during the Track Record Period by adding 26 and 37 distributors in 2012 and the nine months ended September 30, 2013, respectively. Due to our short operating history, we may not have necessary experience and resources to manage our existing distributors and maintain our relationships with them, or successfully add new distributors, which will have a material adverse impact on our business, prospects, financial condition and results of operations.

We rely on our distributors to manage their respective sub-distributors.

As we primarily sell our products to our distributors who sell our products through their sub-distributors or directly to their end customers, we rely on our distributors to manage their respective sub-distributors to ensure their compliance with our sales and distribution policies and guidelines. As our distributors develop and expand their respective sub-distribution network, we may not be able to manage our distribution network effectively. If any of our distributors fails to oversee their sub-distributors or any of the sub-distributors fails to comply with our sales and distribution policies and guidelines, our reputation and the market recognition of our marble products may, as a result, deteriorate, which could in turn materially and adversely affect our business, prospects, financial condition and results of operations.

We may face difficulties as we expand our sales network to new regions and further penetrate existing markets.

We intend to expand our sales network by further enhancing our existing geographical coverage and penetrating regions in the PRC as well as select overseas markets such as the North America, Europe and the Middle East. To this end, we plan to engage additional distributors, increase our direct sales activities and open new retails outlets. As we expand our business to new regions, we may encounter regulatory, personnel, technological and other difficulties that may increase our expenses or delay our ability to start our operations and expand our sales network to comply with applicable regulatory requirements. There is also a substantial risk that any new markets to which we introduce our products may not accept, or be as receptive to, our products.

We are opening our first retail outlet in Xiamen in December 2013. We plan to open two additional retail outlets in 2014 and five in 2015. As we expand our sales channel to retail outlets, we may encounter difficulties due to intensive competition and lack of experience in retail channel, such as our ability to ensure the quality of services provided in our retail outlets and to meet our retail customers' need of product range in terms of color and pattern. Any failure to meet our retail customers' expectation of the services and products provided in our retail outlets may harm our reputation and result in decrease of customer traffic to our retail outlets, which may in turn materially and adversely affect our business, prospects, financial condition and results of operations.

We cannot assure you that we will be able to maintain long-term relationships with our distributors and corporate customers.

Currently, our customer base primarily consists of distributors, and to a lesser extent, direct sales corporate customers such as real estate and hotel developers. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, our five largest customers accounted for 100.0%, 50.3% and 42.8% of our total revenue, respectively. During the same periods, our largest customer accounted for 65.9%, 14.3% and 14.9% of our total revenue, respectively. The term of our distribution contracts is generally one year and we seek to renew our contracts with distributors annually. Other than certain annual sales agreements, our sales to corporate end customers are generally conducted by sales orders. See "Business — Sales and Marketing" for details. We cannot assure you that we will be able to maintain or strengthen our relationships with our distributors and corporate customers, or that we will be able to continue to supply products to these distributors and corporate customers at current levels, or at all. In addition, any decline in our major distributors' or corporate customers' businesses could lead to a decline in purchase orders of our products. If any of our key distributors and corporate customers were to substantially reduce the size or amount of the orders they place with us or were to terminate their business relationship with us entirely, we may not be able to obtain orders from other distributors and corporate customers to replace any such lost sales on comparable terms or at all. If any of these relationships were to be so altered or terminated and we were unable to obtain sufficient replacement orders on comparable terms, our business, prospects, financial condition and results of operations would be materially and adversely affected.

Our high distributor concentration exposes us to risks of fluctuations in major distributors from period to period.

We derive a substantial portion of our revenue from a limited number of distributors. Three and two out of our five largest customers for the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively, are our distributors. We cannot assure you that we will be able to maintain or improve our relationships with such major distributors, or that we will be able to supply products to these distributors at current levels or at all. In addition, we cannot assure you that we will be able to engage additional or replacement distributors that can replace lost sales volume at satisfactory prices or other terms. Any failure to maintain our existing and engage additional or replacement distributor relationships will materially adversely affect our results of operations.

The quality of our marble slabs are affected by the performance of our third-party contractors.

We engage third-party contractors for marble slab processing before our own processing plant commences commercial operation and reaches full processing capacity. As a result, the quality of our marble slabs is affected by the processing quality of our third-party contractors. We may not be able to manage the quality of processing by third-party contractors effectively. If the quality of processing proves inconsistent among our third-party contractors or between our own processing plant and our third-party contractors, our sales contracts may be terminated and orders may be reduced, which could result in harm to our reputation and price or volume reduction of our product sales, which may in turn materially and adversely affect our business and results of operations.

As we do not have long-term cooperative relationships with our marble slab processing contractors, any failure to retain such contractors or seek replacements on favorable terms, or at all, may also have a material adverse effect on our business and results of operations.

We may not be able to compete effectively with our competitors.

The marble products markets in the PRC and overseas are highly competitive. We not only face competition from domestic marble suppliers but also marble suppliers from overseas. Such competition is driven by a number of factors, including brand recognition, the quality of the marble products, the ability to supply marble blocks in large quantity and with specified and consistent physical and appearance characteristics, transportation distance and delivery convenience and pricing. Some of our competitors may have greater financial, marketing, distribution and other resources and product development capabilities than we do. We cannot assure you that our current or potential competitors will not offer products at competitive prices or adapt more quickly than we do to evolving industry trends or changing market conditions. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

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

Substantially all of our marble products sold in the PRC are transported via roads. Our ramp-up plan and associated higher sales volume could increase demand for our paved roads in the Yongfeng Mine and public highway connecting the Yongfeng Mine to third-party processing plants, our distributors and corporate customers. If we are, or the local government is, unable to ramp up the capacity of these roadways in a timely manner, or these roadways are significantly damaged or blocked for an extended period of time, the transportation of our marble products to third-party processing plants, our distributors and corporate customers would be significantly affected, and we may default on existing sales contracts and lose customers and business opportunities. We cannot assure you that adequate roadway transport capacity will be available to our operations, or that we would not experience any material delay in transporting our marble products to third-party processing plants, our distributors and corporate customers. Our marble products for international sales are primarily transported via ocean shipping and railway. Therefore, we also face the risks of unavailability of capacity or high costs of ocean shipping and railway transportation from us to our international customers.

As transportation costs are generally a significant component of the costs of purchase for our customers, any fluctuation in transportation costs may have an adverse effect on the demand for our products. In the event of material increases in the transportation costs for products procured from our Yongfeng Mine, our customers may select suppliers closer to their operations and who are able to supply marble blocks or marble slabs with quality considerably similar to ours or demand significant lower prices for our products. Our business, prospects, financial condition and results of operations could be materially and adversely affected by any such adverse development.

We may face difficulty in managing our growth effectively.

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

We depend on our management team and other key personnel, and our business could be harmed if we lose their services.

Our future operations and financial performance depend upon the continued service of our senior management team, geological experts and technical personnel. For instance, Mr. Liu, our founder and chairman, was instrumental in our identifying and acquiring the largest premium marble resources in China — our Yongfeng Mine, and the rapid building of our network of distributors to become the largest in China. If any of our key personnel is not able to or willing to continue to work with us, finding suitable or qualified replacements for such key personnel could be difficult and time-consuming, and competition for such personnel with rich experience is intense. The loss of the services of one or more members of our key management personnel due to their departure or other reasons could materially and adversely affect our business, prospects, financial condition and results of operations. Our success also depends on the ability of our management team to cooperate effectively as a group. Furthermore, our ability to recruit and train skilled operating and maintenance personnel is a key factor to the success of our business activities. If we fail to recruit, train and retain such personnel, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We may not be able to obtain or renew the approvals required to temporarily use the land within our permitted mining area.

Our Yongfeng Mine is located in Shangsheng Village, Shima Town, Yongfeng County, Ji'an City of Jiangxi Province. The land within our permitted mining area is collectively owned by the villagers and is designated for agricultural use, including forestry land and other kinds of agricultural land. In order to carry out successful mining and exploration activities, our ability to obtain land use rights is of vital importance. We have obtained approvals to temporarily use an area of approximately 153,533 square meters of land collectively owned by the villagers. The validity periods of the short-term land use rights is two years in general with various expiration dates starting in May 2014. In order to use such land, we have entered into long-term lease contracts with the relevant villager groups and villagers. We intend to apply to renew the existing short-term land use rights. We also intend to apply for short-term land use rights for the remaining parcels of land as needed in the mining area covered by the applicable mining permit of our Yongfeng Mine from time to time according to our long-term mining plans. We cannot assure you that we can renew the existing short-term land use rights or obtain the new short-term land use rights. If we fail to renew the existing short-term land use rights or obtain the new short-term land use rights, we may be unable to utilize the full mineral resources and, as a result, our operations might be substantially affected. See "Business — Properties" for details.

If our rights to lease land from the land owners or the legality or validity of our leases are challenged, our operations could be materially and adversely affected.

PRC law provides for the registration of land ownership and land-use rights and for the issuance of certificates evidencing land ownership or the right to use land. However, the administrative system for registration of land ownership and land-use rights is not well-developed in rural areas, including Shangsheng Village where the Yongfeng Mine is located. As a result, we are generally not able to verify through the land registration system the ownership or land-use rights of the parties from whom we have leased land for our mine operations. Despite our efforts to obtain representations from the land owners that they own the land, possess land-use rights or have the right or authority to lease the land-use right, there is a risk that they have not been legally and validly granted the right to use the land and/or lease the land to us. Moreover, there is a risk that the land owners will, in breach of the terms of the applicable leases, enter into leases with third parties in respect of land-use rights which they have previously granted to us, or that they have entered into leases with third parties before entering into leases with us.

In addition, there is no specific legal provision in connection with internal voting and meeting procedures of entities such as the various villager groups in Shangsheng Village. Although the leases between these groups and us have been approved by more than half of the attendees, which consist of more than two thirds of the representatives of villager families at the relevant meetings, there is nevertheless a risk that these groups have not undertaken all required actions prior to entering into leases with us.

Our business relies on a single mining project, the Yongfeng Mine. If the legality or validity of our leases of land at the Yongfeng Mine are challenged or if we are not able to renew existing leases upon expiration and obtain new leases where our mining operations expand promptly, or at all, our operations will be disrupted and our business, prospects, financial condition and results of operations will be materially and adversely affected.

If we fail to obtain, retain and renew government approvals, permits and licenses required for our mining activities, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Under the *Mineral Resources Law of the PRC* (中華人民共和國礦產資源法), all mineral resources in China are owned by the State. Mining companies, including our Company, are required to obtain certain government approvals, permits and licenses prior to undertaking any exploration, mining and relevant production activities. The exploration and mining permit is limited to a specific area and time period. Therefore, whether we can carry on mining activities depends on our ability to obtain mining permits and other approvals and permits from relevant PRC authorities and to renew such approvals and permits when they expire. The PRC government's willingness to issue, renew and not revoke the mining permits materially affects our operation.

Under PRC laws and regulations, before commencing production, a marble mining and production company must obtain, among other things:

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

Currently, we hold a mining permit for the Yongfeng Mine covering a mining area of approximately 2.0 square kilometers with an elevation from 280 to 508 meters above sea level. The mining permit will expire on February 5, 2018, which could be extended according to relevant PRC laws and regulations for another 25 years upon expiration if we pay off the remaining consideration of RMB37.2 million and interest accrued within the next four years. Our mining permit is critical to our business operations. If we are not able to extend our current mining permit upon its expiration on February 5, 2018, our business, prospects, financial condition and results of operations will be materially and adversely affected. We hold a production safety permit which allows us to produce decorative surfacing marble (飾面用大理石). The production safety permit will expire on October 24, 2014 and is expected to be renewed for three years, subject to completion of certain administrative examination and approval procedures.

Our permits and approvals may expire from time to time. We intend to apply to the competent authorities for extension when they expire. Our applications for renewals are subject to a certain degree of government discretion, and we cannot guarantee that we will be able to obtain any extension of the permits in the future. In addition, in the event that we identify prospective mine resources, either adjacent to the Yongfeng Mine or any mines we acquire in the future, we cannot assure you that mining permits can be successfully obtained. If we are unable to obtain any of such permits or renew any of current permits when they expire, our business and results of operations could be materially and adversely affected.

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

The demand for our marble blocks and marble slabs is affected by the growth of the commercial and residential real estate development industries in China, which could in turn be affected by a number of factors, such as the strength of the commercial and residential property markets, the level of disposable income, consumer confidence, unemployment rate, interest rates, credit availability and volatility in the stock markets. As we expand our sales channel to retail outlets, demand for our products will be increasingly affected by the level of home-improvement activities, which is in turn affected by activities in the second hand real estate market.

To ensure the availability of affordable housing, the PRC government implemented a series of measures to discourage speculation in the property market in China. The real estate market in the PRC may also be negatively affected by the reform of real estate tax (房產稅) system in respect of levying real estate tax on individual owned real estate which is not used for business purpose, which has been implemented by certain local governmental authorities and may be expanded nationwide.

Any decrease in residential real estate development and construction activities in general (including a continued decrease in residential construction or a weakening of commercial construction) or any decrease in home-improving activities could result in a decrease in demand and associated decrease in sales volume or selling prices of our marble products, reduced profit margin and tightened liquidity available to us, any of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

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

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

Our operations are also subject to manufacturing, operating and handling risks associated with the products we produce and the machinery we use in our operations, including the related storage and transportation of raw materials, products, hazardous substances and wastes. We are exposed to hazards including discharges or releases of hazardous substances, exposure to dust and the operation of mobile equipment and manufacturing machinery. These risks can subject us to potentially significant liabilities relating to personal injury or death or property damage, and may result in civil or criminal penalties, which could harm our productivity, profitability and reputation.

We cannot assure you that accidents such as fire, equipment mishandling and mechanical failures which may result in property damage, severe personal injuries or even fatalities will not occur during the course of our operations. If we or our third-party contractors fail to comply with any relevant laws, regulations or policies or any accidents occur as a result of any of the foregoing events, our business, prospects, financial condition and results of operations may be adversely affected, and we may be subject to penalties, civil liabilities or criminal liabilities.

Any claim beyond our current insurance coverage may result in substantial expenses and a diversion of resources.

Consistent with the practice in mining industry, we have obtained liability insurance of safe production and insurance for our vehicles, both of which are compulsory in nature. This practice is in place to protect us from substantial expenditures; however, it does not fully cover us from other potential risks and losses. According to the relevant PRC laws and regulations, we will be liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our employees. Should any accidents happen due to negligence on the part of us or our employees, we could face civil litigation or criminal litigation and expect to incur substantial losses.

We do not have product liability insurance. We do not have any fire, earthquake insurance or property insurance with respect to our properties, facilities or inventory, except for insurance coverage on our vehicles. We cannot assure you that our insurance coverage will be sufficient to cover losses associated with material accidents or claims arising from product liabilities, patent infringement, environmental protection liabilities, distributor terminations, commercial contracts, antitrust or competition law, employment law and employee benefit issues, and other regulatory matters. Any claim beyond our current insurance coverage may result in substantial expenses and a diversion of resources, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Product liability claims against us could have a material adverse effect on our business, financial condition and results of operations.

Our customers, including distributors and corporate customers, from time to time could claim that our products do not meet contractual requirements or that quality defects exist, and seek to return or exchange the products they have purchased. Retail customers and third-parties could claim to have been harmed by our products. Disputes could arise between us and our customers, as well as third-parties, with respect to breach of contract, warranty or recall claims, or claims for negligence, product liability, strict liability, personal injury or property damage. We cannot assure you that safety measures, processes and policies we have in place for our operations will be sufficient to mitigate or reduce casualties or accidents and to investigate and address claims related to product liabilities. Any such claims, with or without merit, could result in litigation and significant diversion of management's attention and resources. Investigating and defending against these claims could be time-consuming and could incur significant cost and result in damage to our reputation.

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

Immediately following completion of the Global Offering, Mr. Liu and Liu's Group will remain the Controlling Shareholders of our Company with substantial control over our issued share capital. Therefore, the Controlling Shareholders will have significant influence over our business and affairs, including without limitation, decisions with respect to: (i) business strategy and development plans, (ii) mergers or other business combinations; (iii) acquisition or disposition of assets; issuance of additional shares or other equity securities; (iv) timing and amount of dividend payments; and (v) appointment of executive officers.

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

Our results of operations may be adversely affected if we recognize impairment losses related to our mining rights and related assets.

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

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

Failure to protect our intellectual property rights may materially and adversely affect our competitive position and operations and we may be exposed to infringement or misappropriation claims by third parties.

As of the Latest Practicable Date, we had registered 11 trademarks and five domain names in the PRC and three trademarks in Hong Kong. We had also filed application for eight trademarks in the PRC as of the Latest Practicable Date. We cannot assure you that the steps we have taken to protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Any significant infringement of our brand name or other intellectual property could weaken our competitive position and have an adverse effect on our operations. To protect our intellectual property rights, we may have to commence legal proceedings against any misappropriation or infringement. However, we cannot assure you that we will prevail in such proceedings. We may be subject to litigation or other proceedings involving the allegations of violations of intellectual property rights of third parties. The defense of such litigation or other proceedings can be both costly and time-consuming. An adverse determination in any such litigation or proceedings to which we may become a party could materially and adversely affect our business, financial condition or results of operations.

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

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

Power shortages or substantial increase in energy costs could have an adverse impact on our operations.

We consume substantial amounts of electricity in our mining operations. If the PRC government imposes restrictions on the use of electricity due to power shortages, thereby disrupting our power supply, or if we are otherwise unable to obtain adequate supplies of electricity to meet our production requirements, our operations may be disrupted and our production and delivery schedules may be adversely affected. We also consume substantial amount of diesel fuel in our mining operations. Fluctuation of diesel fuel prices may increase our mining costs. In addition, our ability to pass increased energy costs along to our customers may be limited by pressures from competition and customer resistance. We cannot assure you that we will be able to recover the substantial cost increases of energy by raising the prices of our products.

Our mining activities depend upon the availability of skilled labor and competitive labor costs.

Our mining activities are labor intensive and depend on the availability of a large number of skilled labor. Shortage of labor, inefficient labor management or any labor disputes such as labor strike may result in disruption of our business operations, which may in turn have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, labor costs in China have been increasing in recent years and our labor costs in the PRC could continue to increase as well. If labor costs in the PRC continue to increase, our production costs will increase which may in turn affect the selling prices of our products. We may not be able to pass on these increased costs to consumers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease.

Our operations may be materially and adversely affected by the occurrence of natural disasters and inclement weather conditions.

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

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

RISKS RELATING TO OUR INDUSTRY

If unfavorable fluctuations occur in the market price for marble products, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our principal products are marble blocks mined from our marble reserves and marble slabs processed from our marble blocks, which are mainly white and grey. The prices of our marble blocks and marble slabs are determined mainly by the quality and color of the stone. Imbalance in the supply of and demand for marble products could adversely affect the price of our products. Market acceptance of marble products in general could also be affected by the popularity of competing products such as ceramic tiles and artificial stones. Government policies, macro economic factors, global economic environment and other factors beyond our control could significantly result in an oversupply or decreased demand for marble products, which in turn would result in fluctuations in the market price. There can be no assurance that the market price of our marble products will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support our profitability. A significant decline in the market prices of our marble products could materially and adversely affect our business, prospects, financial condition and results of operations.

Most of our revenue and our operating costs are denominated in Renminbi. If Renminbi continues to appreciate against U.S. dollars or other foreign currencies, our price advantage against foreign competitors will gradually diminish both in China and overseas.

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

Our operations are governed by a wide range of PRC laws, regulations, policies, standards and requirements in relation to, among other things, mine exploration, production of stone products, taxation, labor standards, foreign investment and operation management. The PRC local, provincial and central authorities exercise a substantial degree of control over the mining industry in China. Any changes to these laws, regulations, policies, standards and requirements or to the interpretation or enforcement thereof may incur additional compliance efforts and increase in our operating costs and thus adversely affect our business, prospects, financial condition and results of operations.

Changes in legal requirements and governmental policies concerning environmental laws could impact our business.

Our revenue is dependent on the continued operations of the Yongfeng Mine and will also be dependent on the continued operations of our own processing facilities after it commences commercial operations. Such production activities are subject to various PRC environmental protection regulations relating to a broad range of environmental protection matters, such as land rehabilitation, air emissions, noise control, discharge of wastewater and pollution, waste disposal and radioactive element disposal control. These environmental protection laws and regulations are complex and continuously evolving and are becoming more stringent. We may not always be able to quantify the cost of complying with such laws and regulations. Any violation of the PRC environmental protection regulations could subject us to a substantial fine, damage our reputation, result in delays in production or result in a temporary or permanent closing of some or all of our production facilities.

We are also subject to future events, including changes in existing laws or regulations or enforcement policies, or further investigation or evaluation of the potential health hazards of some of our products or business activities, which may result in additional compliance and other costs. More stringent laws and regulations, or interpretations of existing laws or regulations, may impose new liabilities on us, require us to reduce operating hours or alter our production processes, require additional investment by us in pollution control equipment, or impede the opening of new or expansion of existing plants or facilities. We could be required to invest in preventive or remedial actions, like pollution control facilities, which could incur substantial costs. Such costs, liabilities or disruptions in operations could materially and adversely affect our business, prospects, financial condition and results of operations. We may also be affected by government orders or decisions on environment related matters. We cannot assure you that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner. We do not have environmental protection liability insurance. Therefore, any significant environmental protection liability would harm our business, prospects, financial condition and results of operations. See “Business — Corporate Social Responsibility” for further details.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

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

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

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

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

The financial market in China could also be unpredictable. The PBOC's statutory deposit ratio and lending guideline imposed on commercial banks may restrain loan market and materially affect our liquidity and access to capital. Our business, results of operations and financial condition could also be adversely affected by governmental control over capital investment or changes in environmental protection, health, labor and tax regulations applicable to us.

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

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

There may be difficulties in effecting service of process or seeking recognition and enforcement of foreign judgments in the PRC.

Our business operations are conducted in the PRC and substantially all of our assets are located in the PRC. In addition, most of our Directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of China upon some of our Directors and senior executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Furthermore, our PRC legal advisor has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

On July 3, 2008, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil or Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under this arrangement, which came into effect on August 1, 2008, whenever a designated People's Court of the PRC or a designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to any written agreement between the parties on choice of forum for dispute resolution, the parties concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the arrangement may be limited and the interpretation of and cases decided under the arrangement have not been fully developed. Therefore, there is uncertainty with respect to the outcome and effectiveness of any action brought under the arrangement.

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

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

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

Compliance with the PRC Labor Contract Law and other employment laws and regulations may increase our labor costs.

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

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

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

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

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

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

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

The outbreak, or threatened outbreak, of any severe communicable diseases (such as severe acute respiratory syndrome, avian influenza or H7N9 influenza) in China could materially and adversely affect the overall business sentiments and environment in China, particularly if such outbreak is inadequately controlled. This, in turn, could materially and adversely affect domestic consumption, labor supply and, possibly, the overall GDP growth of China. As our revenue is currently derived from our operations in China, any labor shortages could materially and adversely affect our business and the business of our customers. In addition, if any of our employees are affected by any severe communicable diseases, it could adversely affect or disrupt those areas in which we have operations and materially and adversely affect our business, prospects, financial condition and results of operations as we may be required to close our facilities to prevent the spread of the disease.

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

According to the Enterprise Income Tax Law (the "EIT Law") passed in March 16, 2007 and its implementation rules passed in November 28, 2007 (the "Implementation Rules"), the withholding tax exemption under previous tax laws for dividends distributed by foreign invested enterprises ("FIEs") to their foreign shareholders will no longer be available under the EIT Law, which generally subjects any dividends distributed to their foreign shareholders by FIEs, such as Huijin Stone, to up to 10% withholding tax. However, according to the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income* (the "Arrangement") (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), if the beneficiary of dividends is a Hong Kong tax resident which holds directly at least 25% equity interests in a tax resident enterprise in China, the dividends distributed by the tax resident enterprise in the mainland to its Hong Kong shareholder shall be subject to taxes in China at a rate not higher than 5%. Therefore, the dividends distributed by Huijin Stone to ArtGo HK may be subject to such Arrangement and therefore be subject to a withholding tax in China at a rate not higher than 5%. According to the Arrangement, the withholding tax paid in China for such dividends can be credited against Hong Kong taxes, if any, payable by ArtGo HK.

According to the *Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties* (國家稅務總局關於執行稅收協定股息條款有關問題的通知) (the "Notice 81") promulgated on February 20, 2009, to apply the dividend provision in relevant tax treaties, including the Arrangement, certain requirements need to be satisfied, among which: (i) the taxpayer is entitled to relevant dividends; and (ii) for corporate recipients that enjoy the tax treatment under the relevant tax treaties as direct owners of a certain proportion of the share capital of a PRC enterprise (usually such proportion is either 25% or 10%, and under the Arrangement, it is 25%), such corporate recipients must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. Furthermore, the SAT promulgated the *Notice on How to Understand and Recognize the Beneficial Owner in Tax Treaties* (國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知) on October 27, 2009 and the *Announcement of the State Administration of Taxation on the Identification of "Beneficial Owners" in Tax Treaties* (國家稅務總局關於認定稅收協定中"受益所有人"的公告) on June 29, 2012, which define the "beneficial owner" as individuals, enterprises or other organizations normally engaged in substantive operations and sets forth certain adverse factors on the recognition of such "beneficial owner." On August 24, 2009, the State Administration of Taxation issued the *Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation)* (非居民享受稅收協定待遇管理辦法(試行)) (the "Administrative Measures"), which became effective on October 1, 2009 and requires that the non-resident enterprises obtain the approval for enjoying the treatments under tax treaties from the competent tax authorities. No assurance can be given that we can satisfy all the requirements set forth by above laws and regulations and obtain necessary approvals to enjoy the preferential treatment under the Arrangement.

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

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

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

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

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

On October 21, 2005, the SAFE issued the *Notice of the SAFE on Issues Relating to the Administration of Foreign Exchange on Fund Raisings by Domestic Residents Through Offshore Special Purpose Vehicles and Round-trip Investment* (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("the SAFE Circular No. 75") which came into force on November 1, 2005. According to the SAFE Circular No. 75, PRC residents establishing or taking control of a special purpose company abroad involving round-trip investments to relevant domestic enterprises are required to effect foreign exchange registration with the SAFE or its local branches. According to the relevant guidance with respect to the operational rules on such foreign exchange registration issued by SAFE, if any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation of the offshore special purpose company and could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, which would materially and adversely affect our business. As Mr. Liu holds a St. Kitts and Nevis passport and based on consultation with the local SAFE bureau, our PRC legal advisor, Commerce & Finance Law Offices, is of the opinion that it is not necessary for Mr. Liu to make the SAFE registration with the SAFE or its local branches.

However, we cannot assure you that any PRC resident who may become our Shareholder or beneficial owner of our Shares in the future will be able to comply with SAFE Circular No. 75 in a timely manner or at all. A failure by any of our Shareholders or beneficial owners of our Shares who are PRC residents to comply with these regulations and rules will subject us to fines or legal sanctions.

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

Pursuant to the *Administrative Measures on Individual Foreign Exchange* (個人外匯管理辦法) (the "Individual Foxeign Exchange Rules"), the *Implementation Rules of the Administration Measure for Individual Foreign Exchange* (個人外匯管理辦法實施細則) (the "Implementation Rules"), and the *Notice on Issues Related to Foreign Exchange Administration in Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Abroad, of the State Administration of Foreign Exchange* (關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知) issued on February 15, 2012 by the SAFE (the "Circular No. 7"), PRC individuals who participate in equity incentive plans, including employee stock ownership plans, employee stock option plans and other equity incentive programs permitted by relevant laws and regulation, of an overseas listed company are required, through a domestic company participating in the equity incentive plan or other qualified PRC agents, to register with the branch of the SAFE and complete certain other procedures related to the equity incentive plan. In addition, an overseas institution should be entrusted and a domestic special foreign exchange account should be opened to handle transactions relating to the equity incentive plan. In order to comply with the requirements of the Individual Foreign Exchange Rules, the Implementation Rules and the Circular No. 7, we will require our employees who are PRC individuals to complete relevant registration with the branch of the SAFE when they participate in the equity incentive plan. Our Company and our employees who are PRC individuals and have participated in the equity incentive plan ("PRC participants") will be subject to these rules upon Listing of our Shares. If our Company or our PRC participants fail to comply with these rules, our Company or our PRC participants may be subject to fines and sanctions.

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

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

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

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

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

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

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

Pursuant to the *Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises* (關於加強非居民企業股權轉讓所得企業所得税管理的通知) ("SAT Circular 698") issued by the SAT on December 10, 2009 with retroactive effect from January 1, 2008 and other relevant rules, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company ("Indirect Transfer"), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. The PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

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

RISKS RELATING TO THE SHARES AND THE GLOBAL OFFERING

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

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

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

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

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

The market price of the Shares could decline as a result of future sales of substantial amounts of the Shares or other securities relating to the Shares in the public market by the Company's substantial shareholders, or the perception that such sales may occur, which, in turn, could adversely affect the value of your investment in our Shares. Future sales, or perceived sales, of substantial amounts of the Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to it.

The Shares held by certain of our existing shareholders are subject to lock-up beginning on the date on which trading in our Shares commences on the Stock Exchange. While we are not aware of any intentions of our existing shareholders to dispose of significant amounts of their shares upon expiry of the relevant lock-up periods, we are not in a position to give any assurances that they will not dispose of any Shares they may own. In the event that any of our existing shareholders disposes of Shares upon expiry of the relevant lock-up periods, this would lead to an increase in the number of our Shares in public hands, and could negatively impact the market price of our Shares or lead to volatility in the market price or trading volume of our Shares, affecting the value of your investment.

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

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

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

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

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

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

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

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

We have adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options, if granted and exercised in full, will represent approximately 10% of the issued share capital of the Company immediately following completion of the Global Offering. The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative effect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

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

Facts, forecasts and other statistics in this prospectus relating to the economy and the marble mining and distribution industries on an international, regional and specific country basis have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Our financial results are expected to be affected by the expenses in relation to the Global Offering.

Our financial results will be affected by the expenses in relation to the Global Offering. The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering comprising principally professional fees are expected to amount to approximately RMB43.9 million, of which approximately RMB10.9 million is directly attributable to the issue of new shares to the public and will be accounted for as a deduction from equity. The remaining estimated listing expenses which cannot be so deducted will be charged to profit or loss of our Group. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, listing expenses charged to profit or loss amounted to approximately RMB1.1 million, RMB2.3 million and RMB9.4 million, respectively, and RMB0.4 million, RMB0.8 million and RMB3.0 million, respectively, will be charged against equity upon successful listing according to relevant accounting standard. For the year ending December 31, 2013, we estimate that the listing expenses will amount to approximately RMB39.3 million, of which approximately RMB29.6 million will be charged to the profit and loss in the year and the remaining RMB9.7 million will be charged against equity upon successful listing, according to relevant accounting standard. Therefore, our financial results for the year ending December 31, 2013 will be affected by the expenses in relation to the Global Offering.

BASIC CONDITIONS IN RELATION TO QUALIFICATIONS FOR LISTING AND ACCOUNTS IN THIS PROSPECTUS

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rule 18.04 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least five years relevant to the exploration and/or extraction activity that the issuer is processing.

The Accountants' Report set out in Appendix I to this prospectus includes financial information for the period from June 15, 2011 to December 31, 2011, the financial year ended December 31, 2012 and the nine months ended September 30, 2013.

Rule 4.04 of the Listing Rules requires that we include in this prospectus the consolidated results of our Group in respect of the three financial years immediately preceding the issue of this prospectus.

We have applied for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.05 of the Listing Rules in accordance with Rule 18.04 of the Listing Rules and Rule 4.04(1) of the Listing Rules.

It is inappropriate and irrelevant for us to strictly comply with Rule 4.04 of the Listing Rules as our Company is a mineral company under Chapter 18 of the Listing Rules and only has a trading record period of less than three financial years immediately preceding the issue of this prospectus. Accordingly, we have applied for the listing of its shares on the Stock Exchange in reliance on Rule 8.05B of the Listing Rules and have applied for a waiver under Rule 18.04 of the Listing Rules.

Furthermore, we have satisfied the pre-conditions for a waiver from the financial standards requirements for new applicant mineral companies under Rule 18.04 of the Listing Rules:

(a) We have demonstrated to the satisfaction of the Stock Exchange that our inability to comply with the profit, revenue or cash flow tests of Rule 8.05 of the Listing Rules is due to the fact that throughout the track record period, we have been in a pre-production, exploration and/or development phase.

(b) We have demonstrated to the satisfaction of the Stock Exchange that our Directors and senior managers, taken together, have sufficient experience relevant to the exploration and/or extraction activity that we are pursuing. Individuals relied on have a minimum of five years relevant industry experience.

(c) Our primary activity is exploration for and/or extraction of natural resources.

The Stock Exchange has granted us a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the condition that (i) we have obtained a certificate of exemption from the SFC from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance; and (ii) there is a Directors' statement in this prospectus providing that there has been no material adverse change to our financial or trading position since September 30, 2013. Our Directors have confirmed that they have ensured that sufficient due diligence has been carried out and that, save as disclosed in this prospectus, up to the date of this prospectus there has been no material adverse change in our financial or trading position since September 30, 2013 and there has been no event since September 30, 2013 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

The Companies Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies Ordinance. Paragraph 27 of Part I to the Third Schedule to the Companies Ordinance requires that we set out in this prospectus a statement as to the gross trading income or sales turnover during the three years preceding the issue of this prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities. Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance requires that we include in this prospectus a report by the auditors with respect to the profits and losses and assets and liabilities of our Group in respect of the three financial years immediately preceding the issue of this prospectus.

We have applied for, and the SFC has granted us an exemption under section 342A of the Companies Ordinance from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance in relation to the inclusion of the Accountants' Report for the full three years ended December 31, 2012 in this prospectus. It is inappropriate and irrelevant for us to strictly comply with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance as our Company is a mineral company under Chapter 18 of the Listing rules and only has a trading record period of less than three financial years immediately preceding the issue of this prospectus.

In addition, our Directors are of the view that all information that is necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospectus of our Group has been included in this prospectus. Our Directors have also confirmed that, after performing all due diligence work which they consider appropriate there has been no material adverse change in the financial and trading positions or prospects of our Group since September 30, 2013 up to the date of this prospectus and that there is no event since September 30, 2013 which would adversely and materially affect the information shown in the accountants' report of our Group as set forth in Appendix I to this prospectus. Therefore, an exemption from strict compliance would not prejudice the interests of the investing public.

Our Directors believe that waiver from strict compliance with Rule 4.04 of the Listing Rules and the exemption under section 342A of the Companies Ordinance from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance will not prejudice the interests of the public investors.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. The business and operation of our Group, are primarily located, managed and conducted in the PRC. Substantially all customers of the Group are also located in the PRC. None of the executive Directors are ordinarily based in Hong Kong. We do not and, in the foreseeable future, will not have any management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and our Company:

(a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that our Group comply with the Listing Rules at all times. The two authorized representatives are Mr. Liu, an executive Director, and Ms. Jiao Jie, one of the joint company secretaries of our Company. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange. We have also appointed Ms. Cheung Yuet Fan, one of the joint secretaries of our Company who is ordinarily resident in Hong Kong, as an alternate authorized representative.

(b) Each of the authorized representatives has means to contact all members of our Board of Directors (including the independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication among the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (a) each executive Director and independent non-executive Director will provide their respective mobile and office phone numbers, facsimile numbers and email addresses, if applicable, to the authorized representatives and his or her alternates; (b) in the event that an executive Director or independent non-executive Director is expected to travel and be out of office, he/she will have to provide his/her contact points to the authorized representatives; and (c) all the executive Directors, independent non-executive Directors and authorized representatives will provide their mobile phone numbers, residential phone numbers, office phone numbers and facsimile numbers and email addresses, if applicable, to the Stock Exchange.

(c) In addition, all executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

In compliance with Rule 3A.19 of the Listing Rules, the Company has appointed CMB International Capital Limited as the compliance adviser of the Company to act as the alternate channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of its initial listing.

QUALIFICATIONS OF COMPANY SECRETARY

Rules 3.28 and 8.17 of the Listing Rules provide that a new listing applicant must appoint a company secretary who is, by virtue of his academic or professional qualifications or relevant experience, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. In this regard, under Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable: a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)) or a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Our Company has appointed Ms. Jiao Jie as one of the joint company secretaries. Ms. Jiao graduated from the Law School and China Center for Economic Research at Peking University with bachelor's degrees in law and economics in July 2003 and obtained a degree of magister juris from University of Oxford in July 2005. Ms. Jiao obtained the certificate of Legal Profession Qualification in March 2010. Ms. Jiao has eight years of experience in private equity financing and corporate legal affairs. Further details of Ms. Jiao's qualifications and experience are set out in the section headed "Directors and Senior Management — Senior Management" in this prospectus. However, Ms. Jiao does not possess a qualification stipulated in Note 1 to Rule 3.28 of the Listing Rules. As such, our Company has appointed Ms. Cheung Yuet Fan as another joint company secretary who is an associate of the Hong Kong Institute of Chartered Secretaries and an associate of the Institute of Chartered Secretaries and Administrators and meets the requirements under Rule 8.17 of the Listing Rules. Further details of Ms. Cheung's qualifications and experience are set out in the section "Directors and Senior Management — Company Secretaries".

In order to provide support to Ms. Jiao, we propose to appoint, and will continue to do so for a minimum period of three years after the Listing Date, Ms. Cheung Yuet Fan, to act as a joint company secretary and to provide assistance to Ms. Jiao so as to enable her to acquire the relevant experience and to duly discharge the functions of a company secretary of a listed issuer. Ms. Jiao will enrol on relevant courses to enable her to acquire the relevant knowledge for the discharge of her duties as a joint company secretary of our Company. The appointment of Ms. Cheung Yuet Fan is for an initial term of three years provided that our Company is entitled to terminate such contract in the event that a replacement joint secretary with qualifications meeting the requirements under Rule 3.28 of the Listing Rules is appointed, or Ms. Jiao has herself obtained such qualifications. If such appointment is not terminated early, our Company shall, reasonably prior to the expiry of the three-year term, evaluate the qualifications of Ms. Jiao and determine whether her appointment as the company secretary satisfies the requirements under Rule 3.28 of the Listing Rules, or if not, determine the measures needed to ensure compliance with Rule 3.28 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for and obtained a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. Upon expiry of the three year period, the Stock Exchange will re-visit the situation in the expectation that our Company should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Jiao, having had the benefit of Ms. Cheung's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules such that a further waiver will not be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Cap. 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions that the Offer Price is agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and us. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (on behalf of the Underwriters) and us on or around Thursday, December 19, 2013, and in any event no later than Thursday, December 26, 2013.

If the Sole Global Coordinator (on behalf of the Underwriters) and we are unable to reach an agreement on the Offer Price, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a public offer of the Offer Shares other than in Hong Kong or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Public Offer Shares to confirm, that he or she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Underwriters, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of their respective directors, agents, employees or advisers or any other persons or parties involved in the Global Offering.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the Listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering including any Shares which may fall to be issued upon the exercise of the Over-allotment Option and any options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme. Dealings in the Shares on the Stock Exchange are expected to commence on Monday, December 30, 2013.

No part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under Section 44B(1) of the Companies Ordinance, any allocation made in respect of any application will be invalid if permission for listing of, or dealing in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the three weeks, be notified to our Company by the Stock Exchange.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our Company's share register of members to be maintained in Hong Kong by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our Company's principal register of members will be maintained by the Company's principal share registrar in Cayman Islands by Royal Bank of Canada Trust Company (Cayman) Limited.

Dealings in the Shares registered on the register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Main Board and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of the Company, the Underwriters, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of their respective directors, agents, employees or advisers or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Public Offer Shares are set out in "How to Apply for the Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure and Conditions of the Global Offering" in this prospectus.

EXCHANGE RATES

Solely for convenience purposes, this prospectus includes translations of certain RMB amounts into Hong Kong dollars. No representation is made that the RMB amounts could actually be converted into such foreign exchange at the rate indicated, or at all. Unless otherwise indicated, the translation of RMB into Hong Kong dollars was made at the rate of RMB0.7929 to HK$1.00, the exchange rate prevailing on September 30, 2013 published by PBOC for foreign exchange transactions.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS

Name	Address	Nationality
Executive Directors		
LIU Chuanjia	Room 1508 No. 495 Lianqian West Road Xiamen, PRC	St. Kitts and Nevis
LI Dingcheng (李定成)	No. 190 Chaoyangmennei Street Dongcheng District Beijing, PRC	Chinese
WANG Pingyao (王炳堯)	No. 128 Yanping Road Luzhu Township Wenbei Village 2nd Neighborhood Kaohsiung, Republic of China	Taiwanese
FAN Huiming (范輝明)	Room 202, Unit 1, Block 2 Jiayi Garden No. 30 Zanxian Road Zhanggong District Ganzhou, PRC	Chinese
Non-executive Director		
WU Yun (吳雲)	Room 406, Block 2 No. 10 Datong Road Longhua District Haikou, PRC	Chinese
Independent Non-Executive Directors		
LIU Jianhua (劉建華)	Room 9022, Block 1 No. 36 Zengguang Road Haidian District Beijing, PRC	Chinese
WANG Hengzhong (王恆忠)	Room 608, Block 1 No. 111 Zhongcao Road Xuhui District Shanghai, PRC	Chinese
JIN Sheng (金勝)	Room 101, Block 2 No. 218 Lvling Road Siming District Xiamen, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Merrill Lynch Far East Limited 15/F Citibank Tower 3 Garden Road, Central Hong Kong
Sole Global Coordinator	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
Joint Bookrunners as to Hong Kong Public Offering and International Offering	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers as to Hong Kong Public Offering	Merrill Lynch Far East Limited 15/F Citibank Tower 3 Garden Road, Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers as to International Offering	Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

Legal Advisors to our Company	*as to Hong Kong law:* Sidley Austin Level 39, Two International Finance Centre Central Hong Kong
	as to US law: Wilson Sonsini Goodrich & Rosati, P.C. Unit 1001, 10/F, Henley Building 5 Queen's Road Central Hong Kong
	as to PRC law: Commerce & Finance Law Offices 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District, Beijing PRC 100022
	as to Cayman Islands law: Conyers Dill & Pearman (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal Advisors to the Underwriters	*as to Hong Kong and US laws:* Clifford Chance 28/F Jardine House One Connaught Place Central Hong Kong
	as to PRC law: Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District, Beijing PRC 100025
Auditors and Reporting Accountants	Ernst & Young 22/F CITIC Tower 1 Tim Mei Avenue Central, Hong Kong

Independent Industry Consultant	Frost & Sullivan Suite 2802-2803, Tower A Dawning Center 500 Hongbaoshi Road Shanghai PRC 201108
Independent Technical Consultant	Behre Dolbear Asia, Inc. 999 Eighteenth Street, Suite 1500 Denver, Colorado 80202 United States
Receiving Bankers	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street, Central Hong Kong The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered Office	P.O. Box 613 GT 4th Floor Harbour Centre George Town Grand Cayman KY1-1107 Cayman Islands
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Headquarters and Principal Place of Business in China	23/F, Tower B, Haifu Center 599 Sishui Road Huli District Xiamen PRC 361016
Joint Company Secretaries	Ms. CHEUNG Yuet Fan Ms. JIAO Jie
Authorized Representatives	Mr. LIU Chuanjia Ms. JIAO Jie
Audit Committee	Mr. WANG Hengzhong *(chairman)* Mr. JIN Sheng Mr. LIU Jianhua
Remuneration Committee	Mr. JIN Sheng *(chairman)* Mr. WANG Hengzhong Mr. LIU Chuanjia
Nomination Committee	Mr. LIU Chuanjia *(chairman)* Mr. JIN Sheng Mr. LIU Jianhua
Compliance Adviser	CMB International Capital Limited
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road George Town Grand Cayman KY1-1110 Cayman Islands

Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Banker	Industrial and Commercial Bank of China Limited Xiamen Branch, Huli Sub-branch No. 31-33 Xinglong Road Huli District Xiamen PRC
Company Website Address	www.artgo.cn

This section sets out summaries of certain aspects of PRC laws and regulations which are relevant to our Group's operation and business.

INVESTMENT IN STONE INDUSTRY

Under the Tentative Regulation to Promote the Adjustment of Industrial Structure (促進產業結構調整暫行規定) issued on December 2, 2005 and Guiding Catalogue of Industrial Structure for Adjustment (Version 2011) (產業結構調整指導目錄(2011年本)), mechanized stone mining is listed as an encouraged industry, for which the PRC government will increase its support.

MINERAL RESOURCES

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

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

The Procedures for the Registration of Mining of Mineral Resources (礦產資源開採登記管理辦法) ("State Council Circular No. 241") was promulgated by the State Council and became effective on February 12, 1998. Under the State Council Circular No. 241, anyone with mining rights shall file an application for registration of change(s) with the appropriate registration administration authority within the duration of the mining permit term if there is any change in the scope of the mining area, the main exploited mineral categories, the exploitation mode, the name of the mining enterprise and/or the transfer of the mining right according to the relevant laws. If continuation of mining is necessary after the expiration of the mining permit, the holder of a mining permit shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining permit. If the holder of a mining permit fails to apply for an extension prior to the expiration of the term, the mining permit shall terminate automatically.

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

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

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

ENVIRONMENTAL PROTECTION

The PRC laws and regulations on environmental protection include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated and effective on December 26, 1989; the Air Pollution Prevention of the PRC (中華人民共和國大氣污染防治法) revised on April 29, 2000 and effective on September 1, 2000; the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) revised on February 28, 2008 and effective on June 1, 2008 and the related implementing regulations (中華人民共和國水污染防治法實施細則) promulgated and effective on March 20, 2000; the Rules on the Administration concerning Environmental Protection of Construction Projects (建設項目環境保護管理條例) promulgated and effective on November 29, 1998 and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated on December 27, 2001 and effective on February 1, 2002.

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

GEOLOGICAL ENVIRONMENT PROTECTION AND RESTORATION

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

Pursuant to the Jiangxi Province's Interim Regulations on the Management of the Security Deposits for Environmental Management and Ecological Restoration of Mines (江西省礦山環境治理和生態恢復保證金管理暫行辦法) promulgated on July 11, 2008 and effective on October 1, 2008, (i) a holder of mining permit shall pay a security deposit to guarantee performance of its obligations to manage environment and restore ecology of the relevant mines; (ii) the amount of the security deposit shall be determined according to the registered mining area, the valid period of mining permit, mineral, mining method and the impact on the ecological environment and other factors and shall not be less than the cost of basic restoration, but can be adjusted according to changing situations; the payment of security deposits can be a one-off payment or by installments; (iii) the entire amount of security deposits collected shall be placed in a special purpose account; (iv) within 6 months after the closure of a mine, the holder of the relevant mining permit shall complete the environmental management and ecological restoration of the mine; after the completion of the aforementioned restoration, the holder shall apply for an inspection of the mine and submit a report regarding the environmental management and ecological restoration of the mine; and (v) the security deposit shall be refunded if the inspection is satisfactory, otherwise, the relevant land and resources authority shall organize the environmental management and ecological restoration using the security deposit and the relevant mine owner shall be liable for any shortfall if the security deposit is insufficient.

WORK SAFETY

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

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

STONE TRADING

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

TAXATION

According to the EIT Law (中華人民共和國企業所得稅法) which took effect as of January 1, 2008 and its implementation rules, a unified enterprise income tax rate of 25% is applied equally to both domestic enterprises and foreign invested enterprises.

Pursuant to the Interim Regulations of the PRC on Resource Tax (中華人民共和國資源稅暫行條例) promulgated on December 25, 1993, effective on January 1, 1994 and amended on September 30, 2011, any enterprise engaged in the exploitation of mineral products prescribed in the Interim Regulations of the PRC on Resource Tax is subject to pay a resource tax.

According to the Notice on Adjusting Resource Tax Applicable to Limestone, Marble and Granite (財政部、國家稅務總局關於調整石灰石、大理石和花崗石資源稅適用稅額的通知) effective from July 1, 2003, statutory resource tax rate for marble ranges from RMB3 to RMB10 per cubic meter. Local governmental authorities are authorized to determine the specific resource tax rate within the foresaid range payable by any mining right holder. Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation (礦產資源補償費徵收管理規定) promulgated on February 27, 1994, effective on April 1, 1994 and amended on July 3, 1997, mineral resources compensation shall be paid by the holder of the mining permit if such holder decides to exploit mineral resources within the PRC territory, unless such PRC laws or administrative regulations provide otherwise.

Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation, the mineral resources compensation fees shall be calculated in accordance with the following formula:

Amount of the resources compensation fees payable (徵收礦產資源補償費金額)	=	Sales revenue of mineral products (礦產品銷售收入)	×	Compensation fees rate (補償費費率)	×	Coefficient of mining recovery rate (開採回採率係數)

Coefficient of mining recovery rate (開採回採率係數) = Approved mining recovery rate (核定開採回採率) ÷ Actual mining recovery rate (實際開採回採率)

Pursuant to the Provisions on the Administration of the Collection of Mineral Resources Compensation, the compensation fees rate of marble resource is 2%. We are subject to VAT rate at 17%, and we are also subject to city-maintenance-and-construction tax at 5% or 7% of VAT, an education levy at 3% of VAT and an additional local education fee at 2% of VAT.

LAND

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) promulgated on June 25, 1986 and effective on January 1, 1987 and last amended on August 28, 2004, all land in the PRC is either state-owned or collectively owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively owned. The state has the right to reclaim land in accordance with law if required for public interest.

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

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

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

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

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

PREVENTION AND CONTROL OF OCCUPATIONAL DISEASES

Pursuant to the Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法) promulgated on October 27, 2001, effective on May 1, 2002 and amended on December 31, 2011, for construction projects, including projects to be constructed, expanded or reconstructed, and projects for technical renovation and introduction which may incur occupational disease hazards, the unit responsible for the construction project shall: (i) during the period of feasibility study, submit to the health administrative department a preliminary assessment report on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is completed for inspection and acceptance; and (iii) adopt protective facilities against occupational diseases. The protective facilities may be put into formal operation and use only after they have passed the inspection by the public health administration department.

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

LABOR

Pursuant to the PRC Labor Law (中華人民共和國勞動法) promulgated on July 5, 1994 and effective on January 1, 1995 and the PRC Labor Contract Law (中華人民共和國勞動合同法) promulgated on June 29, 2007, amended on December 28, 2012 and effective on July 1, 2013, if an employment relationship is established between an entity and its employees, written labor contracts shall be prepared. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Pursuant to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated and effective on January 22, 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated and effective on March 19, 1999, the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated on April 27, 2003 and effective on January 1, 2004, as amended on December 20, 2010, and the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) promulgated on December 14, 1994 and effective on January 1, 1995, companies are obliged to undertake registration at the competent authorities of social insurance and provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance.

Pursuant to the Social Insurance Law of PRC (中華人民共和國社會保險法) promulgated on October 28, 2010 and effective on July 1, 2011, employees shall participate in basic pension insurance, basic medical insurance schemes and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in work-related injury insurance and maternity insurance schemes. Work-related injury insurance and maternity insurance contributions shall be paid by employers. Employers shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Except for mandatory exceptions such as force majeure, social insurance premiums may not be paid late, reduced or be exempted.

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

FOREIGN EXCHANGE

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

PRODUCT QUALITY

The revised Product Quality Law of the PRC (中華人民共和國產品質量法) was promulgated on July 8, 2000 and became effective on September 1, 2000. The State Council's product quality supervision authority is in charge of the nationwide supervision of product quality, while the local product quality supervision authority at or above the county level is responsible for supervising the product quality within its respective administrative region. Producers and sellers shall establish internal quality management systems, implement strict job quality specifications, quality responsibility system and corresponding quality evaluation procedures. The State encourages the enterprises to ensure that the quality of their products achieve and surpass the industrial, national and international standards.

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

Certain information and statistics relating to our industry provided in this section have been derived from official government sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, or the F&S Report, prepared by Frost & Sullivan for purposes of this prospectus(1). We believe that the sources of the information in this "Industry Overview" section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering.

GLOBAL MARBLE MARKET OVERVIEW

Geologically, marble is defined as a metamorphosed limestone consisting of recrystallized calcite and dolomite. Marble's main composition is calcium carbonate, which usually accounted for more than 50% by mass. Generally, dolomite and limestone are commercially classified as marble in the stone industry. See "Business — Our Principal Products — Properties of Our Stone." Marble is softer than granite, but has a higher compressive strength. Every single marble has its unique color and pattern, which makes it an ideal material for construction decoration and art works. Typically, marble is classified based on the color of its polished surface. As the major producing and trading countries, Turkey, Italy and China produce a wide type-range of marble products.

Global Marble Resource Distribution

In 2012, the worldwide marble resource was 14.7 billion cubic meters, most of which were in Asia-Pacific and European countries. Turkey, the Philippines, India, China and Spain were the top five countries in terms of marble resource. Turkey owned over 5.2 billion cubic meters of resource, which accounted for more than 35% of the world's total resource. China owned 1.4 billion cubic meters of resource, which accounted for 9.7% of the world's total resource. As the total resource of the top five countries accounted for over 76% of the world's total, the geographical distribution of marble resource is highly concentrated.

Global Marble Production

Marble Block Production

In the past five years, the global marble market has experienced rapid growth. The total production volume of marble block increased from 104.7 million tonnes in 2008 to 145.7 million tonnes in 2012, representing a CAGR of 8.6%, and is expected to continue to grow to over 320.2 million tonnes in 2018. After 2018, however, the growth rate is expected to slow down due to the scarcity of resources.

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(1) This "Industry Overview" section contains information extracted from a commissioned report, or the F&S Report, prepared by Frost & Sullivan for purposes of this prospectus. We paid a total of RMB945,507 to Frost & Sullivan for the preparation and use of the F&S Report.

Research Methodology

Frost & Sullivan has refined its research methodology over years of experience, having researched diverse markets in different life cycles — from the embryonic to mature. Frost & Sullivan's market engineering system focuses on 1) challenges, problems, and the needs of industry participants and 2) detailed, comprehensive, "bottom-up" data collection techniques. The system is based on systematic measurements and primary (not secondary or previously published) market research.

Market Engineering Forecasting Methodology

This methodology integrates several forecasting techniques with the market engineering measurement-based system. It relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements include (i) expert-opinion forecasting methodology, (ii) integration of market drivers and restraints, (iii) integration with the market challenges, (iv) integration of the market engineering measurement trends, and (v) integration of econometric variables.

Based on its forecasting methodology, Frost & Sullivan forecasted the marble market from 2013 to 2018 based on the following four steps:

- conducting analysis of the marble market with respect to production capacity and trade;
- conducting interviews and analysis of downstream industries with respect to technology and production capacity;
- forecasting the demand of downstream industries in key applications according to the interviews and database of Frost & Sullivan; and
- combining step 1, step 2 and step 3, and work out market forecast for the marble market.

About Frost & Sullivan

Frost & Sullivan is an independent industry consultant founded in 1961 which has over 40 global offices and employs over 1,800 analysts and experts worldwide. The firm covers a number of industries, including aerospace, defense, automotive, transportation, chemicals, energy and power systems, environmental technologies, electronics, information and communication technologies and healthcare.

Marble Slab Production

The total production of marble slabs, as the most essential final product of marble, increased from 455.3 million square meters in 2008 to 649.0 million square meters in 2012, representing a CAGR of 9.3%. The expansion of production scales in primary manufacturing countries will further drive the growth of total global production volume. It is expected that by 2018, global marble slab production volume will exceed 1,475.8 million square meters, representing a CAGR of 14.7% from 2012 to 2018.

China, with a production volume of 127.81 million square meters in 2012, was the top marble product producer and accounted for 19.7% of the world's total production. A majority of the slab producers in China mainly rely on imported marble blocks. Other top five marble slab manufacturing countries included India, Turkey, Italy and Iran, whose production volume accounted for 14.9%, 10.6%, 8.6% and 6.2%, respectively, of the world's total in 2012. Mainly driven by the growth of China's production scale, such percentage is expected to increase in the future.

Global Marble Products Consumption

The global marble industry has experienced a steady growth in the past five years. The overall consumption volume increased from 45.4 million tonnes in 2008 to 62.4 million tonnes in 2012 with a CAGR of 8.3%. It is expected that the global consumption volume will enjoy a rapid and stable growth in the future due to the growth of consumption in a few major countries. By 2018, the total marble products consumption of the world is expected to reach 141.1 million tonnes per year, representing a CAGR of 12.1% from 2012 to 2018.

CHINA MARBLE MARKET OVERVIEW

Resource Distribution

As of 2012, the marble resource in China was 1.4 billion cubic meters, most of which are located in Southwest, Central and Southern China. Southwest China accounted for approximately 36.4% of China's total resource. Central and Southern China accounted for 22.5% of the total domestic resource.

Production

Driven by the increasing demand for marble products, China's marble block production increased from 3.8 million tonnes in 2008 to 10.2 million tonnes in 2012 and is estimated to reach 40.8 million tonnes by 2018, representing a CAGR of 26.0% from 2012 to 2018.

China's marble slab production increased from 40.8 million square meters in 2008 to 127.8 million square meters in 2012, representing a CAGR of 33.1%, which was higher than that of marble block. Slab production is expected to reach 653.3 million square meters in 2018, representing a CAGR of 31.2% from 2012 to 2018. In addition to the availability of marble resources and mining capacities, which affect the supply of marble blocks, the supply of marble slabs is also affected by the availability of marble processing capacities which in turn are affected by the availability of work force and funding.

Consumption

Driven by the rapid growth of high-end real estate market, the increased demand from construction and decoration sectors as well as the increased market share of marble products resulting from the substitution of existing artificial construction decoration materials, the consumption of marble products in China increased from 3.1 million tonnes in 2008 to 9.1 million tonnes in 2012, representing a CAGR of 30.9%. Domestic consumption is expected to reach 44.4 million tonnes in 2018 with an estimated CAGR of 30.2% from 2012 to 2018. The demand for marble blocks is largely connected to the demand for slabs because blocks are raw materials for processing slabs. In addition, marble blocks are also used for other marble applications such as sculptures, outdoor decoration articles and kitchen and bathroom products, the demand for which usually exhibits the same trend as the demand for marble slabs because both are affected by the population's general appetite for marble.

Marble Trade

Raw Materials

China is a net importer of marble blocks because global marble resource of high quality are mainly located in Turkey, Spain, Egypt and Italy. China's import of marble blocks increased from 2.2 million tonnes in 2008 to 2.8 million tonnes in 2012, representing a CAGR of 6.2%. Imported marble blocks were produced into high quality final products either for export or high-end domestic demand.

Due to the European economic crisis, which started in 2010, many European countries reduced the production rate of marble raw materials, and as a result, China's import of marble blocks experienced a decline in 2012.

China's total export volume of marble blocks was approximately 22,600 tonnes in 2012, which is expected to maintain at this level in the next few years.

Marble Products Export

China is a net exporter of marble products. Part of China's marble products are based on domestic marble blocks, most of which are of low and medium quality and exported to developing countries. High-end marble products are processed from high-quality blocks mostly imported from countries such as Turkey, Italy and Spain, and are mostly exported to developed countries such as the United States, European countries and South Korea.

The export of marble products increased from 1.2 million tonnes in 2008 to 3.1 million tonnes in 2012, representing a CAGR of 26.8% and is expected to reach 15.4 million tonnes in 2018, representing a CAGR of 30.6% from 2012 to 2018.

Marble Products Import

Due to the limited quality of domestic raw materials, China's demand of high-end marble products is mainly met by imported products, most of which are from Turkey, Italy, Spain and Egypt. Along with the rising demand for high-quality products, China's import of marble products is expected to increase continuously.

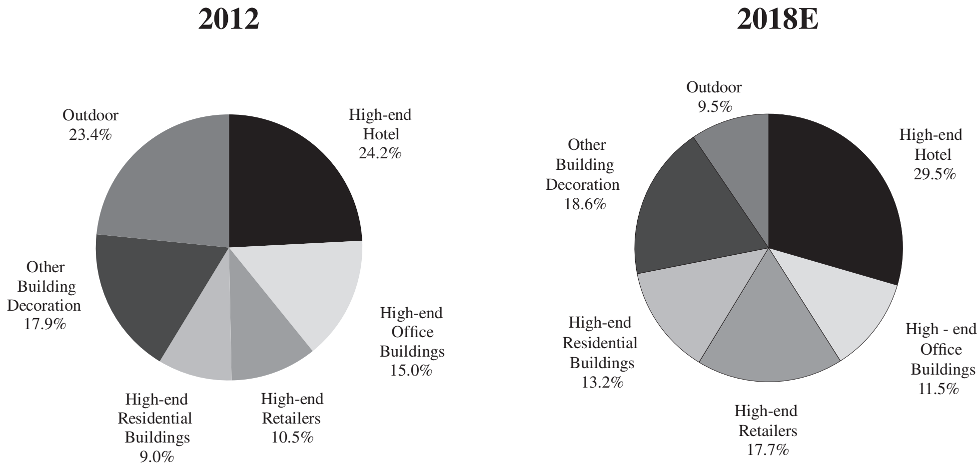
The import of marble products increased from 1.0 million tonnes in 2008 to 2.0 million tonnes in 2012, representing a CAGR of 18.9%, and is expected to reach 7.5 million tonnes in 2018, representing a CAGR of 24.6% from 2012 to 2018.

China Marble Application Market Overview

China's domestic marble consumption reached 9.1 million tonnes in 2012, which included all forms of marble products such as slab, sculpture and carvings.

Applications of marble products in construction and decoration include building materials, slabs for interior and outside decoration, marble furniture and marble-made decorative articles. With respect to categories of buildings that use marble products, marble products are mainly used in high-end hotels, high-end retail stores, high-end office buildings and high-end residential buildings. Marble products applied outdoors are mainly sculptures, statues, and carvings placed in gardens, streets, city squares and other outdoor areas.

China Marble Product Application, 2012 vs. 2018E



Source: Frost & Sullivan

In 2012, approximately 76.6% of marble products were used in construction and decoration of various buildings, and 23.4% for outdoors applications. The market share of outdoor application is estimated to decrease to 9.5% by 2018 as the consumption of marble products will be mainly driven by the demand from interior use in office buildings, hotels, retail stores and residential buildings.

High-end Hotels

According to the China National Tourism Administration, sales revenue generated by China's high-end hotels, namely, the five-star and four-star hotels, increased to RMB163.8 billion in 2012 from RMB100.2 billion in 2008, representing a CAGR of 13.1%. It is estimated that, driven by the rapid growth of the tourism industry, China's hotel market will experience continuous growth, with the high-end hotels expected to grow even faster than the industry average. The sales revenue of high-end hotels in China is estimated to reach RMB298.4 billion by 2018, representing a CAGR of 10.5% between 2012 and 2018.

In 2012, 24.2% of marble products were used in high-end hotels. It is estimated that, driven by the construction of new hotels and upgrade and renovation of existing hotels, the marble consumption by the high-end hotel segment will increase from 2.2 million tonnes in 2012 to 13.1 million tonnes in 2018, representing a CAGR of 34.5%.

Marble's market share in terms of revenue in the high-end hotel segment of the construction decoration market is expected to continue to grow from 1.4% in 2012 to 5.4% in 2018. The increased market share of marble products is mainly resulting from the substitution of existing artificial materials, such as construction ceramics. As a comparison, the market share of construction ceramics is estimated to decrease from 19.7% in 2012 to 16.9% in 2018.

High-end Office Buildings

The office building market has experienced rapid growth in the past few years. High-end office buildings are defined as office buildings with an A standard designation or above. The total revenue of China's high-end office building market has increased at a CAGR of 37.4% from 2008 to 2012. The total market size by revenue in 2012 was RMB155.3 trillion. As a result of more and more working spaces built in tier one and tier two cities, the size of the high-end office building market is expected to reach RMB567.3 trillion in 2018, representing a CAGR of 24.1% from 2012.

Marble products can be used as floors, external and internal walls and other decorations in high-end office buildings. Marble consumption in high-end office buildings was 1.4 million tonnes in 2012, comprising 15.0% of the total marble consumption in China. Driven by the construction of new office buildings in tier two cities, and renovation of existing office buildings in tier one cities, marble consumption for office buildings is estimated to increase to 5.1 million tonnes by 2018, representing a CAGR of 24.0% between 2012 and 2018.

Marble's market share in terms of revenue in the high-end office building segment of the construction decoration market is expected to continue to increase from 0.8% in 2012 to 2.7% in 2018. The increased share of marble products is mainly resulting from the substitution of existing artificial materials, such as construction ceramics. As a comparison, the market share of construction ceramics is estimated to decrease from 17.2% in 2012 to 13.2% in 2018.

High-end Retail Stores

The marble market for retail stores in China is developing rapidly during recent years, due to growth of the economy, increasing urbanization and increasing disposable income of the Chinese people. High-end retail stores include major shopping malls and shopping centers in tier one and tier two cities. The total space of shopping malls in top-tier cities in China increased to 30.3 million square meters in 2012 from 11.9 million square meters in 2008. It is expected to increase to 223.4 million square meters by 2018, representing a CAGR of 39.5% between 2012 and 2018.

Marble products applied in high-end shopping malls are mainly for floors, walls and other decorations. The marble consumption in the high-end retailer sector was 963,200 tonnes in 2012, and is estimated to increase to 7.8 million tonnes in 2018, representing a CAGR of 41.8%. The growth is mainly driven by the construction of new high-end shopping malls in tier two cities.

Marble's market share in terms of revenue in the high-end retail store segment of the construction decoration market is expected to continue to increase, growing from 0.8% in 2012 to 3.1% in 2018. The increased market share of marble products is mainly resulting from the substitution of existing artificial materials, such as construction ceramics. As a comparison, the market share of construction ceramics is expected to decrease from 16.2% in 2012 to 12.0% in 2018.

High-end Residential Buildings

High-end residential buildings include luxury housing such as villas and high-end apartments. High-end residential building market experienced fast growth before 2010. Due to government control, however, its market size decreased slightly in 2011 and 2012. It is expected that high-end housing market will recover from the downturn and as a result of solid demand at a CAGR of 1.9% from 2012 to 2018.

The volume of marble products used in the high-end residential building sector is expected to grow at a much faster rate. As luxury goods, marble is a perfect decoration material for high-end residential building, including floors, furniture, and decorations. Currently, not many marble products are used in high-end residential buildings, but this will change as people gradually realize and appreciate the decorative value of marble products. Given the large size of the high-end housing market, its marble product consumption has great potential to grow. It is estimated that marble consumption in the high-end residential building segment will increase from 823,100 tonnes in 2012 to 5.8 million tonnes in 2018, representing a CAGR of 38.6%.

Marble's market share in terms of revenue in the high-end residential buildings segment of the construction decoration market is expected to continue to grow from 0.4% in 2012 to 1.9% in 2018. The increased market share of marble products is mainly resulting from the substitution of existing artificial materials, such as construction ceramics. As a comparison, the market share of construction ceramics in residential buildings is expected to decrease from 21.6% in 2012 to 20.7% in 2018.

China White/Grey Marble Market Overview

White/Grey Marble Resource and Production

Due to the geographic features of China, most of the marble resource in China are beige. The resource of white and grey marble, which is approximately 140 million cubic meters, only accounts for 9.9% of the total marble resource. The Yongfeng Mine has been proved to be the largest white and grey marble mine, as well as the largest single marble mining unit in China. The discovery of the Yongfeng Mine has significantly increased the marble resource as well as the white and grey marble resource in China.

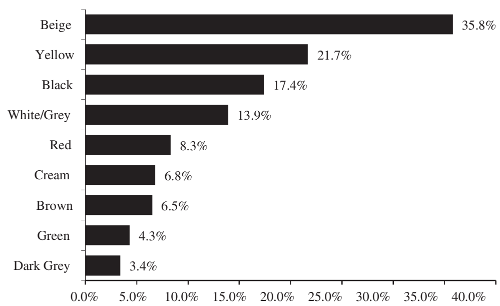
Due to the limited resource, the total production volume of white and grey marble slabs accounted for only 5.5% and 5.6% of the total marble slab production in China in 2008 and 2012, respectively. As the production scale of the Yongfeng Mine increases in the future, it is expected that the growth rate of white and grey marble production will reach a higher level. By 2018, the production volume is forecasted to reach 43 million square meters with a CAGR of 34.8% since 2012, accounting for over 6.5% of the total marble slab production in China.

White/Grey Marble Consumption

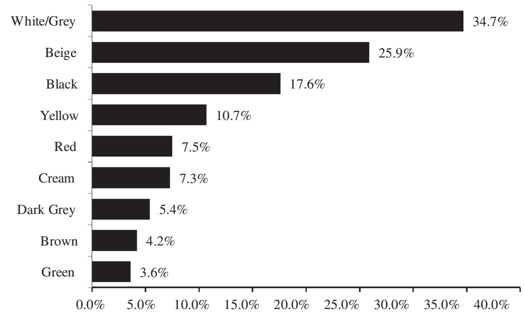
Features of marble products can be categorized into quality, color and price. Among these three, color is the most important factor. According to the result of 300 customers' interviews conducted by Frost & Sullivan, about 86.5% of such consumers care about the color when making a purchase decision.

Based on Frost & Sullivan's color preference analysis, in 2008, beige was the top choice by 35.8% of consumers, followed by yellow, black and white/grey, with respectively 21.7%, 17.4% and 13.9% of the consumers having a preference towards these colors. Less than 10% of the consumers have displayed a preference towards red, cream, brown, green and dark grey. By 2012, however, customers' color preference has changed significantly. Preference for white/grey marble more than doubled within four years and white/grey became the most popular color in 2012.

Color Preference (China), 2008



Color Preference (China), 2012



Source: Frost & Sullivan

According to Frost & Sullivan's prediction, consumer preference to white/grey marble will continue to grow in the next five years. White/grey is expected to be the top choice for approximately 45.9% of the consumers in 2018.

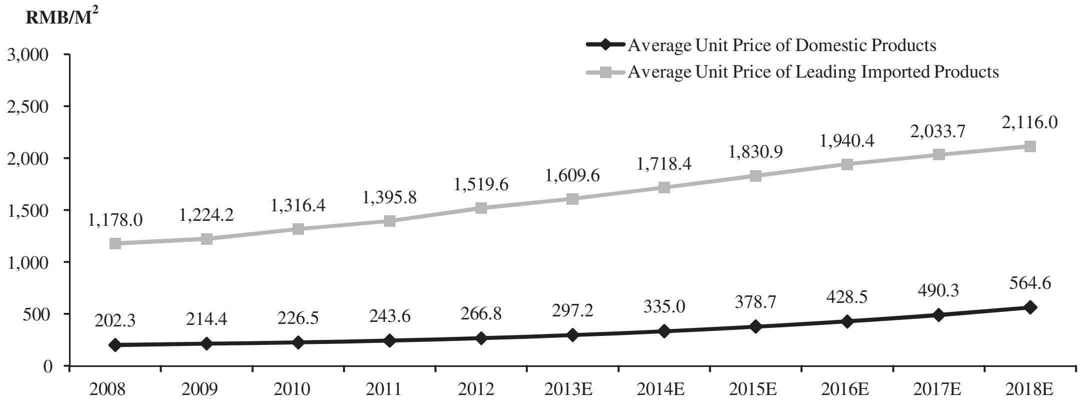
Due to the elegant appearance of white/grey marble products, they are ideal decoration and construction materials. As they became increasingly popular, the consumption volume of white/grey marble has experienced a growth spurt through the past few years. The total consumption volume rose from 171,200 tonnes in 2008 to 515,300 tonnes in 2012, representing a CAGR of 31.7%. As the consumer preference further switches from beige and yellow marbles to white/grey marbles in the future, the consumption volume is expected to keep growing to over 3.2 million tonnes in 2018, representing a CAGR of 35.8%. The proportion of white/grey consumption in the total marble consumption was 5.6% in 2008, and is expected to grow to 7.3% in 2018.

Pricing

The average retail price of marble slabs produced in China was approximately RMB150 per square meter in 2012, while the retail price of white/grey marble is significantly higher than the average. As white/grey marble products became increasingly popular, their unit retail price increased from RMB202 per square meter in 2008 to RMB267 per square meter in 2012, representing a CAGR of 7.1%. Due to the fast growth of consumption, manufacturers of white/grey marbles will have more bargaining power on pricing, which will lead to further increase in unit price. It is estimated that by 2018, the average retail price of white/grey marble will reach RMB564 per square meter. The retail prices of ArtGo's white/grey marble products ranged between RMB600 and RMB950 per square meter in 2012, which was significantly higher than the average price of domestic white/grey marble products in China primarily due to their high quality, artistic appearance and strong branding value, according to the F&S Report.

Leading international white/grey marble products in terms of price, artistic appearance and physical quality, which are mainly from Italy and, to a lesser extent, Greece and Turkey, had an average retail price of approximately RMB1,520 per square meter in 2012, demonstrating a significant pricing potential for high-quality domestic white/grey marble products.

Pricing of White/grey Marble Product in China, 2008-2018E



Source: Frost & Sullivan
Note: White/grey marble products include slabs and shaped stones.

	Country of Origin	Retail Prices of Major white/grey Marble Brands in China, 2012
		(RMB per square meter)
ArtGo	China	600-950
Calacatta Carrara	Italy	2000-2500
Statuario Venato	Italy	2000-2500
Calasetta White	Italy	1800-2200
Bianco Carrara	Italy	1000-1500
Fior Di Pesco Carnico	Italy	800-1500
Noisette Fleury	Italy	700-1200
Ariston White	Greece	700-1000
Volakas White	Greece	700-1000
Arabescato White	Italy	700-800

PRC Real Estate Market and Demand for ArtGo's Products

The cycles of the general PRC real estate market have not had a significant impact on the demand for our marble products and we do not expect any such significant impact in the foreseeable future. ArtGo's Directors are of the view that the recent government policies on real estate did not and will not have a material impact on the demand and average selling price of our products for the following reasons. Marble demand is affected by new decorations, as well as renovation and redecoration of existing hotels, offices, residential housing and other properties. Moreover, ArtGo's products are mainly used in high-end hotels, office buildings, retail stores and residential buildings, the trends of which are different from the trend of the general real estate market. Therefore, the main drivers of demand for marble products, especially high-end marble products such as ArtGo's products, are the rapid growth of disposable income in China, which are related to, but not directly impacted by, the cycles of the general PRC real estate market. The pricing and demand of white/grey marble products in China, both domestically produced and imported, has been increasing since 2008 and is expected to increase steadily in the next five years, according to the F&S Report, despite the cycles of the general PRC real estate market.

COMPETITION ANALYSIS FOR MARBLE MARKET IN CHINA

There are roughly over 3,000 stone manufacturers with a minimum revenue of RMB5 million per annum in China, among which approximately 2,300 produce marble products. The business of producing and selling marble products are fragmented in China, as fewer than 20 manufacturers had sales revenue of over RMB500 million in 2010. As of the date of the F&S Report, or December 2, 2013, top ten marble manufacturers accounted for less than 8% of the total marble market in terms of revenue.

Major Industry Participants

Major industry participants in the China marble market other than the Company in terms of marble resource, production volume, sales revenue, brand recognition and scale of distribution channels are set forth in the table below.

Company	Establishment Time	Headquarter	Resource	Main Products	Color of Products	Sales Network	Apparent Density	Water Absorption	Flexural Strength	Compressive Strength	Moh's Hardness
							(kg/m^3)	(%)	(Mpa)	(Mpa)	
Company A	2010	Guangzhou	Marble mine in Sichuan	Marble	Beige	China (Guangdong)	2.69-2.71×103	0.12-0.4	11.1-12.1	104.8-141.4	
Company B	1989	Quanzhou	Marble mine in Shanxi	Marble, granite	Pure white, beige, white/grey	China (Fujian, Hubei, Jilin, Shanxi, Gansu, Inner Mongolia) and Global (Europe, USA, Japan, Australia)	2.64-2.69×103	0.5-0.72	9.29-9.87	87.1-102.3	3.5-6.0
Company C	1986	Dongguan	Block purchase	Marble	Beige	China and Global (Middle East, U.S.A., Europe and Russia)	2.60-2.70×103	0.17-0.24	8.7-11.7	72.7-143.2	
Company D	1996	Xiamen	4 stone mines including marble and granite	Marble, granite	Pure white, Beige, white/grey	Across 30 cities and regions in China	2.62-2.70×103	0.1-0.34	7.2-14.0	72.7-130.2	3.4-4.6
Company E	1999	Xiamen	Granite mines	Marble, granite	Pure white, beige	Global (Southeast Asia, Middle East, and Europe)	2.68-2.76×103	0.24-0.48	7.0-16.3	94.0-136.1	3.5-4.5
Company F	1992	Tianjin	Block purchase	Marble, granite	Black, pure white	China (Eastern and Southwest China) and Global (Southeast Asia and Middle East)	2.62-2.76×103	0.17-0.58	11.2-16.2	72.7-140.0	
Company G	2000	Nanan	Block purchase	Marble	Pure white, beige, coffee	China and Global (Southeast Asia and Middle East)	2.59-2.69×103	0.07-0.21	11.4-16.5	72.7-138.8	3.0-4.2
Company H	1988	Nanan	Granite mines	Marble, granite	Beige, pure white	Major cities in China	2.60-2.70×103	0.17-0.33	9.2-14.8	75.3-115.5	
Company I	1987	Shenzhen	Granite mines	Marble, granite	Gold, pure white, white/grey	China and Global (America, Japan)	2.70-2.72×103	0.2-0.72			
Company J	1998	Nanan	1 pure white marble mine	Marble	Beige, pure white, brown	China and Global (Europe, Middle East, Southeast Asia, Australia)	2.64-2.76×103	0.2-0.28	8.6-13.6	72.2-136.1	
Company K	1989	Shenzhen	Block purchase	Marble, granite	Pure white, beige, coffee	China and Global	2.59-2.70×103	0.13-0.92	6.2-11.2	75.3-135.0	
Company L	1990	Dongguan	1 beige marble mine	Marble, granite	Beige, coffee	China (major cities) and Global (North America and South East Asia)	2.59-2.69×103	0.13-0.47	9.2-13.6	97.8-123.2	

Source: Frost & Sullivan

Marble Resources

China has a total of 1.4 billion cubic meters marble resource. Beige marble resources accounted for a majority of the currently found resources, while white and grey marble resources are scarcer. Compared to the increasingly large demand for marble products, especially white/grey products, China's marble resource is relatively scarce. Therefore, control, especially control by ownership, of large marble mines is crucial for a Chinese marble producer's success.

The Yongfeng Mine has resource of 107 million cubic meters, accounting for over 7.5% of China's total resource. Compared with other mining units found so far, it holds the largest single mining unit of marble resources in China. The historical recovery rate of the Yongfeng Mine is 46.7%, which is much higher than the average block recovery rate, approximately 15%, of marble mines in China.

In China, the exploitation right to a marble mine are usually shared by multiple manufacturers. ArtGo, however, owns the exploitation right of the Yongfeng Mine to itself, which makes it the manufacturer with the largest single mining unit in China.

Product Quality

High-quality marble products are more in demand than average products, but high-quality marble stones are significantly scarcer than average marble stones. The key physical indicators for evaluating the physical quality of marble products include density, porosity, water absorption, strength and hardness. The table below shows the comparison of six main evaluation indicators among ArtGo's products, three high-end foreign brands and the industry average.

- *Apparent density*. ArtGo's marble products range from 2.7×10^3 to 2.76×10^3 kilograms per cubic meter, which is around 1.9-4.2% higher than that of the industry average (2.65×10^3 kilograms per cubic meter). As higher density indicates higher specific gravity which in turn indicates better fineness, ArtGo's products have a finer texture than the industry average. Moreover, during the process of cutting, sawing and polishing, ArtGo's products are more stable than others.

- *Open porosity*. ArtGo's products are nearly 17.5-76% lower than the industry average, which means with the same volume of marbles, the voids volume in ArtGo's marble is only half of that of an average product. This contributes to the low water absorption of ArtGo's marble products.

- *Water absorption*. The lower this indicator is, the more difficult a marble product would get loose and decay. ArtGo's products enjoy low water absorption, ranging from 0.05% to 0.22%. With water absorption of as low as one third of the industry average level, ArtGo's products are better able to sustain wet weathers and can be widely used as external walls for constructions.

- *Flexural strength*. This indicates the capability to withstand flexing and breaking. The marble products of ArtGo feature flexural strength between 10.8 million Pascal and 15.1 million Pascal, which is 54.3% to 115% higher than industry average. This means ArtGo's marble is more flexible, and harder to be broken or chapped, and therefore can be used for more applications.

- *Compressive strength*. This indicator refers to the ability of marble to resist external damage. The higher this figure is, the harder and stronger the marble is. The average compressive strength of ArtGo's products ranges from 88.3 million Pascal to 151.6 million Pascal, which is significantly higher than industry average.

- *Moh's hardness*. This represents the hardness of stones. The hardness of ArtGo's products ranges from 3.5 to 4.5, which is much higher than the industry average.

The following chart shows that ArtGo's marble products are superior to China's industry average in terms of the physical indicators and are comparable to three high-end foreign brands selected based on their high price, fine artistic appearance and good physical quality. Moreover, such qualities enable the marble products of ArtGo to be used in a wide range of applications, both indoor and outdoor.

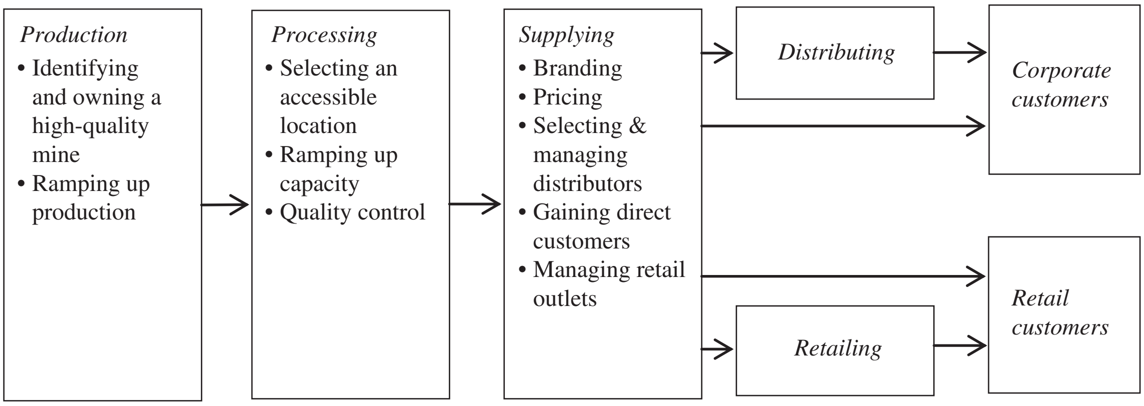
Physical Indicator	Company	Calacatta Carrara	Venato Gioia	Noisette Fleury	Industry Average	Comparison (Company vs. Industry Average)
Apparent density (kg/m^3)	$2.7\text{-}2.76 \times 10^3$	2.71×10^3	$2.68\text{-}2.718 \times 10^3$	$2.68\text{-}2.70 \times 10^3$	2.65×10^3	1.9%-4.2% higher
Open porosity (%)	0.19-0.66	0.3	—	—	0.8	17.5%-76% lower (lower is better)
Water absorption (%)	0.05-0.22	0.11	0.24	0.13	0.75	70%-93% lower (lower is better)

Physical Indicator	Company	Calacatta Carrara	Venato Gioia	Noisette Fleury	Industry Average	Comparison (Company vs. Industry Average)
Flexural strength (Mpa) . . .	10.8-15.1	16.9	11.4	12	7.0	54.3%-115% higher
Compressive strength (Mpa) .	88.3-151.6	104.1	104	128.8	80	10.4%-89.5% higher
Moh's hardness	3.5-4.5	—	—	—	3.5	0-28.6% higher

Source: Indian Bureau of Mines, Turkey Ministry of Economy, China Stone Material Association, Frost & Sullivan

Industry Value Chain Comparison

The following diagram illustrates the stages of the marble industry value chain in China.



The stages in the marble industry value chain that generate the most value are generally considered to be production and supplying. As high quality marble resource in terms of operational scale and price in China are very limited, access to high quality marble supply has become a key to success for the downstream industry participants. As a result, those mining companies that control these valuable resources have significant pricing power vis-a-vis downstream participants and end customers. The primary value-add of a marble supplier lies in its ability to establish a robust network of distributors and manage such network. Moreover, a vertically integrated player can have better control on product quality than other marble producers.

Industry Value Chain Comparison

	Production			Processing		Supplying		Sales		
	Mining	Producing	Transportation	Processing	Quality Control	Branding	Designing	Distributing	Direct Sales	Retailing
ArtGo	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔[1]
Company A	√	√	√	√	√	√	√	√	√	—
Company B	√	√	√	√	√	√	—	√	—	—
Company C	—	—	—	√	√	√	√	√	√	—
Company D	√	√	√	√	√	√	—	√	√	—
Company E.	—	—	—	√	√	√	—	√	√	—
Company F.	—	—	—	√	√	√	—	—	√	—
Company G	—	—	—	√	√	—	—	—	√	—
Company H	—	—	—	√	√	—	—	√	√	—
Company I	—	—	—	√	√	—	—	√	—	—
Company J	√	√	√	√	√	√	√	√	√	—
Company K	—	—	—	√	√	√	√	√	—	—
Company L.	√	√	√	√	√	—	—	—	√	—

Source: Frost & Sullivan

(1) *ArtGo is opening its first retail outlet in Xiamen, Fujian Province, in December 2013, two more in 2014 and five more in 2015.*

OVERVIEW

ArtGo is a branded marble producer with the largest marble mine and distribution network in China. We currently own and operate the Yongfeng Mine, which is the largest marble mine in China as of September 30, 2013 according to the F&S Report. We currently use third-party contractors for marble slab processing and plan to construct our own marble processing plant with a view to becoming a fully vertically integrated marble producer. We currently sell our marble products primarily through our distributors, which totaled 63 as of September 30, 2013 and was the largest marble distribution network in China according to the F&S Report, complemented by direct sales to our corporate customers. We also sell a small portion of our products into the overseas markets.

KEY MILESTONES

The following table sets forth the key milestones in our history:

June 2011	• Mr. Liu acquires 51% of equity interest in Jueshi Mining and became its controlling shareholder
July 2011	• Beijing SINOMA commences an exploration program for the Yongfeng Mine
August 2011	• After further acquisition, Mr. Liu becomes the sole beneficial owner of Jueshi Mining
March 2012	• Suzhou SINOMA completes a feasibility study with marble dimension stone reserve estimates for the Yongfeng Mine
March 2012	• We showcase our products at China Xiamen International Stone Fair
July 2012	• Carlyle Asia and CAGP make an investment of US$40.0 million through the purchase of exchangeable notes issued by Liu's Group
October 2012	• We host our first distributors conference, signifying the establishment of our distribution network
February 2013	• We receive mining permit allowing an annual production output of 250,000 cubic meters

HISTORY AND DEVELOPMENT

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law on September 23, 2011.

The Company's subsidiaries include ArtGo BVI, ArtGo HK, Huijin Stone, Jueshi Mining and ArtGo Stone, all of which are wholly owned subsidiaries of the Company. ArtGo BVI and ArtGo HK, incorporated on September 26, 2011 and October 3, 2011, respectively, are both investment holding companies and were established for the purpose of holding the Company's interests in Huijin Stone which in turn holds the equity interests in Jueshi Mining. Jueshi Mining is engaged in the business of exploitation and processing of marble stones and Huijin Stone is engaged in the business of sales of marble blocks and marble slabs and ArtGo Stone plans to engage in the business of marble slab processing and sales of marble slabs.

Establishment of Jueshi Mining

Jueshi Mining was established as a limited liability company in the PRC on December 28, 2009 by five original shareholders (Jueshi Investment, Mr. He Zongyue, Mr. Wang Baotian, Mr. Zhang Yanshu and Ms. Wang Shufang), all being Independent Third Parties that are not connected with each other, holding 25%, 25%, 20%, 15% and 15% of the equity interests in Jueshi Mining, respectively. The initial registered capital of Jueshi Mining was RMB7 million. The shareholding structure of Jueshi Mining immediately after its incorporation was as follows:

Name	Percentage of shareholding in Jueshi Mining
Jueshi Investment	25.0%
Mr. He Zongyue	25.0
Mr. Wang Baotian	20.0
Mr. Zhang Yanshu	15.0
Ms. Wang Shufang	15.0
Total	100.0%

In March 2010, Jueshi Mining started limited commercial production of marble blocks. In April 2010, Jueshi Investment, Mr. Wang Baotian, Mr. Zhang Yanshu and Mr. Guo Jianyuan entered into an equity transfer agreement, pursuant to which Jueshi Investment transferred 5%, 5% and 15% of equity interests in Jueshi Mining to Mr. Wang Baotian, Mr. Zhang Yanshu and Mr. Guo Jianyuan for considerations of RMB0.35 million, RMB0.35 million and RMB1.05 million, respectively, which were determined based on the amount of registered capital of Jueshi Mining represented by such equity interests. The beneficial owners of Jueshi Investment was Mr. Wang Zefei and Mr. Wang Shaoming.

In May 2010, Mr. Guo Jianyuan and Mr. Wang Baotian entered into an agreement, pursuant to which Mr. Guo Jianyuan transferred 5% of equity interest in Jueshi Mining to Mr. Wang Baotian for a consideration of RMB0.35 million, which was determined based on the amount of registered capital of Jueshi Mining represented by such equity interests.

The valuation of Jueshi Mining remained the same at its registered capital in the above-mentioned transfers of equity interest in April 2010 and May 2010. As these transactions occurred among Independent Third Parties, we were not apprised of the reasons behind the transactions or the valuation of these transfers. However, because the transactions took place in a relatively short period of time in the early stage of mine development and little additional work was done to enhance the value of the Yongfeng Mine during this period, we believe that it was commercially reasonable to apply the same valuation in these transactions.

After these acquisitions, the shareholding structure of Jueshi Mining was as follows:

Name	Percentage of shareholding in Jueshi Mining
Mr. Wang Baotian	30.0%
Mr. He Zongyue	25.0
Mr. Zhang Yanshu	20.0
Ms. Wang Shufang	15.0
Mr. Guo Jianyuan	10.0
Total	100.0%

Subsequently, Jueshi Mining's then shareholders were not able to reconcile their differences regarding Jueshi Mining's growth strategy and development plans and disposed of their investments in Jueshi Mining.

Investment by Mr. Liu

Our founder, Mr. Liu, has close to 12 years of work experience in the stone trading industry. He became an apprentice in stone-carving to support his family at an early age, and at 22, began a stone trading business by importing and exporting marble from and to the United States, Japan and Germany. Mr. Liu subsequently expanded into export of Chinese marble to countries such as Japan, which is generally considered a market demanding very high standards of stone and processing quality on marble products. See "Directors and Senior Management — Directors".

In June 2011, all of the then shareholders of Jueshi Mining entered into a transfer (acquisition) agreement with Mr. Liu and Mr. Zhuang Houqi, an Independent Third Party, pursuant to which (i) Mr. Liu acquired 30% and 21% of equity interest in Jueshi Mining from Mr. Wang Baotian and Mr. He Zongyue for considerations of RMB4.5 million and RMB3.15 million, respectively, and (ii) Mr. Zhuang Houqi acquired 4%, 20%, 15% and 10% of equity interest in Jueshi Mining from Mr. He Zongyue, Mr. Zhang Yanshu, Ms. Wang Shufang and Mr. Guo Jianyuan for considerations of RMB0.6 million, RMB3 million, RMB2.25 million and RMB1.5 million, respectively, which amounts were determined based on arm's length negotiation. All of the selling shareholders of Jueshi Mining are Independent Third Parties of each of Mr. Liu and Mr. Zhuang Houqi. The source of funding for the consideration paid by Mr. Liu was his personal wealth accumulated from his previous businesses. Between May 2010 and the acquisition by Mr. Liu and Mr. Zhuang Houqi in June 2011, the Yongfeng Mine had more than a year of limited commercial production. In 2010 and for the period from January 1 to June 15, 2011, Jueshi Mining generated revenue of RMB190,000 and RMB27,000 respectively. Mr. Liu had at the time close to 20 years of experience in the stone carving and stone trading industries, and believed that significant value could be created in a vertically integrated operation with both the upstream supply of high-quality marble mine reserves and resources and downstream capabilities of processing, sales and distribution. Leveraging on his experience in the stone industries, Mr. Liu recognized the quality of the stone from the Yongfeng Mine and the reserve and resource potential of the mine. For these reasons, Mr. Liu and Mr. Zhuang Houqi, who was a friend of Mr. Liu, purchased Jueshi Mining at a valuation of RMB15.0 million. Although Mr. Liu believed that the Yongfeng Mine had a sizable reserve, significant amount of work (for example, conducting exploration work based on JORC standards, conducting a feasibility study, applying for a large-scale mining permit) still needed to be done and significant amount of time, effort and resources needed to be invested to further understand the mine potential. Furthermore, they were not certain of the scale of the Yongfeng Mine, the largest marble mine in China, until the completion of the exploration works in February 2012 by Beijing SINOMA and the comprehensive market research on the marble market in China by Frost & Sullivan.

Upon completion of such transfers in June 2011, Mr. Liu became the legal representative of Jueshi Mining. After these acquisitions, the shareholding structure of Jueshi Mining was as follows:

Name	Percentage of shareholding in Jueshi Mining
Mr. Liu	51.0%
Mr. Zhuang Houqi	49.0
Total	100.0%

In August 2011, Mr. Liu and Mr. Zhuang Houqi entered into an equity transfer agreement, pursuant to which Mr. Zhuang Houqi transferred 49% of equity interest in Jueshi Mining to Mr. Liu for considerations of RMB26 million, 1% of which to be held by Ms. Chen Shuangping, an Independent Third Party, for the benefit of Mr. Liu through a trust arrangement. The consideration was determined based on arm's length negotiation. The source of funding for the consideration paid by Mr. Liu was his personal wealth accumulated from his previous businesses. Between June 2011 when Mr. Liu and Mr. Zhuang Houqi acquired Jueshi Mining and August 2011 when Mr. Zhuang Houqi sold his equity interest to Mr. Liu, a number of events occurred. First, Mr. Liu and Mr. Zhuang Houqi discussed in greater detail on the development plan of the Yongfeng Mine, including the planned capital expenditure of the mine. The amount of planned capital expenditure presented to Mr. Zhuang Houqi was significantly higher than he had expected. As a result, Mr. Zhuang Houqi expressed his interest in selling his stake and focusing his resources in making other investments. On the other hand, with the commencement of exploration work during this period, Mr. Liu became increasingly confident in the potential success of the Yongfeng Mine, which, coupled with his deepening desire to realize his vision to create a vertically integrated premium marble mine company, became key factors that led him to pay a substantial premium to become the sole shareholder in the project. In addition, Mr. Zhuang also obtained a better understanding of Mr. Liu's vision for the mine and the mine's potential from early exploration works and believed his investment, although short, deserved to be properly rewarded given he had invested at a stage with greater risk and uncertainty. These factors and dynamics between the parties contributed to an increase in valuation from RMB15.0 million to RMB53.1 million only two months after their investment.

Shares under the name of Ms. Chen Shuangping were held for the benefit of Mr. Liu pursuant to a trust agreement entered into between Mr. Liu and Ms. Chen Shuangping in August 2011. Such trust arrangement was entered into because it was necessary initially to have a senior employee with Ms. Chen's operational and management experience in Yongfeng County to manage the project's local operations, especially the interaction with various departments of the local government. The local government preferred direct communications with someone with either a high-level position or shareholding in Jueshi Mining. Ms. Chen was an employee of an Independent Third Party at such time and could not be hired by Jueshi Mining as an executive. Therefore, 1% of Jueshi Mining's equity interest was nominally transferred to Ms. Chen to make her a shareholder of Jueshi Mining. As advised by our PRC legal advisor, Commerce & Finance Law Offices, the trust arrangement between Mr. Liu and Ms. Chen Shuangping did not contravene any PRC laws and regulations. After the transfer in August 2011, Mr. Liu became the sole beneficial holder of Jueshi Mining.

As defined under B5 of Appendix B to IFRS 3, a business combination is "a transaction or other event in which an acquirer obtains control of one or more business". As we have already had control over Jueshi Mining and consolidated its financial statements since our acquisition of Jueshi Mining on June 15, 2011, the acquisition of the remaining 49% equity shares in Jueshi Mining was not a business combination. As a result, the net assets of Jueshi Mining should not be restated to their fair value on the date when we acquired the remaining 49% equity interest in Jueshi Mining because fair value adjustments can only be made upon a business combination as required under IFRS 3.18. The difference between the purchase consideration of RMB26.0 million and the book value of the share of net assets acquired of RMB6.9 million has been recognized in equity as the acquisition was accounted for as an equity transaction (i.e., transactions with owners in their capacity as owners) pursuant to IFRS 10.23, and consequently no goodwill arose from the acquisition. This has led to the significant reduction to reserves in 2011.

CORPORATE REORGANIZATION

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

Incorporation of the Company

On September 23, 2011, the Company was incorporated in the Cayman Islands as an exempted company under the Companies Law by Liu's Group, a BVI company beneficially and wholly owned by Mr. Liu.

Incorporation of Offshore Companies

On September 26, 2011, ArtGo BVI was incorporated under the laws of the BVI by the Company as an investment holding company. 100 shares in ArtGo BVI, par value US$0.01 each, were allotted and issued to the Company on the same date.

On October 3, 2011, ArtGo HK was incorporated under the laws of Hong Kong by ArtGo BVI as an investment holding company. 100 shares in ArtGo HK, par value HK$1 each, were allotted and issued to ArtGo BVI on the same date.

Establishment of Huijin Stone

On October 19, 2011, Huijin Stone was established in Xiamen under the laws of the PRC by ArtGo HK as a limited liability company with a total investment amount of US$20 million and registered capital of US$8 million. Mr. Liu was the legal representative and sole director of Huijin Stone.

In August 2012, Huijin Stone increased its total investment amount to US$60 million and registered capital to US$20 million. Huijin Stone's operation mainly relates to the sales and trading of our products.

Acquisition of the Entire Equity Interests in Jueshi Mining by Huijin Stone

Mr. Liu, Ms. Chen Shuangping and Huijin Stone entered into an equity transfer agreement on October 20, 2011 and a supplemental agreement on December 28, 2011, pursuant to which Mr. Liu and Ms. Chen Shuangping transferred 99% and 1% of the equity interests in Jueshi Mining to Huijin Stone for consideration of RMB6.93 million and RMB0.07 million, respectively, which were determined based on the amount of registered capital of Jueshi Mining represented by such equity interests. After the equity transfer, Jueshi Mining became a wholly owned subsidiary of Huijin Stone.

Establishment of ArtGo Stone

On September 17, 2013, ArtGo Stone was established in Yongfeng County, Ji'An, Jiangxi Province under the laws of the PRC by ArtGo HK as a limited liability company with a total investment amount of US$51 million and registered capital of RMB110.1 million. Mr. Liu was the legal representative and sole director of ArtGo Stone. ArtGo Stone will be the operating company for our self-owned processing plant in Jiangxi. See "Business — Development Plan — Development of Self-owned Processing Plant."

Investment by Carlyle

On July 10, 2012, Carlyle Asia and CAGP, both funds managed by their general partner, CAGP IV General Partner, L.P., which is an affiliated company of The Carlyle Group, L.P. (NASDAQ: CG), entered into an exchangeable note purchase agreement (the "Note Purchase Agreement") with Liu's Group, the Company, Mr. Liu, ArtGo BVI, ArtGo HK, Huijin Stone and Jueshi Mining. Pursuant to the Note Purchase Agreement, on July 26, 2012, each of Carlyle Asia and CAGP purchased an exchangeable note in the principal amount of US$36.7 million and US$3.3 million, respectively, issued by Liu's Group, exchangeable into the Shares held by Liu's Group (collectively, the "Exchangeable Notes"). On August 1, 2013, Carlyle Asia and CAGP transferred their respective Exchangeable Notes to Carlyle Holdco, a Cayman Islands company incorporated on July 16, 2013 and 91.83% owned by Carlyle Asia and 8.17% owned by CAGP. See "— Pre-IPO Investment" below.

Between August 2011 and July 2012, Mr. Liu and we undertook a number of significant steps to develop the Yongfeng Mine which led to a significant increase in the value of the mine and our Company. These developments include:

- increased production of marble blocks;
- preliminary result of exploration work which indicated large reserves and resources at the Yongfeng Mine;
- recruitment within a short period of a management team with outstanding mining, technology and other relevant experience, as well as employees skilled in engineering, marketing and sales;
- engagement of professional geology firms to prepare reports and other documents required for applying for long-term, large-scale mining rights;
- development of a sales and marketing strategy that is focused on establishing a robust domestic distributor network and securing contracts for highly-profitable projects, and complemented by international sales;

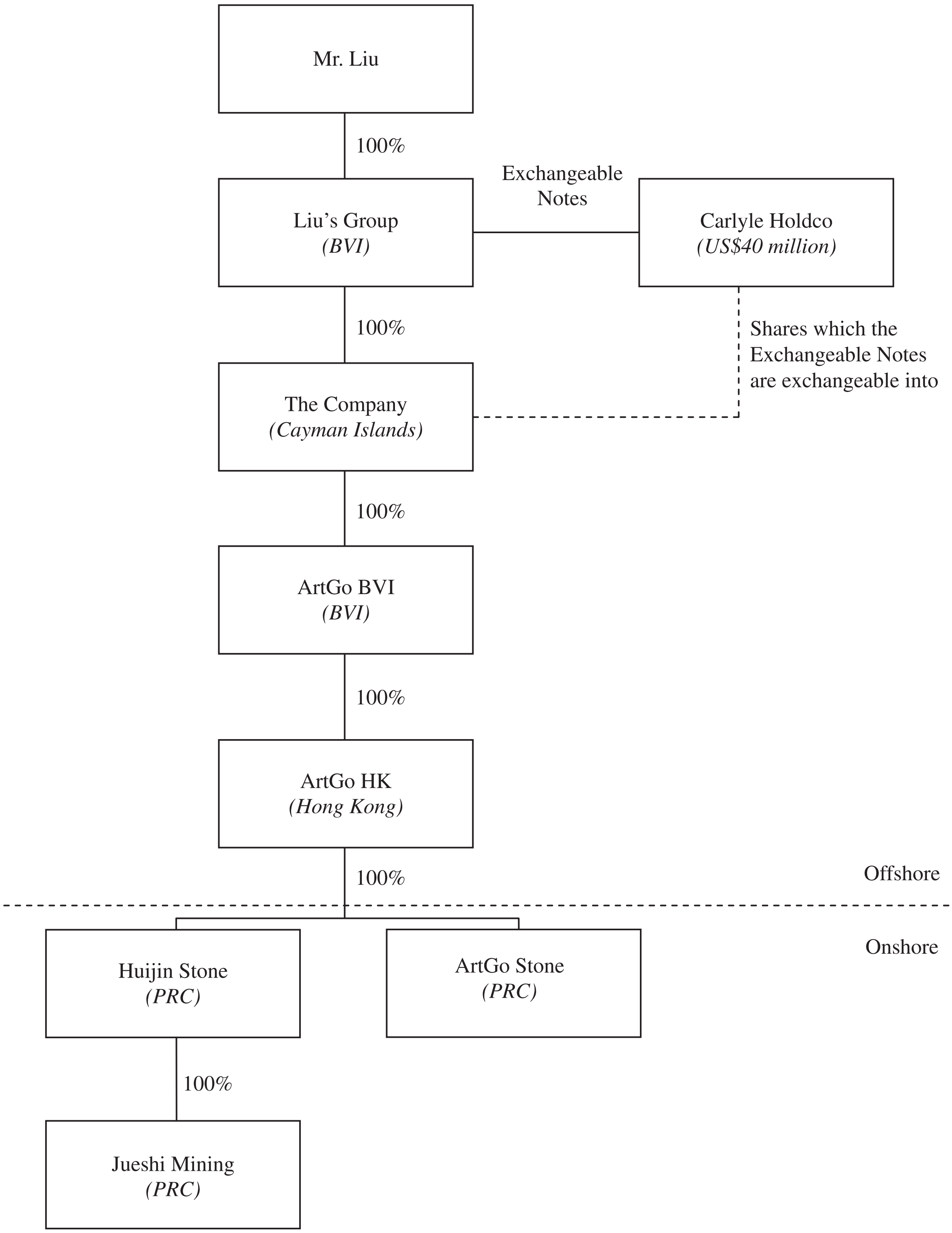
- renovation of the road from Yongfeng County to the Yongfeng Mine, upgrade of electricity supply system and other equipment and constructed ancillary facilities such as offices and employee dormitories; and
- purchase of mining equipment in preparation for ramping up the production capacity.

When Mr. Liu first invested in the Yongfeng Mine, although Mr. Liu believed in the resources and reserves of the Yongfeng Mine, such resources and reserves were not confirmed and verified by a reputable independent technical consultant. There was significant uncertainty about mine resource and reserve level, market acceptance of the marble products, ability to find a management team to properly develop the mine and sell the products, as well as our ability to obtain a larger scale mining permit (the original mining permit allowed only 15,000 cubic meters of annual production). Such risks were significantly lowered at the time of Carlyle's investment in us as exploration work had been completed, resources and reserve figures were confirmed, feasibility study had been completed, we showcased our products at China Xiamen International Stone fair which was well received and we had more clarity and proximity in obtaining the large scale mining permit allowing 250,000 cubic meters of annual production.

After Carlyle Asia and CAGP's investment in July 2012, a number of significant developments occurred that could potentially increase the value of the Yongfeng Mine and the Group, including:

- extensive exploration work in accordance with JORC Code with higher geological confidence level; completion of an exploration report by Beijing SINOMA; and completion of a feasibility study of the Yongfeng Mine by Suzhou SINOMA;
- establishment of a domestic distribution network, which has since grown to become the largest in China;
- securing a number of annual sales contracts with corporate customers for their purchases in 2013, 2014 and 2015, with a total contract value of RMB2.0 billion;
- obtaining a large-scale mining permit allowing us to extract 250,000 cubic meters of marble per annum; and
- significantly increased sales volume and revenue since July 2012.

Set forth below is the shareholding structure of our Group following completion of the Corporate Reorganization but immediately before the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Notes by Carlyle Holdco.



PRC Legal Compliance

According to the SAFE Circular No. 75, PRC residents establishing or taking control of a special purpose company abroad and domestic enterprises receiving round-trip investments from funds raised by an offshore special purpose company controlled by PRC residents are required to effect foreign exchange registration with the local foreign exchange bureau. As Mr. Liu holds a St. Kitts and Nevis passport and based on consultation with the local SAFE bureau, our PRC legal advisor, Commerce & Finance Law Offices, is of the opinion that it is not necessary for Mr. Liu to make the SAFE registration with SAFE or its local branches.

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Regulation"), which became effective on September 8, 2006 and was reissued by the MOFCOM in June 2009. Article 40 of the M&A Regulation requires that an offshore special purpose vehicle formed for the purposes of an offshore listing and controlled directly or indirectly by PRC companies or individuals, shall obtain the CSRC approval prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. Huijin Stone, as a wholly foreign owned enterprise, is regarded as a PRC enterprise incorporated and registered under the PRC law. It does not constitute a foreign investor for the purposes of the M&A Regulation. Our PRC legal advisor, Commerce & Finance Law Offices, is of the opinion that the acquisition of Jueshi Mining by Huijin Stone is governed by the Interim Provisions on Foreign-invested Enterprises Investing Domestic Enterprises (關於外商投資企業境內投資的暫行規定) and does not fall within the scope of the M&A Regulation, which provides the rules in respect of the acquisition of the domestic company by the foreign investor. Therefore the Company's proposed listing does not require the approval of the CSRC and any other PRC government authorities.

According to the mining permit issued by the Jiangxi Province Bureau of Land and Resources on February 5, 2013 and a confirmation letter issued by the Jiangxi Province Bureau of Land and Resources on March 5, 2013, Jueshi Mining has obtained the mining right of the Yongfeng Mine properly and legally. On October 20, 2011, Huijin Stone acquired the entire equity interests in Jueshi Mining. With respect to such acquisition, Jueshi Mining completed its registration amendment with Yongfeng Administration for Industry & Commerce on October 21, 2011 and subsequently Huijin Stone completed the procedure of its investment filing with Xiamen Municipal Bureau of Investment Promotion. Based on the foregoing, our PRC legal advisor, Commerce & Finance Law Offices, advised that with respect to Huijin Stone's acquisition of the entire equity interests in Jueshi Mining, (i) Jueshi Mining has completed the statutory company registration procedure, (ii) Huijin Stone has completed the statutory investment filing procedure, (iii) valuation of Jueshi Mining is not required under the PRC laws for such equity transfer, (iv) Huijin Stone acquired and has held the entire equity interests in Jueshi Mining legally, and (v) the consideration for such equity transfer was mutually agreed by the transferors and the transferee, which would not constitute a legally valid basis for any third party to challenge our Group's ownership of Jueshi Mining.

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

PRE-IPO INVESTMENT

Terms of the Investment

On July 10, 2012, Liu's Group, the Company, Mr. Liu, ArtGo BVI, ArtGo HK, Huijin Stone and Jueshi Mining entered into the Note Purchase Agreement with Carlyle Asia and CAGP. Pursuant to the Note Purchase Agreement, on July 26, 2012, Liu's Group issued an exchangeable note with a principal amount of US$36.732 million to Carlyle Asia, and an exchangeable note with a principal amount of US$3.268 million to CAGP, in both cases with a maturity date of July 26, 2015 ("Maturity Date"). The consideration for the exchangable notes was determined on an arm's length basis among the parties to the Note Purchase Agreement, after taking into account by Carlyle Asia and CAGP of, amongst other things, their business evaluation of our Group, their assessment of the overall marble industry in China, the status of the business of our Group and the risks involved with and affecting Carlyle Asia and CAGP at the time when the Note Purchase Agreement was entered into. The Exchangeable Notes are secured by a share charge (the "Share Charge") on 50% of the then outstanding equity in the Company held by Liu's Group. The charged Shares will be released upon closing of the Global Offering. The proceeds of US$40.0 million (approximately RMB244.8 million based on the then effective exchange rates on dates of currency exchange) were received by Liu's Group in cash on July 26, 2012. Liu's Group injected all of the proceeds from the issuance of the Exchangeable Notes by making a number of loans from August 2012 to June 2013 to us. The proceeds are expected to be utilized for the development and operation of the Yongfeng Mine, such as the payment for obtaining of land and mining rights, construction of mining related facilities and purchases of mining and processing equipment, as well as for other general corporate purposes. As of September 30, 2013, RMB189.2 million was utilized mainly for these purposes. On June 29, 2013, Carlyle Asia and CAGP consented to Company's repayment of loans provided by Liu's Group by issue of two Shares to Liu's Group, one of which will be pledged for the benefit of Carlyle Asia and CAGP. On the same date, the Company issued two Shares to Liu's Group as repayment of loans provided by Liu's Group that amounted to RMB213.7 million, one of which was pledged for the benefit of Carlyle Asia and CAGP. The issuance of the two Shares were merely symbolic and mutually agreed among our Group, Liu's Group and the Exchangeable Notes holders.

On August 1, 2013, (i) Carlyle Asia and CAGP transferred their respective Exchangeable Notes to Carlyle Holdco in exchange for newly issued shares of Carlyle Holdco and assigned all of their rights and benefits under the Note Purchase Agreement, the Share Charge, and the Rights Agreement (as defined below) to Carlyle Holdco, and (ii) Carlyle Holdco assumed all accrued and ongoing obligations of Carlyle Asia and CAGP under the Note Purchase Agreement, the Share Charge, and the Rights Agreement.

Interest will accrue at the rate of 12% per annum on the outstanding principal amount of the Exchangeable Notes. Accrued interest for the first twelve (12) months after the issue date of the Exchangeable Notes is payable in cash ("Cash Interest Amount") and interest accrued afterwards ("Non-Cash Interest Amount") may be exchangeable into Shares held by our Controlling Shareholder, Liu's Group.

In the event that we pay any dividend or make any distribution to Liu's Group, Liu's Group shall pay Carlyle Holdco an amount (the "Dividend Equivalent Amount") equal to the amount of such dividend or distribution for our Shares that would be held by Carlyle Holdco had it exchanged the

Exchangeable Note in full in accordance with its terms on the relevant record date for determining the entitlement of our Shareholders to such dividend within three (3) days from the date when Liu's Group receives such dividend or distribution from us. As of the Latest Practicable Date, our Company has not made any dividend payment or distribution to Liu's Group.

At any time prior to the Maturity Date, Carlyle Holdco is entitled to exchange all or part of its Exchangeable Notes into our Shares held by Liu's Group ("Exchange Shares"). The principal amount and the Non-Cash Interest Amount are exchangeable into an agreed percentage (the "Percentage Range") of the then issued and outstanding Shares, which ranges between 26.67% and 33.40% for the Exchangeable Notes depending on the date of exchange. Assuming that the Shares will be listed on the Listing Date, the principal amount and the Non-Cash Interest Amount will be exchangeable into approximately 28% of the then issued and outstanding Shares immediately prior to the completion of the Global Offering.

Immediately prior to the completion of the Global Offering, the Exchangeable Notes will be mandatorily exchanged into a number of Exchange Shares equal to, at the option of Carlyle Holdco, either (i) the number of the then issued and outstanding Shares multiplied by the then applicable Percentage Range of such Exchangeable Notes; or (ii) 275% of the principal amount of such Exchangeable Notes, divided by the Offer Price.

Liu's Group is required to redeem the Exchangeable Notes in whole or in part, after occurrence of certain early redemption events and upon request from Carlyle Holdco. Such early redemption events include: (A) the failure of the Company to obtain a duly issued new mining permit that will permit an annual production rate of 250,000 cubic meters prior to July 26, 2013; (B) an event of default (which includes, subject to exceptions, failure to make any payments required under the Exchangeable Note; transferring the Exchangeable Note other than in compliance of the terms thereto; material breach of the Note Purchase Agreement, the Exchangeable Note, the Share Charge or the Rights Agreement and failure to cure such breach within certain time; default in other debt with US$5 million or more in payables; dissolution; bankruptcy; material litigation; and material adverse change); or (C) liquidation or similar event of the Company, acquisition of the Company where over 50% of voting power in the Company before such transaction is transferred, disposition of all or substantially all of the Company's assets, or exclusive licensing of substantially all of the Company's intellectual properties.

As at the Latest Practicable Date, none of the above-mentioned early redemption events had occurred and therefore Carlyle Holdco had not yet exercised such redemption right. The Directors are of the view that it is very unlikely that any of these early redemption events would occur before the completion of the Global Offering for the following reasons:

(i) We obtained the mining permit allowing an annual production capacity of 250,000 cubic meters in February 2013.

(ii) Payment to be made under the Exchangeable Note primarily include regular interest, default interest and redemption price in the event of redemption. The regular interest accrued in the first 12 months of issuance date of the Exchangeable Note (July 26, 2012) were payable in cash and has been fully paid on time; interest accrued after the first 12 month period is exchangeable into Shares of the Company; default interest will only be accrued when the issuer fails to make any payment required under the Exchangeable Note when it becomes due and payable.

(iii) Liu's Group does not have other indebtedness that amounts to over US$5 million. The Directors do not expect any default on the Group's indebtedness. See "Financial Information" for details.

(iv) The Directors are not aware of any plans, procedures, agreements, arrangements, proposals or claims in connection with the liquidation or similar event of the Company, acquisition of the Company where over 50% of voting power in the Company before such transaction is transferred, disposition of all or substantially all of the Company's assets, or exclusive licensing of substantially all of the Company's intellectual properties.

(v) The Directors are not aware of any event that constitutes a redemption event or any event that could be reasonably expected to constitute a redemption event in the foreseeable future.

The original parties to the Note Purchase Agreement also entered into an investor's rights agreement on July 26, 2012 (the "Rights Agreement"). As discussed earlier in this section, Carlyle Asia and CAGP subsequently transferred all of their rights and benefits under the Rights Agreement to Carlyle Holdco, who agreed to assume all accrued and ongoing obligations of Carlyle Asia and CAGP under the Rights Agreement. Pursuant to the Rights Agreement, Carlyle Holdco was granted certain minority protection rights, including certain veto rights, information and inspection rights, pre-emptive rights, right of first refusal and co-sale right. Carlyle Holdco was also granted the right to (i) appoint one director on the board of directors of our Company, and (ii) jointly appoint two independent directors with Liu's Group on the board of directors of our Company. In addition, Carlyle Holdco may not directly or indirectly transfer any Exchange Shares to a competitor of the Company without the prior written consent of Liu's Group. The Rights Agreement provides that neither Mr. Liu nor Liu's Group may directly or indirectly transfer any Shares before the completion of the Global Offering without the prior written consent of holders of a majority of Exchange Shares. All such minority protection rights and transfer restrictions are expected to terminate upon Listing. In addition, pursuant to the Rights Agreement, if (A) any third party (including any other shareholder of our Company) brings a claim against Carlyle Holdco as a result of Carlyle Holdco's investment in our Company and (B) such claim is not attributable to any breach of any transaction documents for such investment by Carlyle Holdco or willful misconduct or fraud on the part of Carlyle Holdco (e.g., an investor of Carlyle Asia or CAGP sues Carlyle Holdco for failing to identify a misrepresentation by our Company during the due diligence process before making its investment in our Company), our Company is required to indemnify Carlyle Holdco to the maximum extent permitted by applicable laws for such claim if Carlyle Holdco's losses due to such claim exceeds US$40,000. In any event, our Company's aggregate liability under such indemnity clause may not exceed US$40.0 million. Such indemnification right of Carlyle Holdco will terminate upon the Listing. As of the Latest Practicable Date, the Directors were not aware of any claim that could trigger such indemnification clause.

The nature of the Exchangeable Notes should be classified as debt instead of equity because the Exchangeable Notes exhibit important distinguishing features that are more analogous to debt instruments and are therefore accounted for as debt under the generally accepted accounting principles and practice. Such features include (i) in the event of liquidation, claims by holders of the Exchangeable Notes rank higher than those of equity holders; (ii) interest accrues at the rate of 12% per annum on the outstanding principal amount of the Exchangeable Notes; and (iii) the redemption rights as described above are granted to the holders of Exchangeable Notes, offering protection that are generally available to creditors.

Exchange of the Exchangeable Notes

The Exchangeable Notes will be mandatorily exchanged into Shares owned and held by Liu's Group in the Company immediately prior to completion of the Global Offering. Prior to the Maturity Date and at the option of Carlyle Holdco, the Exchangeable Notes may be exchanged into one of the followings:

(i) 279,987,874 Shares owned and held by Liu's Group, representing approximately 28.0% of the then issued share capital of the Company and approximately 21.0% of the total issued share capital of the Company immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme); or

(ii) (a) 281,505,610 Shares owned and held by Liu's Group, representing approximately 28.2% of the then issued share capital of the Company and approximately 21.1% of the total issued share capital of the Company immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), based on the higher-end of the Offer Price range of HK$3.03 per Offer Share;

(b) 312,440,293 Shares owned and owned and held by Liu's Group, representing approximately 31.2% of the then issued share capital of the Company and approximately 23.4% of the total issued share capital of the Company immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), based on the mid-point of the Offer Price range of HK$2.73 per Offer Share; or

(c) 351,013,168 Shares owned and held by Liu's Group, representing approximately 35.1% of the then issued share capital of the Company and approximately 26.3% of the total issued share capital of the Company immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), based on the lower-end of the Offer Price range of HK$2.43 per Offer Share.

The final number of Shares to be exchanged by Carlyle Holdco will be disclosed in the allotment results announcement to be issued by the Company on or around December 27, 2013. The investment cost associated with the Shares to be transferred to Carlyle Holdco is US$0.14 per Share based on scenario (i) discussed above or US$0.13 per Share based on scenario (ii)(b) discussed above (assuming the mid-point of the Offer Price range).

All Shares to be held by Carlyle Holdco upon exchange of the Exchangeable Notes will be subject to a lockup for a period of six months after the Listing, the particulars of which are set forth in "Underwriting — Undertakings."

Upon exchange of the Exchangeable Notes, Carlyle Holdco will become a connected person of the Company and its shareholding in the Company shall not be counted towards the public float of the Company.

Compliance with Interim Guidance

On the basis that the investment by Carlyle Asia and CAGP was completed more than 28 clear days before the date of the first submission of the first listing application form in respect of the Listing, and the terms of the Exchangeable Notes as described above are fixed in nature which should not prejudice the interests of public investors, the Sole Sponsor is not aware of any special circumstances or incidences that could lead to their belief that the Pre-IPO investment did not comply with the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on October 13, 2010 (and updated on January 16, 2012) or that the disclosure in relation to the Pre-IPO investment does not comply with the disclosure requirements set out in the Guidance Letters GL 43-12 and GL 44-12 issued by the Stock Exchange on October 25, 2012, to the extent applicable.

About Our Investor

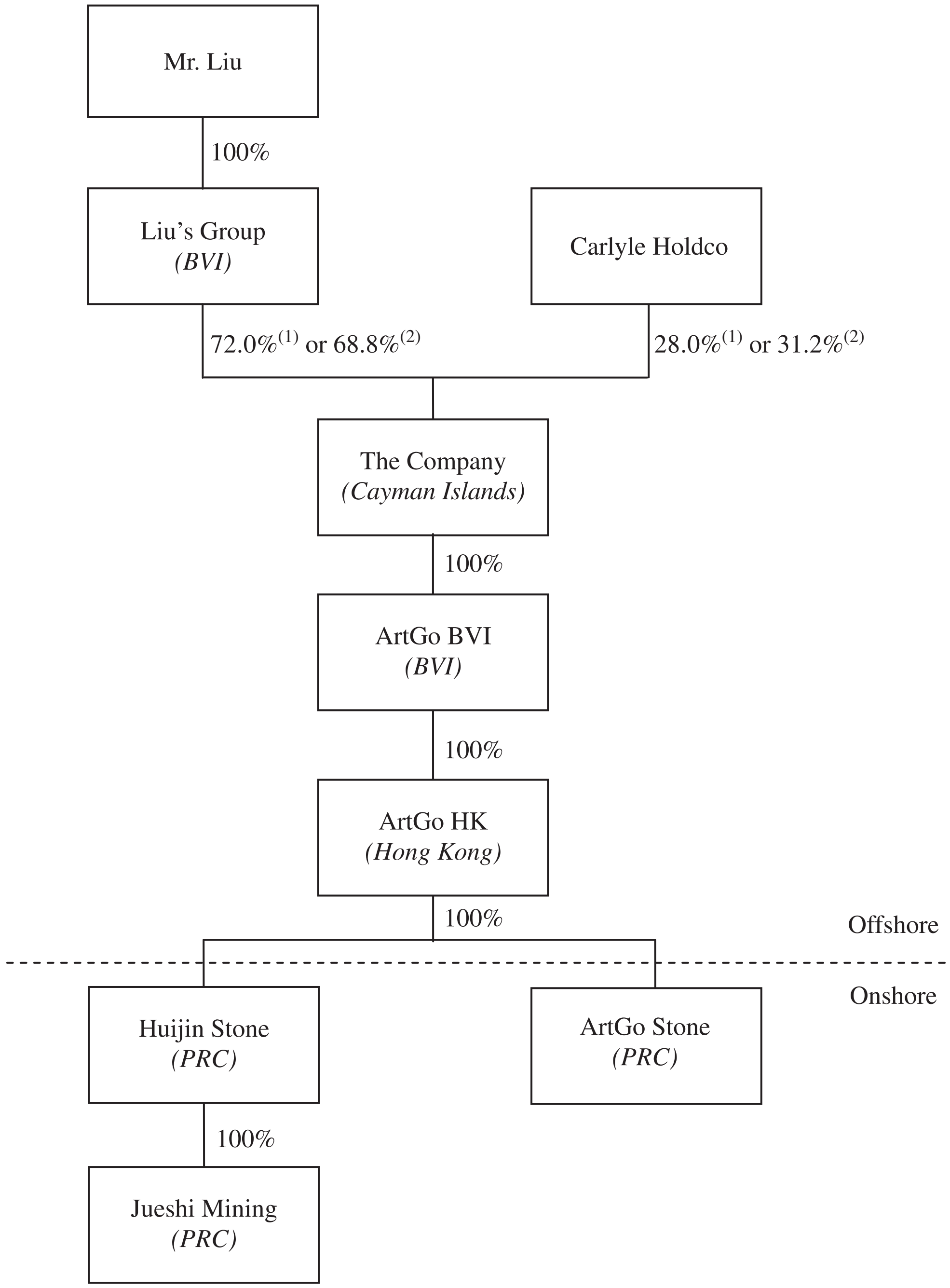
Carlyle Holdco is an entity 91.83% owned by Carlyle Asia and 8.17% owned by CAGP, which are funds managed by their general partner, CAGP IV General Partner, L.P., an affiliated company of The Carlyle Group, L.P. (NASDAQ: CG). The Carlyle Group is a global alternative asset manager with $185 billion of assets under management across 122 funds and 81 fund of funds vehicles as of September 30, 2013. The Carlyle Group invests across four segments — Corporate Private Equity, Real Assets, Global Market Strategies and Solutions — in Africa, Asia, Australia, Europe, the Middle East, North America and South America. The Carlyle Group has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,400 people in 34 offices across six continents.

Carlyle has provided our company with assistance in our corporate governance and business development since they made the Exchangeable Notes investment in July 2012. For example, they provided us with assistance in our overseas sales and marketing efforts by leveraging their global network. As an experienced private equity investor, they also helped us improve our corporate governance. The market intelligence that they provided was also helpful in our business development.

Each of Carlyle Holdco, Carlyle Asia and CAGP is an Independent Third Party.

OUR CORPORATE STRUCTURE

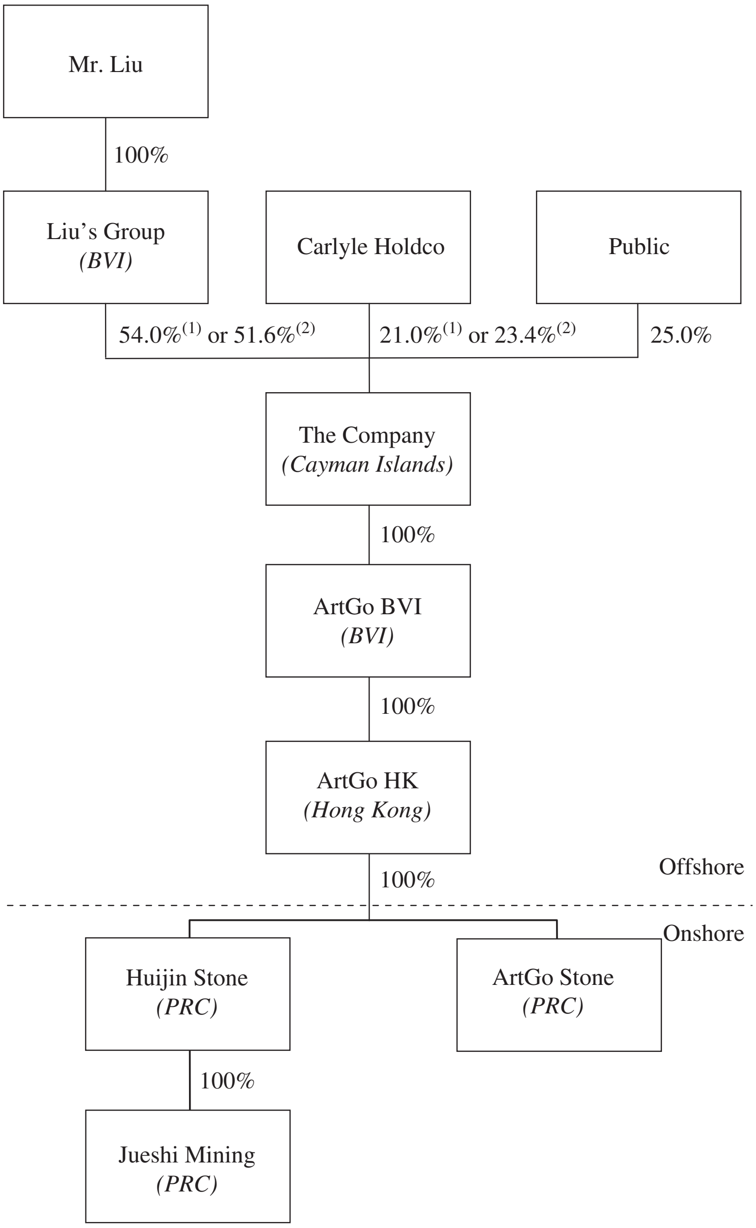
Set forth below is the shareholding structure of our Group immediately prior to the Capitalization Issue and the Global Offering (assuming the exchange of the Exchangeable Notes in full, and none of the options granted under the Pre-IPO Share Option Scheme are exercised).



(1) Based on scenario (i) (i.e., option based on percentage) discussed in "— Pre-IPO Investment — Exchange of the Exchangeable Notes."

(2) Based on scenario (ii)(b) (i.e., option based on Offer Price and assuming the mid-point of the Offer Price range) discussed in "— Pre-IPO Investment — Exchange of the Exchangeable Notes."

Set forth below is the shareholding structure of our Group following completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Notes in full (assuming the Over-allotment Option is not exercised, and none of the options granted under the Pre-IPO Share Option Scheme and Share Option Scheme are exercised).



(1) Based on scenario (i) (i.e., option based on percentage) discussed in "— Pre-IPO Investment — Exchange of the Exchangeable Notes."

(2) Based on scenario (ii)(b) (i.e., option based on Offer Price and assuming the mid-point of the Offer Price range) discussed in "— Pre-IPO Investment — Exchange of the Exchangeable Notes."

OVERVIEW

ArtGo is a branded marble producer with the largest marble mine and distribution network in China. We currently own and operate the Yongfeng Mine, which was the largest marble mine in China as of September 30, 2013 according to the F&S Report, with 106.9 million cubic meters of measured, indicated and inferred resources and 44.2 million cubic meters of proved and probable reserves as of September 30, 2013. The block recovery rate of our mine historically has been 46.7% and is expected to be approximately 45% over our entire deposit according to the CPR, compared to the industry average of 15% according to the F&S Report. We currently use third-party contractors for marble slab processing and plan to construct our own marble processing plant with a view to becoming a fully vertically integrated marble producer. We currently sell our marble products primarily through our distributors, which totaled 63 as of September 30, 2013 and was the largest marble distribution network in China according to the F&S Report, complemented by direct sales to our corporate customers. We also sell a small portion of our products into the overseas markets.

We acquired the Yongfeng Mine in June 2011. After our acquisition, the Yongfeng Mine had been in limited commercial production until February 2013, when we commenced large-scale commercial production under our current mining permit of 250,000 cubic meters of marble per annum. We extracted 27,612 cubic meters of marble blocks from the Yongfeng Mine in the nine months ended September 30, 2013, and are currently scheduled to extract a total of 40,000 cubic meters of marble blocks in 2013. We expect the Yongfeng Mine to reach a marble output of 250,000 cubic meters per annum in 2017.

Our Yongfeng Mine is located in Yongfeng County of Jiangxi Province, China. Our mining permit for the Yongfeng Mine covers an area of approximately 2.0 square kilometers. The Jiangxi Province Bureau of Land and Resources assessed a mining right fee of RMB55.8 million on the right to mine marble in such area for a period of 30 years. After paying RMB18.6 million in January 2013, we obtained a mining permit with an initial term of five years from February 5, 2013 to February 5, 2018. The term of our mining permit can be extended for another 25 years according to applicable PRC laws and regulations upon completion of our payment of the remaining mining right fee of RMB37.2 million plus interest accrued in four equal annual installments in the next four years.

According to the CPR, as of September 30, 2013, our Yongfeng Mine has approximately 44.2 million cubic meters of marble stone reserves under the JORC Code, consisting of approximately 23.2 million cubic meters of proved reserves and approximately 21.0 million cubic meters of probable reserves. Our Yongfeng Mine enjoys favorable topographical and geological conditions, which allow us to ramp up production scale easily and quickly. Such conditions, together with the convenient location of the Yongfeng Mine and its ready access to utilities, help us to achieve a low operating cost and a high profit margin. Our actual unit cash operating costs of one-side-polished slabs for 2012 and the nine months ended September 30, 2013 were RMB218 and RMB136 per square meter, respectively. We outsourced the processing of our marble slabs to third-party contractors during these periods. According to the CPR, the Competent Person forecasts that when we reach our full mining output in 2017, the total unit cash operating costs for our one-side-polished slabs processed by our contractors will be RMB150 per square meter. Based on the actual cash operating cost we have achieved during 2012 and the nine months ended September 30, 2013, we believe we will be able to achieve that unit cost level or even better results while we further ramp up our production. In addition, with the construction of our own processing plant, it is expected that unit cash operating costs for our self-processed one-side-polished slabs will be reduced to RMB130 per square meter in 2017 when we reach our full mining output.

For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, we produced 1,588, 13,456 and 27,612 cubic meters, respectively, of marble blocks from the Yongfeng Mine. We plan to rapidly ramp up our mining capacity by developing more mining areas at the Yongfeng Mine in the next three years. These mining areas will enable our Yongfeng Mine to reach a production capacity of 60,000, 120,000, 180,000 and 250,000 cubic meters per annum in 2013, 2014, 2015 and 2016, respectively. We aim to reach an annual mining output of 250,000 cubic meters of marble blocks by 2017.

The marble blocks that we produce at our Yongfeng Mine are generally white, off-white, light grey or grey, which, according to the F&S Report, are the most popular colors in the Chinese marble market in terms of customer preference. Based on tests conducted by SGS and TÜV and according to the F&S Report, the physical quality of our marble products is above China's industry average provided in the F&S Report and comparable to leading international brands. These features of our marble products have helped us to establish our brand recognition in the Chinese market. The retail prices of our one-side-polished slabs generally ranged between RMB600 and RMB950 per square meter in 2012, which were significantly higher than the industry average of RMB267 per square meter for domestic white/grey marble.

We sell most of our marble products as marble slabs, which are processed from marble blocks mined from our Yongfeng Mine. Currently we engage third-party processing contractors to process our marble blocks into marble slabs. To improve quality control, increase profit margin and increase our adaptability and flexibility in meeting customers' needs, we plan to construct our own marble processing plant in Yongfeng County, Jiangxi Province. The construction of our self-owned processing plant is expected to start in the first quarter of 2015 and be conducted in three phases, which are planned to be completed in 2015, 2017 and 2019, respectively. After phase 3 of our processing plant is ramped up to full capacity at the end of 2021, we expect to produce approximately 9.0 million square meters of marble slabs annually at our processing plant.

We currently sell our marble products primarily through a network of 63 distributors. Our distributors have been selected based on their market position, operating history and commitment to our products. By leveraging our distributors' own distribution networks and sales channels, we believe this business model provides us with an efficient and cost-effective distribution structure and enables us to shorten the time for introducing our products to the market and save costs on logistics and operations. The success of such structure has been demonstrated by the sales of marble products that we have achieved in our relatively short operating history. We complement our sales to distributors with direct sales to corporate customers, including property developers and construction and remodeling companies. We also plan to boost our direct sales by focusing on retail customers in tier one cities in China initally, followed by an expansion into tier two and lower tier cities. The marble retail outlets that we plan to establish in several major Chinese cities will serve not only as channels for our direct sales to retail customers but also as show rooms to support our sales to distributors and corporate customers, which will further promote our brand image and recognition.

In the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, we generated revenue of RMB173,000, RMB8.2 million and RMB92.1 million, respectively, and gross profit of RMB47,000, RMB3.7 million and RMB56.5 million, respectively. We recorded a loss of RMB4.4 million and RMB19.4 million for the period from June 15 to December 31, 2011 and the year ended December 31, 2012, respectively, and a net profit of RMB9.3 million for the nine months ended September 30, 2013.

COMPETITIVE STRENGTHS

We believe that the following strengths of our company will help us continue to compete effectively.

A leading branded marble producer, supplier and seller in China, a large and rapidly expanding market

We are a leading producer, supplier and seller of branded marble products in China. According to the F&S Report, we own and operate the largest marble mine in China in terms of resources as of September 30, 2013. We currently sell our marble products under our brand primarily through our distributors, which totaled 63 as of September 30, 2013 and was also the largest distribution network in China, according to the F&S Report.

China's marble market was approximately RMB17.1 billion in 2012 and is expected to grow at a CAGR of 44.1% for the next six years, according to the F&S Report. We believe that the growth of the market will be driven by the following factors:

- *Continuing economic and income growths*. As economic growth and household disposable income continue to rise, we expect increasing demand for higher-end building materials such as marble to replace lower-end building materials such as ceramic tiles and artificial stone, in both new constructions and refurbishments. Economic and income growths are also expected to drive marble consumption in commercial properties and public buildings.

- *Resiliency in the property sector*. According to the National Bureau of Statistics of China, despite tighter controls in the property sector recently, Chinese investment in the real estate development grew at a rate of 16.2% in 2012 to reach RMB7,180.4 billion, and is expected to grow at a CAGR of 11.6% from 2012 to 2018. Investment in commercial properties grew at a rate of 25.4% in 2012 while the investment in residential properties grew at 11.4%, according to the same source.

- *Reliance on import*. Currently, China still relies on import for marble. According to the F&S Report, 22% of marble consumption in 2012 was imported, and demand for high-end marble products is mainly fulfilled through import. Furthermore, China's resources of high-quality grey/white marble are very limited, and demand for such marble is on the rise. These trends present significant growth opportunities for domestic high-end grey/white marble producers such as our company.

As a result of these factors, despite the recent economic cycles and property market disturbances, China's demand for marble has experienced robust growth at a CAGR of 31.5% for the past five years according to the F&S Report. Prices of marble have been relatively stable and have continuously trended upward. The average unit price of white/grey marble increased from RMB202 per square meter in 2008 to RMB267 per square meter in 2012 for a CAGR of 7.1%, according to the F&S Report. Furthermore, China's marble production industry is highly fragmented with around 2,300 manufacturers, and fewer than 20 manufacturers had sales revenue of over RMB500 million in 2010. The top ten manufacturers accounted for less than 8% of the marble market in terms of revenue, according to the F&S Report. We believe that those industry participants with high quality resources and well-recognized branded products such as our company will be best positioned to experience high growth, strengthen market position and consolidate other participants.

A branded marble producer and supplier in China following a vertically integrated business model

We are a branded marble producer and supplier in China following a vertically integrated business model, according to the F&S Report, with capabilities to exercise direct control over each key stage of the industry value chain:

- *Mining*. We own and operate a large-scale high-end marble mine, which ensures stability in the supply of premium marble products. Stability in supply is a key customer requirement for our customers because of the shortage of domestic marble supply in China.

- *Processing*. We have special arrangements with five third-party marble slab processing companies, under which our own employees would be permitted to work onsite to supervise production of our products. Currently, we have a team of two to three employees at each processing plant responsible for exercising stringent quality control in each stage of the production process. Our self-owned and operated processing facilities, located in Yongfeng County, Jiangxi Province, where our marble mine is located, are expected to commence operations in 2016.

- *Supplying*. We sell our products under our increasingly well-recognized ArtGo brand. Our design team works closely with designers from our corporate customers to customize the cutting and polishing of our products to incorporate their design concepts.

- *Sales*. We currently sell our products primarily through a nationwide network of distributors, which is complemented by direct sales to our corporate customers.

Our capabilities at each key stage of the value chain enhance our ability to better manage product quality, which in turn enhances our brand recognition and the selling prices of our products. We believe that, upon the completion of our self-owned processing plant, our vertically integrated operation will help us capture additional value along the value chain.

Largest marble distribution network in China complemented by direct sales and overseas expansion

We primarily sell our products through our network of 63 marble distributors, which was the largest in China as of September 30, 2013, according to the F&S Report, covering 74 cities across 25 provinces and municipalities in China. The large scale of this network is a testament to the confidence level of our distributors in our ability to ramp up production scale and meet future demand, as well as to the quality and marketability of our products. We select our distributors under a rigorous process, with criteria such as leading market positions (i.e. preferably one of the top three participants in the local market), long operating history (i.e. generally longer than five years), and strong commitment to our products (e.g. willingness to invest in ArtGo product show rooms).

Our sales to distributors are complemented by direct sales to corporate customers, including property developers, construction and remodeling companies, which provide us with first hand intelligence on latest consumer and market trends. We have recently been selected as a qualified supplier to Vanke, a leading property developer in China. In addition, we have successfully entered markets in North America, Europe and the Middle East, which provide further avenues for growth and is further reflection of the quality of our products and services. Our recent customers include Allstone Corporation in the United States, Ciot Inc. in Canada, Antolini Luigi & C. S.P.A. in Italy, Living With

Stone in New Zealand and S&N Bros Pty Ltd in Australia. We have also entered into a cooperation framework agreement with Antolini Luigi & C. S.P.A., a leading innovative producer of natural stone based in Italy, which allows our products to be marketed along with some of the highest quality marble in the world to a highly discerning customer base.

Largest marble resource in China, with premium quality and significant pricing potential

We own and operate the largest marble mine in China in terms of marble resource, according to the F&S Report. Our Yongfeng Mine contains a total of approximately 107 million cubic meters of measured, indicated and inferred marble resources within the designed final pits. Our historical block recovery rate has been 46.7% and is expected to be approximately 45% over the entire deposit, and based on this rate, our mine has 44.2 million cubic meters of proved and probable reserves. The estimated mine life of the Yongfeng Mine is 177 years, based on our current planned mining capacities.

The quality of our product is comparable to that of the leading premium international brands. In tests performed by the Switzerland-based Société Générale de Surveillance, or SGS, a leading inspection, verification, testing and certification company, as well as The TÜV Rheinland Group, or TUV, a leading provider of technical services worldwide, the quality of our products was above industry average and comparable to that of Italian brands, including Noisette Fleury, Venato Gioia and Calacata Carrara, in key categories such as bulk density, open porosity, water absorption, flexural strength, compressive strength, abrasion resistance and Moh's hardness. Since launching our brand in late 2011, the quality of our products has quickly gained recognition among design professionals in China. To date, our products have been incorporated into the designs of five-star hotels as well as high-end villa developments.

Currently, our one-side-polished slabs are generally sold to distributors from RMB230 to RMB338 per square meter, with retail prices generally ranging from RMB600 to RMB950 per square meter. The three competing Italian brands mentioned above are generally sold in China with retail prices of RMB700 to RMB2,500 per square meter. We believe that, as our market position continues to strengthen and our brand recognition continues to rise, our pricing power vis-a-vis distributors as well as corporate customers will increase, contributing to higher wholesale and retail selling prices. In addition, our wholesale selling prices and profit margins may be boosted if we successfully increase direct sales to corporate customers and, through retail outlets, retail customers.

Low operating cost and high profit margin

We believe that the increasing scale of our operations and the quality of our mine will contribute significantly to a lower cost of operations and a higher profit margin. In addition, we expect our mine project to benefit from the following factors:

- *Favorable topographical conditions*. Our mining areas will be relatively spread out in an area of almost two square kilometers, and the surface topography of our mine deposits features a medium slope. These topographical conditions enable us simultaneous operate a larger number of working faces and ramp up production scale more quickly.

- *Conducive geological conditions*. Our mine project has a historical block recovery rate of 46.7% and is expected to be 45% over the entire deposit, according to the CPR. Such rate, according to the F&S Report, is unprecedented compared to the industry average of 15%, and indicates a high percentage of marble dimension stones that could be mined out from our deposit. The relatively high bulk density of our stone contributes to a slab/block ratio of 40 over the life of the mine. The strip ratio at our mine project is 0.16.

- *Convenient location*. Our mine is 72 kilometers from Yongfeng County and that distance will be shortened to 62 kilometers after we construct a new entrance road, which is expected to be completed in the first half of 2014. Shuitou, a key stone processing and trading center in China, is approximately 620 kilometers away.

- *Access to utilities*. Our mine is connected through a dedicated line to the power station with an installed capacity of 4,800 kilowatts in Yongfeng County. At our mine site, water from nearby springs could sustain a daily consumption rate of 10,000 cubic meters. We are also equipped with a production water recycling system to use the water efficiently.

Our actual cash operating costs of one-side-polished slabs for 2012 and the nine months ended September 30, 2013 were RMB218 and RMB136 per square meter, respectively. Our forecast cash operating costs are RMB150 and RMB130 per square meter for outsourced processed and self-processed one-side-polished slabs respectively after we achieve our full production output in 2017. Based on our track record of outperforming forecasts, we believe we have the potential to achieve cash operating costs that are lower than such forecasts. In contrast, according to the F&S Report, the unit operating costs of one-side-polished slabs normally range between RMB160 and RMB210 per square meter for the domestic marble producers.

Experienced and dedicated management team with proven track record

Our founder, Mr. Liu, has over 12 years of experience in the stone trading industry and over six years of experience in the stone sculpting industry. He became an apprentice in stone-carving at an early age, and at 22, began a stone trading business by importing marble from Japan, Germany and the United States for sale in China. Mr. Liu subsequently expanded into export of Chinese marble to countries such as Japan, which is generally considered a sophisticated market demanding very high standards of stone and processing quality for marble products. Capitalizing on his experience and industry contacts, we were able to identify the largest marble mine in China — our Yongfeng Mine, and rapidly built out our network of distributors to become the largest in the country.

Mr. Liu is supported by a highly experienced management team focusing on each stage of the industry value chain, including the following:

- *Production*. Mr. Li Dingcheng, who is in charge of geology, production and environmental safety, has over 24 years of experience in the mineral and geological exploration industry, with a particular focus on mine safety evaluation and management, based on his site visits of various mines, and understanding and analysis of the exploration and extraction process. Mr. Wang Pingyao, who is in charge of our technical and quality research department, has over 16 years of experience in mining technology and management, and has served a global customer base, including those from Asia, Israel, Kazakhstan and Kyrgyzstan.

- *Processing*. Mr. Fan Huiming, who is in charge of supervisions and management of stone processing, has over 18 years of experience in the stone processing industry, and has designed, developed and constructed multiple stone industrial parks, and advanced stone processing production lines in previous positions.

- *Sales and marketing*. Mr. Zhang Min, who is in charge of our domestic sales and marketing, has over ten years of experience in the sales of building materials, and has held management positions in sales and marketing at several stone companies.

BUSINESS STRATEGY

Our principal goals are to become the largest fully vertically integrated marble supplier in China and a leading domestic and internationally recognized brand in the industry. We plan to accomplish these goals by implementing a business strategy with the following components.

Strengthen brand recognition to increase pricing power

We believe the quality of our products speaks for itself, but because the history of our brand is relatively short, there is still significant pricing potential for us to unlock through brand-building efforts. To that end, we intend to focus on the following:

- build relationships with the leading property developers in China, which provides us with opportunities to gain significant volume of repeat business; also, since word-of-mouth marketing is critical in our business, referrals from the leading property developers as customers will be a highly effective marketing tool;
- seek additional design wins for landmark and other high profile buildings, which represent advertising opportunities to showcase our products and strengthen our brand image in the premium marble product segment;
- reach out to designers and architects, who have significant influence over purchasing decisions in construction projects, through targeted advertising, such as on Weibo and trade fairs; and
- increase international sales to Europe, the Middle East, North America and other high-end markets with discerning customer base, which will further demonstrate our product quality to our domestic customer base.

Broaden and deepen distribution network and increase international and direct sales

Within the PRC market, we plan to continue to increase the number of our distributors. We are also actively expanding overseas in high-end markets such as Europe, the Middle East and North America where there is high demand for premium white-grey marble products through industry exhibitions.

In addition to the expansion of our wholesale distribution network, we plan to boost our direct sales of our marble products to corporate customers as well as retail customers. Our efforts to boost direct sales to retail customers will initially focus on the tier one cities in China, such as Beijing, Shanghai and Shenzhen, and we will collaborate with our distributors in these markets to leverage their customer networks and market know-hows. We also plan to build up our own retail channels that include standalone marble product outlets and store units in home furnishing shopping malls. We are opening a retail outlet in Xiamen in December 2013 and plan to open two more retail outlets in 2014, one in Beijing and the other in Shanghai. We believe this will not only diversify our revenue sources, but also further promote our brand image and recognition.

Rapidly ramp up mining capacity

Since our acquisition of the Yongfeng Mine on June 15, 2011, we have been developing the north section of our Yongfeng Mine. As of the Latest Practicable Date, we had constructed two mining area in this section. For the period from June 15 to December 31, 2011, for the year ended December 31, 2012 and the nine months ended September 30, 2013, we produced 1,588, 13,456 and 27,612 cubic meters, respectively, of marble blocks.

Our revenue largely depends on the volume of marble blocks that we can produce. Therefore, it is one of our priorities to quickly ramp up the mining capacity of our Yongfeng Mine. Our mining capacity closely correlates to the number of independent working faces. We plan to develop four more mining areas in the north section, which will eventually merge with the existing mining areas to form one big open pit. These mining areas are expected to allow us to achieve a production capacity of 60,000, 120,000, 180,000 and 250,000 cubic meters per annum in 2013, 2014, 2015 and 2016, respectively. Our goal is to reach an annual mining production of 250,000 cubic meters of marble blocks by 2017.

Build and expand processing capabilities to improve quality control and increase product customization

Currently we utilize external processing facilities to process our marble blocks and produce marble slabs. One of the measures we will take to strengthen our position as the largest vertically integrated marble supplier in China is to build our own marble processing plants. Having our own processing plants will not only improve our profit margin, but also give us greater control over the quality of our products and shorten our response time to customers. It will also increase our adaptability and flexibility in meeting customers' ever-changing needs and market trends. The benefits brought by these advantages to the quality of our products and services will form the foundation of our branding efforts and eventually contribute to the price premium that we can command in the market.

Our processing plant in Yongfeng County is expected to be constructed in three phases, starting in the first quarter of 2015. We expect that phase 1 of our processing plant will commence production in 2016, with a processing capacity of 2.0 million square meters per annum. We plan to ramp up the Yongfeng Processing Plant to reach an annual processing capacity of approximately 9.0 million square meters of marble slabs in 2021.

Expand marble resources and diversify product range through selective acquisitions

We intend to expand our business through selective acquisitions of high-quality marble mines in China and overseas. In selecting acquisition opportunities, we focus on the following goals: expanding our product portfolio, achieving greater economies of scale and leveraging our extensive domestic and overseas sales network.

Our Yongfeng Mine contains marble resources that mainly produce white, off-white, light grey and grey marble products. In our future acquisitions of marble mines, we will first focus on white/grey, beige and black marble resources to strengthen our leading position in white/grey marbles and obtain self-owned resources of the other two colors (beige and black) that are most demanded by our customers. We will focus on searching for suitable marble resources but will also consider high-quality granite resources with popular colors and patterns. We will keep analyzing market trends and customer demands both in China and overseas to determine the other colors and patterns that we would like to add to our portfolio of resources and products. Such additions will help us accommodate customers' demands and weather the changes in market trends.

We currently own and operate the Yongfeng Mine, the largest marble mine in China. We have gained extensive experience in construction and operation of marble mines which we can utilize in managing newly-acquired mines. Moreover, we will be able to leverage our extensive domestic and international distribution channels with the expansion of our product offerings in terms of both volumes and categories. Following a vertically integrated business model, we will also be able to achieve economies of scale in supplies, management resources and processing capacity with our acquisition of more marble mines.

In our acquisitions, we will continue to focus on resources with high standards on the quality. We will only consider resources with a block recovery rate of at least 20%. The geographical location of the resources will also be another key factor as costs for road construction and transportation cost will affect the future feasibility and profitability of the mine. As of the Latest Practicable Date, we had not identified any acquisition target.

OUR PRINCIPAL PRODUCTS

We are a branded marble producer and supplier of marble slabs and blocks. Our marble products are generally white, off-white, light grey or grey, which are suitable for contemporary designs of high-end hotels, offices and residential homes. Such colors are consistent with the up-and-coming trends in interior designs and are gaining wider acceptance among Chinese customers. According to the F&S Report, Chinese consumers' color preference of white/grey marble grew from 13.9% in 2008 to 34.7% in 2012 and are projected to reach 45.9% in 2018.

The following table sets forth the total revenue, sales volume and average selling price by product category and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
					(unaudited)			
Marble slabs								
One-side-polished slabs								
Revenue *(RMB'000)*	—	—	7,706	93.9	1,825	79.1	59,743	64.9
Sales volume *(square meter)*	—	N/A	32,070	N/A	6,730	N/A	275,562	N/A
Average selling price *(RMB/square meter)*	—	N/A	240	N/A	271	N/A	217	N/A
Cut-to-size slabs								
Revenue (*RMB'000*)	—	—	—	—	—	—	3,109	3.4
Sales volume (*square meter*)	—	N/A	—	N/A	—	N/A	11,997	N/A
Average selling price (*RMB/square meter*)	—	N/A	—	N/A	—	N/A	259	N/A
Marble blocks								
Revenue *(RMB'000)*	173	100.0	504	6.1	482	20.9	29,202	31.7
Sales volume *(cubic meter)*	97	N/A	103	N/A	95	N/A	4,951	N/A
Average selling price *(RMB/cubic meter)*	1,784	N/A	4,885	N/A	5,076	N/A	5,898	N/A

A majority of our marble products are sold in the form of marble slabs processed from marble blocks from our Yongfeng Mine. We currently offer two types of marble slabs: (i) the one-side-polished slabs, which are generally 2.2 to 3.0 meters in length and 1.4 to 1.7 meters in width; and (ii) the cut-to-size slabs, which are cut based on the requirements of our customers, but are generally 0.6 meter in length and width. Both types of marble slabs are 2 centimeters in thickness.

Our marble blocks are sold directly to corporate customers such as stone trading companies. In addition to marble slabs and blocks, our products include shaped stones, such as those made into kitchen and bathroom sinks and special order products.

Our Product Series

Under our "ArtGo" brand, we categorize our products into three series, namely, Aris, Abba and Ally, based on the different colors and patterns of our marble stones. As of the Latest Practicable Date, we had not yet commenced producing the Ally Series. The following table sets forth our revenue by product series and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30, 2012		Nine months ended September 30, 2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Aris Series	95	54.9	1,342	16.3	940	40.7	57,470	62.4
Abba Series	78	45.1	6,868	83.7	1,367	59.3	34,584	37.6
Total	173	100.0	8,210	100.0	2,307	100.0	92,054	100.0

Aris ("雅仕") Series

Our Aris Series products are primarily made from marble stones extracted from the bottom horizon of the ore body of the Yongfeng Mine. Aris Series products are primarily white and off-white, mixed with a small amount of grey and features jade-like texture. This horizon accounts for 31% of the ore body of the Yongfeng Mine according to the CPR.

Based on the features of our marble products of this series, we further categorize Aris Series into "Van Gogh" and "White Jade." Our "Van Gogh" products feature watercolor-like pattern while the pattern on our "White Jade" products show minimum contrast. The pictures below illustrate the color and pattern of our "Van Gogh" and "White Jade" marble products.

Van Gogh

White Jade

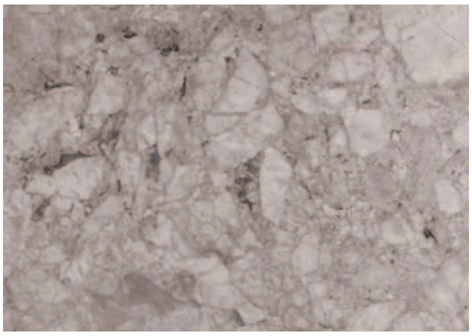
Abba ("雅柏") Series

Our Abba Series of products are primarily made from marble stones extracted from the middle horizon of the ore body of the Yongfeng Mine and are primarily light grey, mixed with small amount of off-white and flesh red. This horizon accounts for 40% of the ore body of the Yongfeng Mine according to the CPR.

Based on the features of our marble products of this series, we further categorize Abba Series into "Polar White" and "Violet." Our "Polar White" products feature snow-leopard-like pattern while our "Violet" products have a grey undertone, sometimes with a pattern reminiscent of shattered glass. The pictures below illustrate the color and pattern of our "Polar White" and "Violet" marble products.

Polar White

Violet

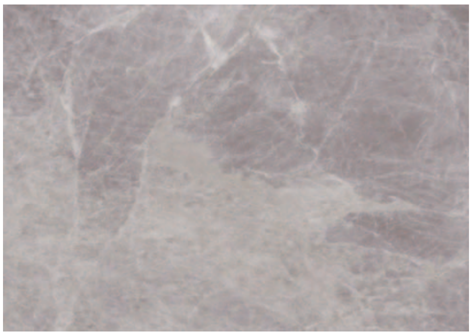


Ally ("雅藍") Series

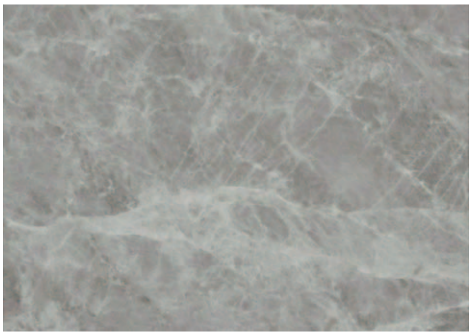
Our Ally Series of products are primarily made from marble stones extracted from the top horizon of the ore body of the Yongfeng Mine and are grey, mixed with flesh red. This horizon accounts for 29% of the ore body of the Yongfeng Mine according to the CPR.

Based on the features of our marble products of this series, we further categorize Ally Series into "Blue Ribbon" and "London Night View." Our "Blue Ribbon" products feature stripes in lighter color and our "London Night View" products feature a galaxy-like pattern. The pictures below illustrate the color and pattern of our "Blue Ribbon" and "London Night View" marble products.

Blue Ribbon



London Night View



As of the Latest Practicable Date, we produced and sold Aris Series and Abba Series of marble products. As a small portion of the Ally series of marble products are located in North #4 and North #5 mining areas, we expect to commence producing the Ally Series of marble products in 2014. See "— Development Plan" for details. There is no material difference in the pricing of different series of our products.

Properties of Our Stone

Our marble stone project at the Yongfeng Mine is a dolomite and limestone dimension stone mining project. Marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly re-crystallized and much or all of the sedimentary and biologic textures may be obliterated. In the stone industry, however, un-metamorphosed limestone and dolomite that can be polished is also classified as marble. The following table sets forth the chemical composition of the marble of the Yongfeng Mine.(1)

	Dolomite (white/off-white)	Limy dolomite (off-white/light grey)	Dolomitic limestone/ limestone (grey/dark grey)
CaO	31.10	34.31	53.23
MgO	21.14	18.21	2.04
K_2O	0.01	0.03	0.012
Na_2O	0.03	0.02	0.002
Fe_2O_3	0.04	0.05	0.040
FeO	0.02	0.03	0.009
SiO_2	0.10	0.20	0.110
Al_2O_3	0.15	0.24	0.094
SO_3	0.01	0.01	0.014
Cl	0.01	0.01	0.002
LOI	46.87	46.64	44.018

(1) As a comparison to the amounts in the above table, the chemical composition of pure calcite is 56% CaO and 44% CO_2, and chemical composition of pure dolomite is 30.4% CaO, 21.9% MgO, and 47.7% CO_2.

In 2011, we engaged SGS to conduct physical and mechanical property tests on samples of our Van Gogh, White Jade, Polar White and Violet series of marble products. In 2013, we engaged TUV to conduct physical and radioactive property tests on these products. The results of such tests are set forth in the table below in comparison to the industry average, based on the F&S Report, as well as to certain international brands, including Noisette Fleury, a hard grey limestone from Italy, Venato Gioia, a dolomitic marble from the Carrara area in Italy, and Calacata Carrara, also from the Carrara area in Italy.

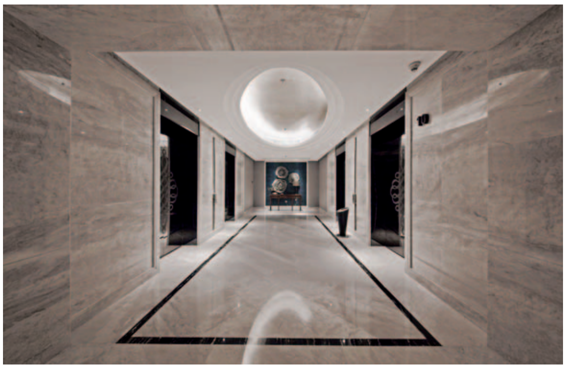
	TUV Tests of Our Products				SGS Tests of Our Products				SGS Tests of International Brands			Industry Average	Comparison (ArtGo vs. Industry Average)
	Van Gogh	White Jade	Polar White	Violet	Van Gogh	White Jade	Polar White	Violet	Noisette Fleury	Venato Gioia	Calacata Carrara		
Bulk density *(tonne/cubic meter)*	2.76	2.72	2.76	2.73	2.71	2.70	2.76	2.75	2.68	2.71	2.72	2.65	1.9%-4.2% higher
Compressive strength *(MPa)*	148	104	123	148	136.0	103.0	151.6	88.3	122.1	101.4	94.6	80	10.4%-89.5% higher
Flexural strength *(MPa)*	12.3	8.0	14.9	8.8	14.8	10.8	11.0	15.1	17.0	11.6	13.0	7.0	54.3%-115% higher
Water absorption *(%)*	0.11	0.07	0.21	0.07	0.07	0.05	0.22	0.10	0.26	0.12	0.07	0.75	70%-93% lower
Abrasion resistance *(mm)*	26	16	26	25	15.3	18.5	16.6	17.3	—	4.13	14.8	—	N/A
Open porosity *(%)*	—	—	—	—	0.19	0.22	0.66	0.40	—	—	0.22	0.8	17.5%-76% lower
Moh's hardness	5	4	5.5	4	3.5	3.5	4.5	4.5	—	—	3.5	3.5	0-28.6% higher

According to the F&S Report and as the above table shows, our products have the following properties that are better than China's industry average and comparable to the high-end international brands: (i) high bulk density, which means our products have a finer texture than the average products in the market and are more stable during the cutting, sawing and polishing process; (ii) high compressive strength, which indicates high resistance to external damage; (iii) high flexural strength, which means our products are more flexible and harder to be broken or chapped, and therefore can be used in more applications; (iv) low water absorption, which means our products are less susceptible to decay and better able to sustain wet weather and therefore can be used as external walls for construction; (v) high abrasion resistance; (vi) low open porosity; and (vii) high hardness.

According to both the TUV tests and the SGS tests, the radioactivity level of our marble products meets the requirement of category A decorative materials as measured by PRC national standards. No limitation is imposed on the manufacture, sales and use of category A decorative materials.

Select Projects Using Our Products

Since we launched our marble products under the "ArtGo" brand in late 2011, we have won a number of key projects, including five-star hotels and office building developments. For example, Pullman is the upscale hotel brand under Accor, a French hotel group. The Pullman Hotel in Taiyuan, Shanxi Province has been designed to be a five star hotel. Our "White Jade" products have been installed in an elevator lobby and the bathroom of this hotel's show room. This hotel is scheduled to be completed in December 2014. Set out below are pictures of our products in this hotel.

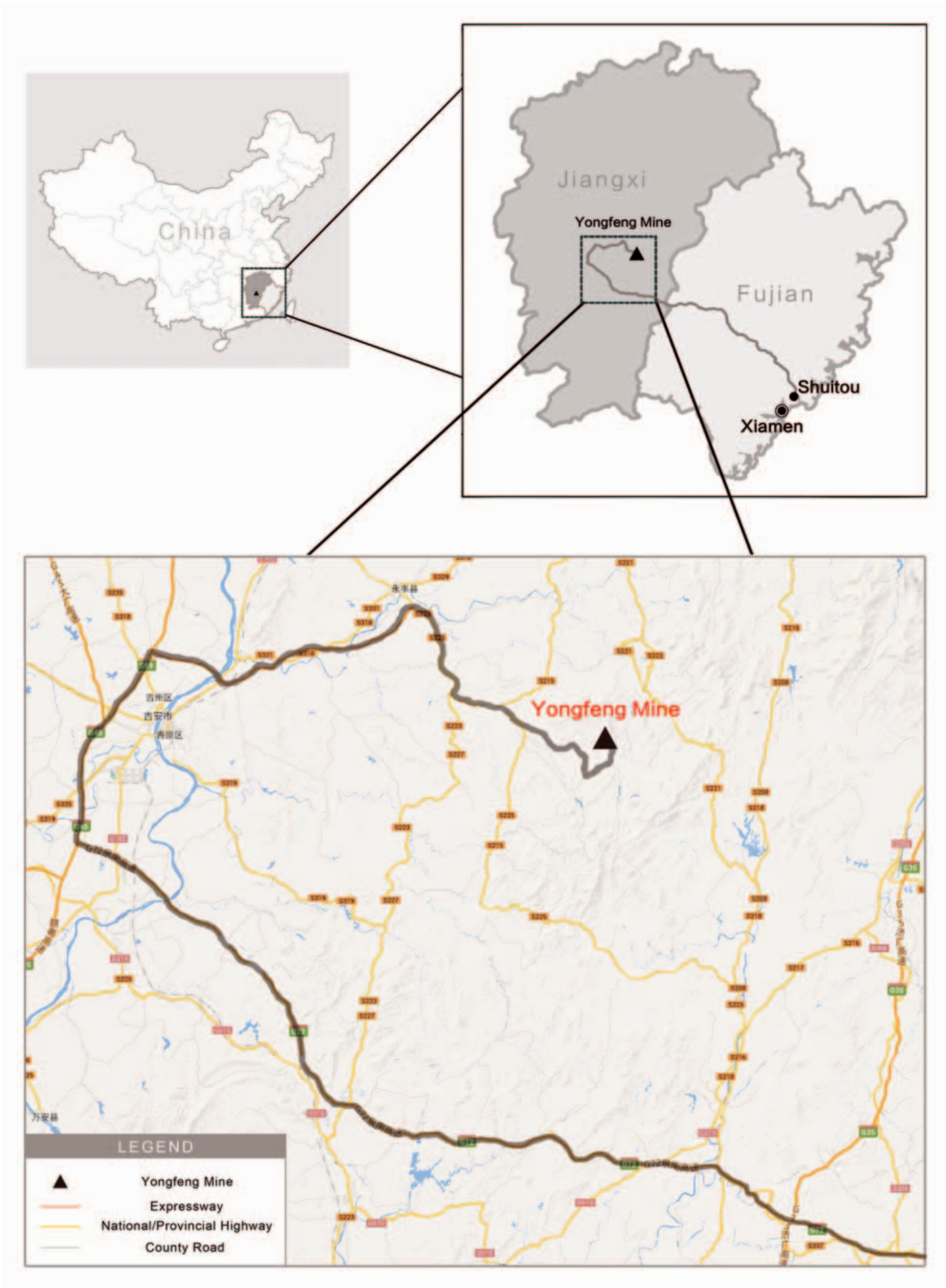


The Baosteel Building is an office building located in the Lujiazui financial district of Shanghai and the headquarter of Baosteel Group. Our "White Jade", "Polar White" and "Violet" products are installed in the lobbies, restrooms and other public areas of the Baosteel Building as part of its refurbishment project. The refurbishment project is scheduled to be completed in December 2014. Set out below are the pictures of our products at the Baosteel Building.

OUR MINERAL RESOURCES AND MINING RIGHTS

Overview

We hold the mining rights to the marble resources in the Yongfeng Mine located in Yongfeng County of Jiangxi Province, China. Our Yongfeng Mine is approximately 72 kilometers southeast of the Yongfeng County seat and west of the village of Shangsheng in Shima Town. The distance between the Yongfeng Mine and Yongfeng County seat will be shortened to 62 kilometers after we construct a new entrance road, which is expected to be completed in the first half of 2014. Our mining permit covers an area of approximately 2.0 square kilometers, which is currently accessible by a concrete road. The map below illustrates the location of our Yongfeng Mine.



The ore body of our Yongfeng Mine is divided into three different horizons from bottom to top, based on ore body stratigraphic position, ore horizon spatial distribution, natural type, color and other factors. The bottom horizon is primarily composed of white and off-white marble stones, where most of our Aris Series of marble products will be produced; the middle horizon is primarily composed of light grey marble stones, where most of our Abba Series of marble products will be produced; and the top horizon is primarily composed of grey marble stones, where most of our Ally Series of marble products will be produced. The north section of the ore body contains all three horizons while the south section contains the middle and top horizons only. According to the CPR, the Aris, Abba and Ally marble stones constitute approximately 31%, 40% and 29%, respectively, of the total marble resources of our Yongfeng Mine.

The topography of our Yongfeng Mine is karst and rolling hills with grades of 10% to 35%, interspersed with flat areas. The current mining area is located at the top of one hill in the northeast portion of the mine. The feature of rolling hills enables us to simultaneously operate on multiple mining areas to ramp-up production quickly and continue large-scale operations.

Resources and Reserves

According to the CPR, as of September 30, 2013, our Yongfeng Mine has approximately 44.2 million cubic meters of marble stone reserves under the JORC Code, consisting of approximately 23.2 million cubic meters of proved reserves and approximately 21.0 million cubic meters of probable reserves. The proved and probable reserves are converted from our measured and indicated marble resources inside the designed open pits, respectively, using an estimated block recovery rate of 45%. Based on our 44.2 million cubic meters of marble stone reserves, the mine life of our Yongfeng Mine is approximately 177 years with the planned production rate of 250,000 cubic meters per annum which is expected to be achieved in 2017. Our estimated block recovery rate of 45% is based on our historical block recovery rate. Although our mine life may change significantly due to reasons such as the variations in actual block recovery rate and the actual production rate, Behre Dolbear, the Competent Person, expects that such variations will not have a significant impact on our production for the first 25 to 30 years of the mine life.

The following table summarizes the marble resources and reserves of our Yongfeng Mine estimated as of September 30, 2013 under the JORC Code.

	Millions of cubic meters
Resources	
Measured	51.477
Indicated	46.646
Inferred	8.820
Total	106.944

	Millions of cubic meters
Reserves	
Proved	23.165
Probable	20.991
Total	44.155

Licenses and Permits

Under PRC laws and regulations, mining companies are required to obtain, at the minimum, a mining permit and the relevant production safety permits prior to the commencement of commercial production. See "Regulations" for more details.

Jueshi Mining received a mining permit for our Yongfeng Mine with a five-year valid period (numbered C3608002009067120020235), which was issued by the Ji'an City Bureau of Land and Resources to Jueshi Mining on March 25, 2010. The mining permit covers an area of approximately 2.0 square kilometers and the permitted elevation range of mining in the mining area is 280 meters above sea level to 508 meters above sea level. According to the mining permit, the permitted production rate of the Yongfeng Mine is 15,000 cubic meters per annum.

On September 3, 2012, Jueshi Mining obtained an updated mining permit for the Yongfeng Mine issued by the Jiangxi Province Bureau of Land and Resources with the same license number covering the same area, but with increased permitted production rate of 250,000 cubic meters per annum. Such mining permit was temporary in nature and only valid for one year to cover the period when Jueshi Mining was completing all necessary procedures to obtain the official updated mining permit. On February 5, 2013, Jueshi Mining obtained the official updated mining permit issued by the Jiangxi Province Bureau of Land and Resources with the same license number covering the same area with permitted production rate of 250,000 cubic meters per annum and valid period from February 5, 2013 to February 5, 2018. A mining right fee (採礦權價款) of RMB55.8 million was assessed for the grant of the mining right for a period of 30 years according to the Approval on Jueshi Mining's Payment of the Mining Right Fee of the Yongfeng Mine in Installments (the "Approval") issued by the Jiangxi Province Bureau of Land and Resources (the "Jiangxi MLR") on January 28, 2013, and should be paid in five years in installments by Jueshi Mining. In January 2013, we made a first payment of RMB18.6 million and obtained a five years' mining right from February 5, 2013 to February 5, 2018 under the official updated mining permit. The term of our mining right can be extended for another 25 years according to applicable PRC laws and regulations when we complete the payment of the remaining consideration of RMB37.2 million and interest accrued in four equal annual installments in the period from 2014 to 2017. The first installment is due in February 2014, which will be paid by the Company's own funds.

Pursuant to the confirmation letter issued by Jiangxi MLR on November 19, 2013, (i) the above-mentioned mining right fee was calculated based on the 30-year mining period of the Yongfeng Mine; (ii) within the 30-year mining period, so long as the remaining mining right fee is fully paid on time by Jueshi Mining as stipulated in the Approval, Jiangxi MLR will renew the mining permit for Jueshi Mining in time upon expiration of validity term of currently valid and subsequent renewal mining permits, and there is no legal impediment for such renewal; and (iii) upon the expiration of 30-year mining period of the Yongfeng Mine, so long as there are exploitable marble resources within the mining area as stated in the mining permit, Jueshi Mining can renew the mining permit so long as the required assessment, appraisal and verification procedures are complied with and the corresponding mining right fee is fully paid up.

Our PRC legal advisor, Commerce & Finance Law Offices, has advised that based on the above-mentioned confirmation, upon expiration of the current mining permit held by Jueshi Mining on February 5, 2018, there is no material legal impediment for Jueshi Mining to renew such mining permit within 30 years so long as the operation of Jueshi Mining does not contravene the PRC laws (including but not limited to the laws and regulations in respect of mining, safety production and environmental protection) in all material aspects and the remaining mining right fee is fully paid on time according to the Approval. See "Risk Factors — If we fail to obtain, retain and renew government approvals, permits and licenses required for our mining activities, our business, prospects, financial condition and results of operations could be materially and adversely affected."

Our PRC legal advisor, Commerce & Finance Law Offices, has further advised us that after the expiration of the 30-year term of our mining permit, Jueshi Mining will have a pre-emptive right to apply for renewal of the mining permit. Renewal of mining permit is subject to certain conditions, including but not limited to, (i) existence of residual reserve in the original mining area as recorded with the relevant land and resource authority, (ii) timely application for renewal, (iii) submission of all necessary materials, (iv) timely and sufficient payment of deposit to guarantee the performance of obligations to restore the environment at the mine, and (v) non-existence of disputes over the mining rights. We will seek to renew our mining permit when the 30-year term of our mining permit expires.

In order to obtain the mining permit with permitted production volume of 250,000 cubic meters per annum, as required by Jiangxi MLR in their Letter regarding the Mining Rights of Shangsheng Marble Mine at Shima Town, Yongfeng County (Gan Guotuzi Han [2012] No.173) (關於對永豐縣石馬鎮上升大理石礦採礦權相關問題的函(贛國土資函[2012]173號)), we submitted a reserve verification report dated May 2012 prepared by Beijing SINOMA (the "Reserve Verification Report"). The Jiangxi MLR then independently selected Sichuan Shanhe Assets Evaluation Co., Ltd to prepare an evaluation report (the "Shanhe Evaluation Report") for Jiangxi MLR to determine the amount of mining right fee in connection with the issuance of the mining permit. The Shanhe Evaluation Report was prepared according to the independent judgment of Sichuan Shanhe Assets Evaluation Co., Ltd. and we believe that it took into account mine related data such as marble resources, mining life, unit mine production cost in the Reserve Verification Report.

In preparation for the Global Offering, we obtained an exploration report prepared in accordance with the JORC Code. Compared to PRC standards, the JORC Code generally requires a higher geological confidence level, which in turn requires more exploration work. Accordingly, we engaged third party professionals, including Beijing SINOMA, to engage in extensive exploration work at the Yongfeng Mine during the course of 2012. As part of its exploration work, Beijing SINOMA (i) expanded the scope of geological survey, including mapping, profile survey, sampling and core drilling, from 2.19 square kilometers (as conducted in the previous exploration) to 5.78 square kilometers, (ii) conducted physical and mechanical testing of samples and recalculated various geological boundaries, which resulted in an increase in the depth of the mine body and expansion of the exposed area of the mine body, (iii) expanded scope of analysis on hydrogeologic conditions, engineering geology analysis and environmental geology analysis from 3.55 square kilometers (as conducted in the previous exploration) to 8.33 square kilometers, and (iv) conducted analysis of block recovery rate based on updated field investigations and new production methods, which resulted in a more realistic block recovery rate. Beijing SINOMA completed its exploration work and finalized its exploration report in February 2013 (the "Exploration Report"). The mine related data set forth in the Competent Person's Report was mainly derived from the Exploration Report. The additional exploration work conducted in 2012 contributed to the significant differences in the reserve data, block recovery rate and mine life data between the Reserve Verification Report on the one hand, and the Exploration Report and the Competent Person's Report on the other.

We believe that the differences in the data contained in the Reserve Verification Report and the data in the Exploration Report and Competent Person's Report are primarily due to (i) the difference in the level of exploration work involved in the preparation of the reports due to the differences in timing of preparation and purpose of the reports; (ii) the difference in standards used in the preparation of the reports, and (iii) expansion of exploration area.

According to the confirmation letter issued by Jiangxi MLR on October 23, 2013, (i) the discrepancy between the Reserve Verification Report and the Exploration Report should not lead to the conclusion that the reserve of Yongfeng Mining has increased materially due to certain reasonable difference between PRC standards and international standards in assessment, appraisal and calculation of mining reserve; (ii) the mere increase of mining reserve will not directly result in the increase of mining right fee of Jueshi Mining; and (iii) Jueshi Mining does not need to conduct new assessment, appraisal and filing procedures in light of the mining reserve stated in the Exploration Report or to pay additional mining rights fee.

Jiangxi MLR issued another confirmation letter on November 19, 2013, further confirming that (i) Jueshi Mining will not be required to pay any additional mining right fee besides the mining right fee of RMB55.8 million as stated in the Approval despite the discrepancy of the mining reserve between the Reserve Verification Report and the Exploration Report (the "Reserve Discrepancy"); (ii) the aforementioned Reserve Discrepancy will not adversely affect the validity of the mining permit, and Jueshi Mining can conduct mining operation with the mining permit; and (iii) the Reserve Discrepancy will not adversely affect the extension and renewal of mining permit by Jueshi Mining.

Based on the above, our PRC legal advisor, Commerce & Finance Law Offices, is of the view that (i) the likelihood for Jiangxi MRL to challenge the assessment of mining right fee of RMB55.8 million for the Yongfeng Mine and the validity of the mining permit held by Jueshi Mining is remote; and (ii) the above-mentioned Reserve Discrepancy is not a material legal impediment for Jueshi Mining to extend and renew the mining permit upon its expiration.

The valid term of the "mine investment", "marble processing" and "marble sales" business scope as stated on Jueshi Mining's business license expires on December 27, 2029. The valid term of the "marble mining" business scope as stated on Jueshi Mining's business license expires on October 24, 2014, which is determined based on the valid period of its production safety permit. Jueshi Mining may conduct marble mining business within such term. Production safety permits are renewable every three years. After Jueshi Mining renews its production safety permit in due course, it may also apply to the relevant government authority for the extension of the term of "marble mining" business scope. As advised by our PRC legal advisor, Commerce & Finance Law Offices, so long as Jueshi Mining remains in compliance with applicable PRC laws and regulations in its operations, there is no material legal impediment for Jueshi Mining to renew its production safety permit and extend the operational term of "mine investment", "marble mining", "marble processing" and "marble sales" business scope on its business license when it completes the relevant renewal procedures (including submitting all documents required by PRC laws and government authorities). Based on the aforesaid legal advice and our past experience in renewing permits and licenses, our Directors believe the likelihood that we would not be able to renew the mining permit, the production safety permit and the business license is remote.

OUR MINING AND PROCESSING OPERATIONS

Production

Our Yongfeng Mine is expected to achieve full production capacity of 250,000 cubic meters by the end of 2016 and extract 250,000 cubic meters of marble blocks annually from 2017. Marble blocks are raw materials for slab processing plants where marble slabs of various sizes and types will be produced.

For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, the commercial production of marble blocks at our mine amounted to 1,588 cubic meters, 13,456 cubic meters and 27,612 cubic meters of marble blocks, respectively. We expect to reach a production capacity of 60,000, 120,000, 180,000 and 250,000 cubic meters per annum in 2013, 2014, 2015 and 2016, respectively. The full production rate of 250,000 cubic meters per annum of our Yongfeng Mine is expected to be reached in 2017.

Open Pit Design

We designed two open pits — one in each of the north section and south section of our mine. The north pit is designed to be approximately 1,500 meters long in the north-south direction and 1,200 meters wide in the east-west direction at the surface while the south pit is designed to be approximately 1,700 meters long in the north-south direction and 500 meters wide in the east-west direction at the surface. The bottom for each pit is set at 280 meters above sea level, which is the low end of the elevation range set by our mining permit.

According to the CPR, the proper development of multiple independent working faces is critical for achieving our planned production rate of 250,000 cubic meters per annum. To that end, mining areas in our open pits will be operated in a descending multi-bench architecture so that heavy equipment and saw machines can be shared among active faces being mined on the same level. The Competent Person believes that the descending-bench design the most productive for deposits of our Yongfeng Mine.

As of September 30, 2013, we had developed two mining areas at the north section of the mine. In addition, we plan to develop four more mining areas of descending-bench architecture in the north section of our mine. Eventually all six mining areas in the north section of the mine will merge into a larger open pit. In the south section of the mine, we expect to conduct similar development of six mining areas and eventually combine them into one open pit. See "— Development Plan."

The following is a photograph of our mining operations taken in May 2013 showing our two mining areas, one developed and one under development.

The following photograph, also taken in May 2013, is a bird's-eye view of the North #1 Mining Area with a descending multi-bench architecture.

We have developed a video surveillance system that will allow our management to have access to real-time video images of our Xiamen headquarters, warehouses in Shuitou, offices in Yongfeng County and the Yongfeng Mine. To monitor our mine production safety, we have installed a majority of our surveillance cameras at the Yongfeng Mine. Users of the surveillance system will be able to view the images and control the 360-degree rotation and zooming of the cameras remotely from computers or mobile phones. Users also have access to historical video files for up to two months. The cost of the video surveillance system together with installation cost was approximately RMB0.3 million.

Mining Process

As of the Latest Practicable Date, we have developed two operating mining areas, North #1 and North #4 mining areas. Due to the location of these mining areas, our marble production focuses on the middle and bottom horizon of the ore body of the Yongfeng Mine. We have developed seven benches at North #1 mining area, each bench of which is six to seven meters high.

The following photographs and diagrams illustrate our mining process at North #1 mining area. It takes on average less than half a day for us to extract a marble block.

Stripping. Top soil and weathered rock are stripped off before block mining can be initiated. We engage third-party contractors to handle explosives.

Separation. Down-the-hole jackleg drills and core drills are used to drill vertical and horizontal holes, respectively, for the cutting wires passing through the rock. Diamond wire cutting machines are then used to cut 6 to 7 meters tall bench blocks first horizontally and then vertically.

Overturn. Before a bench block is overturned, a cushion layer is made of rock fragments and soil. The bench block is then overturned by inflating rubber pillows and using an excavator arm.

Disintegration. The overturned block is cut into appropriate size and shape by light diamond wire cutting machines.

Transportation. Blocks are moved off the production benches and transported to staging areas by forklifts, front-end loaders and trucks for shipment to the slab processing location or the customers. We engage third-party transportation contractors for these shipments.

Slag removal. Rock fragments and slag are moved off the benches for ground levelling or to the waste dump.

North #4 mining area provides a large flat surface for mining operation. Therefore, we use low bench mining method to extract marble blocks. The bench at North #4 mining area is 1.7 meters high. We use disk saws for vertical cuts and wire cutting machines for horizontal cuts. The marble blocks produced are in commercial size and do not need to be cut into smaller blocks. The low bench mining method is generally more efficient and less costly. It is also safer as the produced blocks do not need to be overturned.

Mining Equipment

Our mining activities require various types of machinery and equipment, including diamond wire saw, diamond belt saw, disk saw, horizontal hole drill, down-the-hole drill, Jackleg drill, air compressor, excavator, front-end loader, forklift, crawler crane, block trimmer and truck. Wire saws allow more flexibility when we determine the cutting level and direction and generate less dust and noise as water is used during stone cutting. Operation of wire saws generally require more training to the operators. Disk saws are generally more effective in cutting stones in comparison with wire saws. Each diamond belt saw or disk saw, as well as the other mining and support equipment, can be shared by two to three active working faces on the same bench or adjacent benches. We use a combination of these equipments in our mine operations to maximize our block recovery rate.

Most of our machinery and equipment for mining are sourced from third-party suppliers in China while our diamond belt saws are imported from a third-party supplier overseas. The following table sets forth the main suppliers of the key equipments in our mining operations.

Equipment	Main Supplier
Diamond belt saw	Benetti Macchine from Italy
Diamond wire saw	Fuzhou Tianshiyuan Materials from Fujian Province, China
Forklift	Fujian Weisheng Machinery from Fujian Province, China
Excavator	Xiamen Henglixing Machinery from Fujian Province, China

As of the Latest Practicable Date, we had purchased three diamond belt saw cutting machines from Italy, which had been put into operation. An additional two diamond belt saws are expected to be ordered in 2014 and three more in 2015. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, our purchases of plant and machinery amounted to RMB1.1 million, RMB9.2 million and RMB12.9 million, respectively.

Marble Slab Processing

As of the Latest Practicable Date, we primarily used five third-party contractors to process our marble slabs. See "— Development Plan." All of our processing contractors are located in Shuitou, Fujian Province, which is a major stone processing and trading center in China and is approximately 620 kilometers from our Yongfeng Mine. The production lead time of the slab processing stage with our third-party processing contractors is six to seven days.

The following photographs and diagrams illustrate the process by which our marble blocks are processed into one-side-polished slabs.

Saw cutting. Marble blocks are cut into slabs by saw machines.

Resin masking. Small holes or cracks are treated with resin to improve the quality of the slabs.

Polishing. Resin-treated slabs are polished into desired surface, shape or dimension by polishing machines.

Warehousing. One-side-polished slabs are stored in our own warehouse in Shuitou or the warehouses provided by our processing contractors.

After the marble blocks are cut into slabs by saw machines as described above, the slabs are further processed into cut-to-size slabs by infrared bridge stone cutting machine, which involves additional processing costs and wastage.

The following table sets forth our actual marble slab production of our Yongfeng Mine for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
Outsourced slab production			
One-side-polished slab *(thousand square meters)*	8.83	113.59	443.27
Cut-to-size slabs *(thousand square meters)*	—	—	14.04
Total slab production	8.83	113.59	457.31
Marble blocks consumed *(thousand cubic meters)*.	0.25	2.52	10.20

THIRD-PARTY CONTRACTORS AND CONTRACT TERMS

We have engaged various third-party contractors for processing of our marble slabs, transportation and handling of explosives. The following table sets forth the third-party contractors that we have engaged for the Track Record Period.

	Number of contractors			Total contract fees		
Contracted services	**Period from June 15 to December 31, 2011**	**Year ended December 31, 2012**	**Nine months ended September 30, 2013**	**Period from June 15 to December 31, 2011**	**Year ended December 31, 2012**	**Nine months ended September 30, 2013**
				RMB'000	**RMB'000**	**RMB'000**
Marble slab processing	**1**	**21**	**36**	**858**	**8,951**	**31,754**
Transportation	3	6	7	241	4,019	8,056
Handling of explosives . .	1	1	1	0	32	352

During the Track Record Period, all of our contractors were Independent Third Parties. We believe contractors providing similar services on similar terms and having sufficient capacity to process all our marble block outputs upon the ramp-up of our mining operations are readily available where our business operates. During the Track Record Period and up to the Latest Practicable Date, our business operations did not experience any shortage of these services.

Mable Slab Processing

Our outsourcing contracts with these third-party contractors generally have a term of one year. The annual volume of marble slabs to be processed by a third-party contractor is generally pre-set in the outsourcing contract. According to our outsourcing contracts, the processing prices charged by our third-party contractors range between RMB65 and RMB82 per square meter and an additional fee of RMB20 per square meter on average is charged for cut-to-size slabs. The processing fees are paid by us on a monthly basis. Our contractors generally provide us with six months of free block warehousing and three to six months of free slab warehousing. The space for slab warehousing is required to be able to accommodate 10% of the annual volume of slabs processed by the contractor. During the free storage period, the third-party processors are responsible for any damage or loss of our marble slabs. If, among other things, there is any delay in finished-product delivery for more than ten business days or any product defect that fails to be corrected within a reasonable period, we have the right to terminate the outsourcing contract. Our third-party processors may terminate the outsourcing contract if we fail to pay the processing fees on time. The liquidation damages are 0.05% of the contract price each day up to an aggregate of 1.5% of such amount. Our outsourcing contracts with the third-party processors also contain detailed technical requirements for every step of the processing procedures, such as cutting orientation and speed during the saw cutting step and equipments and consumables used in the resin masking step, which is supervised by our quality control staff on site. The third-party processors are required to return raw materials or waste rocks to us after our inspection of the processed slabs and are not allowed to dispose of raw materials or waste rocks without our consent.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any product defects or material delays in delivery from our third-party marble processing contractors.

Transportation

We primarily outsource to third-party contractors the transportation of marble blocks from our mine site to the staging area in Yongfeng County, Jiangxi Province, from the staging area to the slab processing plants of our contractors, and between our processing contractors and our warehouses in Shuitou, Fujian Province. Our transportation outsourcing agreements generally have a term of one year. Pursuant to these agreements, transportation of our marble blocks is generally carried out upon no more than one day's prior notice. The contractors are responsible to ensure the safe loading and transportation of our marble products as well as the qualification of the drivers. The contractors are responsible for any loss or damage of our marble products during loading and transportation. Transportation fees are pre-set in the transportation outsourcing agreements based on the size of trucks and distance of transportation and are paid on a monthly basis.

Explosive Handling

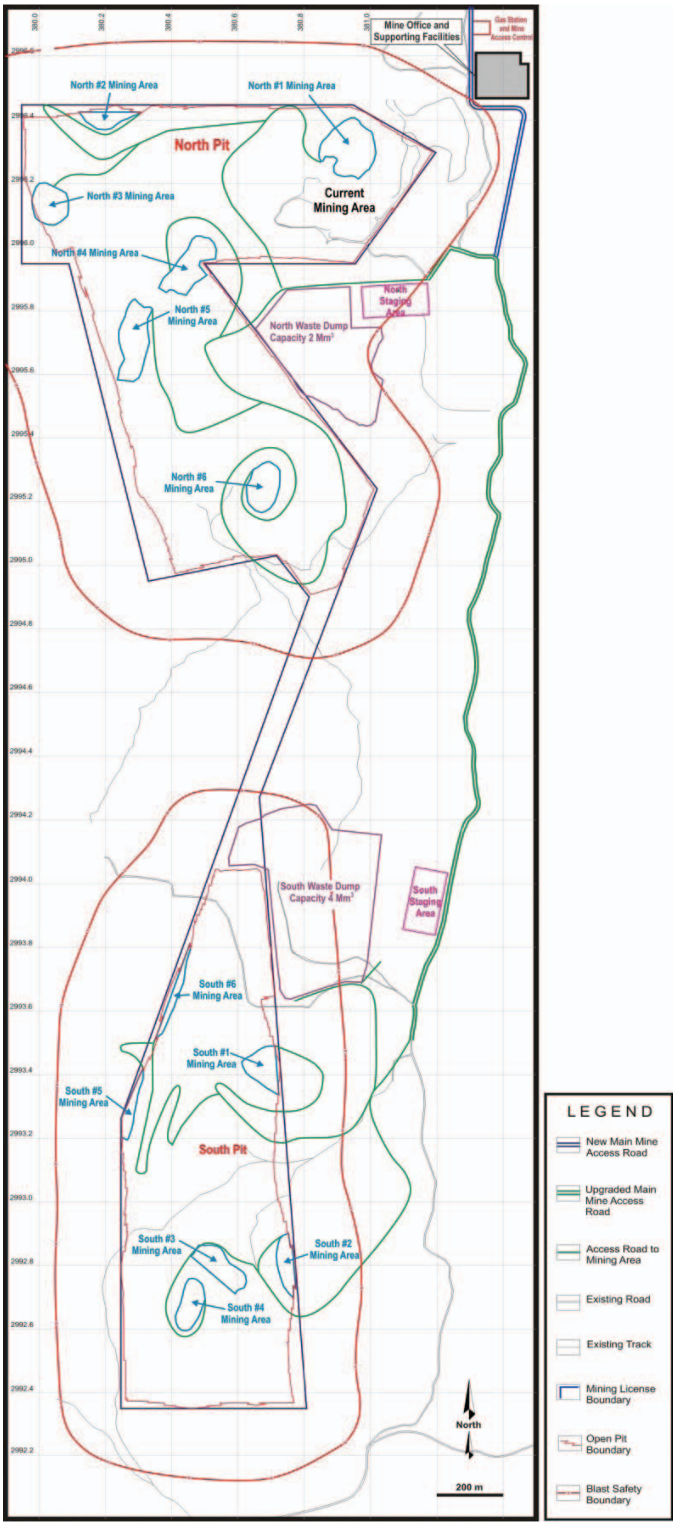
We use explosives in the stripping of top soil and weathered rocks and engage a third-party contactor to handle explosives in our mining operations. The service agreement with the contractor is valid unless the parties agree to terminate the agreement. Service fees are charged on a per incident basis. The contractor is responsible to maintain legally required certifications to handle explosives and ensure that the explosives are safely used in compliance with applicable laws and regulations. Our explosive handling contractor held such certifications during the Track Record Period.

DEVELOPMENT PLAN

Ramp-up of Production Capacity

Our Yongfeng Mine is a marble stone mine designed to extract 250,000 cubic meters of marble stone annually when it is fully developed in 2017. One mining areas indicated as "North #1 Mining Area" and "North #4 Mining Area" in the diagram below have been developed at the north section of the mine. We plan to develop four more mining areas in the north section of the mine. Eventually all six mining areas in the north section of the mine will merge into a single open pit. We plan to initially develop the North #1, North #4 and North #5 mining areas to ramp-up our block production to the designed 250,000 cubic meters per annum. We plan to develop six mining areas in the south section of the mine, which will eventually merge into another open pit. We plan to commence the development of the south section of the mine in 2020.

The diagram below sets forth our development plan for the Yongfeng Mine.



For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, our commercial production of marble blocks at our existing mining area in the northeastern portion of our mine amounted to 1,588 cubic meters, 13,456 cubic meters and 27,612 cubic meters of marble blocks, respectively. By 2017, we plan to ramp up our marble block production to 250,000 cubic meters per year.

The following table sets forth the planned capacity of our marble block production as well as expected production volume for the period indicated. Between 2013 and 2016, during which our expected production volume is lower than our production capacity, we may increase our actual production volume above the level set forth below (but within our production capacity) based on the market demand for our products. See "Appendix III — Competent Person's Report."

	Year ending December 31,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	cubic meters									
Year end block production capacity. . .	60,000	120,000	180,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total block production . .	40,000	100,000	150,000	200,000	250,000	250,000	250,000	250,000	250,000	250,000
- Blocks used for slab production	13,560	58,409	97,500	147,067	195,947	208,523	218,879	220,723	224,493	225,000
- Direct sale blocks. . .	6,230	53,211	52,500	52,933	54,053	41,477	31,121	29,278	25,508	25,000
Year end inventory.	33,942	22,321	22,321	22,321	22,321	22,321	22,321	22,321	22,321	22,321

Waste rocks will be sold locally as fill material, construction aggregate, cement plant feed stock, and raw material for calcium powder production, used as land fill in our mine site when needed, or stockpiled in waste rock dumps. After our self-owned processing plant is put into operation, we will be able to better utilize waste rocks, including for production of decorative surface stones such as mosaic.

As advised by our PRC legal advisor, Commerce & Finance Law Offices, we have obtained the material governmental approvals and permits (including the mining right permit and the approvals with regard to safe production and environmental protection) to produce 250,000 cubic meters of marble blocks per annum.

Development of Self-owned Processing Plant

For the period from June 15 to December 31, 2011, the year ended December 31, 2012, and the nine months ended September 30, 2013, we produced 8,829 square meters, 113,586 square meters, and 443,269 square meters of one-side-polished slabs, respectively, all through our outsourced marble processing contractors. In addition, for the nine months ended September 30, 2013, we produced 14,040 square meters of cut-to-size slabs through our outsourced processing contractors. In order to reduce the transportation cost and better manage the quality of our marble slab products, we plan to develop a marble processing plant in Yongfeng County, Ji'an City, Jiangxi Province. We have entered into an investment cooperation agreement with the People's Government of Yongfeng County which sets forth location and estimated investment amount of the proposed project. We plan to construct our processing plant in three phases:

- phase 1 is expected to be constructed in 2015, commence production in 2016 and reach full capacity of approximately 2.0 million square meters per annum by the end of 2017;

- phase 2 is expected to be constructed in 2017 commence production in 2018 and reach full capacity of approximately 3.0 million square meters per annum by the end of 2019; and

- phase 3 is expected to be constructed in 2018 and 2019. commence production in 2020 and reach full capacity of approximately 4.0 million square meters per annum by the end of 2021.

When our processing plant ramps up to full capacity, it is expected to reach an annual processing output of approximately 9.0 million square meters per annum, which will enable us to meet the demand for processing capacity of our Yongfeng Mine's maximum production volumes of 250,000 cubic meters per annum.

Upon the commencement of commercial operations at our Yongfeng processing plant, we plan to develop a range of marble products, including one-side-polished slabs (accounting for 60.0% of total production), cut-to-size slabs (accounting for 11.6% of total production) thin marble slabs of 1-centimeter thickness (accounting for 27.8% of total production), and other shaped stones (accounting for 0.6% of total production). Marble blocks larger than one cubic meter will be processed by gang saws and will be typically used to produce standard marble slabs. Marble blocks smaller than one cubic meter will be processed by block cutting machines to produce cut-to-size slabs and thin marble slabs. Third-party processing contractors will be utilized on an as-needed basis and will ramp down as our own processing plant's capacity ramps up.

The following table sets forth the planned volume of our marble slab production at our self-owned processing plant by phase for the period indicated.

	Year ended December 31,						
	2016	2017	2018	2019	2020	2021	2022
Phase 1							
One-side-polished slab (000 m^2)	600	1,200	1,200	1,200	1,200	1,200	1,200
Slab/block ratio (m^2/m^3)	40	40	40	40	40	40	40
Cut-to-size slab (000 m^2)	100	200	264	264	264	264	264
Tile/block ratio (m^2/m^3)	30	30	30	30	30	30	30
Thin marble slab (000 m^2)	230	440	530	530	530	530	530
Slab/block ratio (m^2/m^3)	50	50	50	50	50	50	50
Shaped stone products (000 m^2)	4	5	9	9	11	11	11
Stone/block ratio (m^2/m^3)	10	10	10	10	10	10	10
Subtotal slab production (000 m^2)	934	1,845	2,003	2,003	2,005	2,005	2,005
Marble blocks consumed (000 m^3)	23	46	50	50	51	51	51
Slab/block ratio (m^2/m^3)	40	40	40	40	40	40	40

	Year ended December 31,						
	2016	2017	2018	2019	2020	2021	2022
Phase 2							
One-side-polished slab ($000\ m^2$)	—	—	1,500	2,259	2,259	2,259	2,259
Slab/block ratio (m^2/m^3)	—	—	40	40	40	40	40
Cut-to-size slab ($000\ m^2$)	—	—	247	551	786	786	786
Tile/block ratio (m^2/m^3)	—	—	30	30	30	30	30
Thin marble slab ($000\ m^2$)	—	—	—	—	—	—	—
Slab/block ratio (m^2/m^3)	—	—	—	—	—	—	—
Shaped stone products ($000\ m^2$)	—	—	—	—	—	—	—
Stone/block ratio (m^2/m^3)	—	—	—	—	—	—	—
Subtotal slab production ($000\ m^2$)	—	—	1,747	2,810	3,045	3,045	3,045
Marble blocks consumed ($000\ m^3$)	—	—	46	75	83	83	83
Slab/block ratio (m^2/m^3)	—	—	38	38	37	37	37
Phase 3							
One-side-polished slab ($000\ m^2$)	—	—	—	—	500	1,500	1,941
Slab/block ratio (m^2/m^3)	—	—	—	—	40	40	40
Cut-to-size slab ($000\ m^2$)	—	—	—	—	—	—	—
Tile/block ratio (m^2/m^3)	—	—	—	—	—	—	—
Thin marble slab ($000\ m^2$)	—	—	—	—	285	1,080	1,970
Slab/block ratio (m^2/m^3)	—	—	—	—	50	50	50
Shaped stone products ($000\ m^2$)	—	—	—	—	6	22	39
Stone/block Ratio (m^2/m^3)	—	—	—	—	10	10	10
Subtotal slab production ($000\ m^2$)	—	—	—	—	791	2,602	3,950
Marble blocks consumed ($000\ m^3$)	—	—	—	—	19	61	92
Slab/block ratio (m^2/m^3)	—	—	—	—	42	42	43

Development Schedule and Estimated Costs

Development Schedule

The following is a summary of our development history and schedule for our Yongfeng Mine and Yongfeng processing plant.

- *June 2011 — September 2013.* The preliminary mine offices, warehouse, employee facilities were constructed. Seven benches in the North #1 mining area have been developed. Operating benches at and below 400 meters above sea level for North #4 mining area have been developed. Block production has reached 13,456 cubic meters in 2012 and 27,612 cubic meters in the nine months ended September 30, 2013 with a maximum monthly production in September 2013 of 6,425 cubic meters. A block inventory was developed with commercial sales starting in late 2011.

- *October 2013 — December 2016.* The construction of the main production facilities at the Yongfeng Mine will be completed. There will be significant marble block production during the construction period. Production of the Yongfeng Mine will ramp up gradually to full capacity by the end of 2016.

- *January 2015 — December 2017.* Phase 1 of the processing plant will be constructed, equipment will be procured, delivered, and installed in 2015. Slab production will start in early 2016 and full production capacity is scheduled to be reached at the end of 2017.

- *January 2017 — December 2019.* Phase 2 of the processing plant will be constructed in 2017. Slab production will start in early 2018 and full production capacity is scheduled to be reached at the end of 2019.

- *October 2018 — December 2021.* Phase 3 of the processing plant will be constructed in 2018 and 2019. Slab production will start in 2020 and full production capacity is scheduled to be reached at the end of 2021.

Capital Costs

For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, our capital costs incurred in connection with the Yongfeng Mine amounted to RMB9.1 million, RMB19.5 million and RMB44.4 million, respectively. Under IFRS, the estimated costs will not be included in our financial statements until the costs are incurred or provided for. The table below sets forth our estimated total capital costs from June 2011 through 2020 based on the CPR, the actual capital costs incurred from June 2011 up to September 30, 2013, the estimated capital costs for the last quarter of 2013, the year ending December 31, 2014 and the period from 2015 through 2020.

	Estimated total capital costs from June 2011 through 2020 according to CPR	Capital costs incurred from June 2011 up to September 30, 2013	Estimated capital costs for the last quarter of 2013	Estimated capital costs for the year ending December 31, 2014	Estimated capital costs for the period from 2015 through 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Marble mine					
Mine construction	47,666	2,384	8,767	12,905	23,610
Support facility construction	48,446	2,012	590	—	45,844
Equipment for mine	88,724	23,633	609	21,879	42,603
Equipment for other facility	69,720	7,059	1,037	8,644	52,980
Roads	12,967	5,277	4,177	3,168	345
Land acquisition	56,232	2,347	—	—	53,885
Mining right fees	73,441	30,289	—	11,681	31,471
Other	47,060	—	3,826	3,233	40,001
Total mine capital costs	444,256	73,001	19,006	61,510	290,739
Marble slab plant					
Land acquisition	45,392	—	—	13,108	32,284
Plant construction	165,829	—	—	—	165,829
Support facility construction	227,766	—	—	—	227,766
Equipment for plant	321,953	—	—	—	321,953
Equipment for other facility	41,190	—	—	—	41,190
Installation	59,005	—	—	—	59,005
Other	51,389	—	—	3,892	47,497
Total plant capital costs	912,524	—	—	17,000	895,524
Of which:					
Phase 1	284,248	—	—	17,000	267,248
Phase 2	280,571	—	—	—	280,571
Phase 3	347,705	—	—	—	347,705
Total plant capital costs	912,524	—	—	17,000	895,524
Total capital costs for mine and plant	1,356,780	73,001	19,006	78,510	1,186,263

The following is a brief description of the major line items in the above table.

Under marble mine capital costs,

- *Mine construction cost.* The item consists of cost for stripping the top soil and the weathered rock above the marble deposit and for developing the mining benches;
- *Supporting facility construction cost.* This item primarily consists of cost to construct all the supporting facilities for the mining operation, such as electricity supply system, water supply system, communication system, warehouse, workshop, and administration office and employee living quarters;
- *Equipment for mine cost.* This item consists of the cost to purchase all the mining equipment (including diamond wire cutting machines, belt saw cutting machines, excavators, forklifts, front-end loaders, horizontal hole and vertical hole drills, air compressors) and to install them on site for production operation;
- *Equipment for other facilities cost.* This item includes cost to purchase and install equipment for all the supporting facilities, such as electric transformers, water pumps and pipes, and block and waste hauling trucks;
- *Road cost.* This item consists of cost to construct the access road to the mine and the internal road within the mining area; and
- *Others.* This item primarily consists of costs for reclamation, relocation, project design, construction administration and engineering supervision, employee training and equipment commissioning.

Under marble slab plant capital costs,

- *Plant construction cost.* This is the cost of construction for the slab processing plant;
- *Supporting facility construction cost.* This item primarily consists of cost to construct all the supporting facilities for the slab plant, such as electricity supply system, water supply system communication system, warehouse, workshop, and administration office and employee living quarters;
- *Equipment for plant costs.* This item consists of cost to purchase and install all the production equipment in the plant, such as the slab cutting saws and slab polishing equipment;
- *Equipment for other facilities cost.* This item consists of cost to purchase and install equipment for all the supporting facilities, such as electric transformers, water pumps and pipes, boilers, block and slab loading and hauling equipment, and supporting vehicles;
- *Installation cost.* This item consists of costs to install all the equipment for the processing plant and other facilities; and
- *Others.* This item primarily consists of costs for project design, construction administration and engineering supervision, employee training and equipment commissioning.

We have incurred approximately RMB73.0 million of capital costs for the development of the Yongfeng Mine project since June 2011 up to September 30, 2013, and based on our current estimation, we will incur an additional RMB371.3 million for the development of the Yongfeng Mine project for the period after September 30, 2013. In addition, based on our current estimation, we will incur an additional RMB912.5 million for the development of our own marble processing plant. As of September 30, 2013, we are under contractual obligations to pay 39.1%, 20.2% and 2.7% of the estimated capital costs for the last quarter of 2013, the year ending December 31, 2014 and the period from 2015 through 2020.

Cash Operating and Production Costs

Our unit product cash operating costs consist of mining costs (including workforce employment and transportation cost, consumables cost, fuel, electricity and water cost, and maintenance, repair and other costs), processing costs (which currently include fees paid to our third-party processors and, when we start to process marble blocks at our self-owned processing plants, will include workforce employment and transportation cost, consumables cost, fuel, electricity and water cost, and maintenance, repair and other costs) and general and administration and other costs (including on- and off-site management cost, environmental protection and monitoring cost, product marketing and transportation cost, non-income taxes, royalties, and other governmental charges cost, and interest cost). Our unit production costs consist of unit cash operating costs and amortization and depreciation.

Set forth below are the actual unit mine cash operating and production costs for 2012 and the nine months ended September 30, 2013 and the estimated annual unit mine cash operating and production costs from 2013 to 2022.

	Year ended December 31,	Nine months ended September 30,	Year ending December 31,									
	2012(A)	2013(A)	2013(E)	2014(E)	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)	2021(E)	2022(E)
Unit mine cash operating costs (RMB/m^3)												
Block for direct sales	6,040	2,190	2,106	1,566	1,536	1,507	1,457	1,431	1,438	1,422	1,415	1,400
Block for self processed slab . . .	—	—	—	—	—	1,028	1,000	1,004	1,008	1,005	995	986
Block for outsource-processed slab .	1,442	1,005	980	1,035	990	947	919	923	927	924	914	—
Unit mine production costs (RMB/m^3)												
Block for direct sales	6,362	2,287	2,201	1,635	1,647	1,611	1,542	1,516	1,523	1,507	1,500	1,485
Block for self processed slab . . .	—	—	—	—	—	1,132	1,085	1,090	1,093	1,090	1,081	1,072
Block for outsource-processed slab .	1,764	1,102	1,075	1,104	1,101	1,051	1,004	1,009	1,012	1,009	1,000	—

According to the CPR, forecast unit mine cash operating costs and production costs after 2022 are similar to that in 2022. Both the unit mine cash operating costs and the unit mine production costs have decreased significantly since 2012 because the consumables costs and general and administration costs have decreased significantly as a result of the rapid ramp-up of our production scale.

Set forth below are the actual unit slab cash operating and production costs for 2012 and the nine months ended September 30, 2013 and the estimated annual unit slab cash operating and production costs from 2013 to 2022.

	Year ended December 31,	Nine months ended September 30,	Year ending December 31,									
	2012(A)	2013(A)	2013(E)	2014(E)	2015(E)	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)	2021(E)	2022(E)
Unit slab cash operating costs (RMB/m²)												
Self processed one-side-polished slab . . .	—	—	—	—	—	134	130	131	130	129	126	123
Self processed cut-to-size slab .	—	—	—	—	—	149	144	146	146	145	141	137
Outsource-processed one-side-polished slab . . .	218	136	138	158	157	152	150	152	152	152	150	—
Outsource-processed cut-to-size slab	—	424	288	231	230	223	220	223	223	223	220	—
Unit slab production costs (RMB/m²)												
Self processed one-side-polished slab . . .	—	—	—	—	—	139	136	138	139	137	134	131
Self processed cut-to-size slab .	—	—	—	—	—	156	153	156	157	156	152	148
Outsource-processed one-side-polished slab . . .	255	140	144	160	164	158	156	159	161	160	158	—
Outsource-processed cut-to-size slab	—	435	299	233	239	231	228	232	234	234	230	—

The Competent Person has reviewed the cash operating and production costs data projections and found them to be generally reasonable and achievable. See "Appendix III — Competent Person's Report" in this prospectus for further details.

We expect to satisfy our future capital and operating requirements with a combination of (i) net proceeds from the Global Offering; (ii) cash from operating activities; (iii) bank loans and credit facilities and (iv) current cash and bank balances. As of September 30, 2013, our cash and bank balances amounted to RMB129.3 million. We also plan to allocate approximately 40% and 30% of the net proceeds from this Global Offering to finance our investments in the Yongfeng Mine project and our self-owned processing plant, respectively.

SALES AND MARKETING

We sell our marble products through an established distribution network of distributors across China complemented by our direct sales to our corporate customers in China. We also sell a portion of our products to overseas markets such as North America, Europe and the Middle East. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, nil, 47.5% and 42.8% of our revenue, respectively, was generated from distributors in China, 100.0%, 38.9% and 55.6% of our revenue, respectively, was generated from direct sales in China, and nil, 13.6% and 1.6% of our revenue, respectively, from customers overseas. As of September 30, 2013, we engaged 63 distributors in China with an extensive distribution network covering 74 cities in China. These distributors distribute and sell our products directly or through their sub-distributors in China. Our distributors are managed through our eight regional sales centers across China under a hub-and-spoke system and 85 personnel in our sales and marketing department. Our sales centers are responsible for our direct sales in China, management and support of our distributors, local promotion of our products and after-sales services.

The map below illustrates our hub-and-spoke distribution network as of September 30, 2013[1].

(1) The amounts in parentheses indicate the number of distributors in the region.

The following table sets forth the total revenue by the geographical location of our customers and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Domestic sales	173	100.0	7,097	86.4	1,530	66.3	90,549	98.4
Overseas sales	—	—	1,113	13.6	777	33.7	1,505	1.6
Total	173	100.0	8,210	100.0	2,307	100.0	92,054	100.0

The following table sets forth our domestic revenue by sales channel for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Sales to distributors	—	—	3,894	55.0	—	—	39,409	43.5
Direct sales	173	100.0	3,203	45.0	1,530	100.0	51,140	56.5
Total domestic sales	173	100.0	7,097	100.0	1,530	100.0	90,549	100.0

Sales to Distributors in the PRC

We sell our products in China primarily through distributors. Our distributors are typically large regional distributors with well-established local distribution networks and are primarily involved in the distribution of marble products. Our distributors sell our products through their sub-distributors or directly to their end customers, including real estate developers and construction companies. By leveraging our distributors' own distribution networks and sales channels, we believe this business model provides us with an efficient and cost-effective distribution structure and enables us to (i) shorten the time for introducing our products to the market, (ii) enhance our market penetration throughout the relevant regions in China and (iii) save costs that would otherwise be incurred to build up and maintain internal logistics and other related capacities to supply retail operators nationwide. This sales and distribution arrangement is in line with market practice in the Chinese marble industry.

The following table sets forth the changes in the number of our distributors during the Track Record Period.

	For the year ended December 31,		For the nine months ended September 30, 2013
	2011	2012	
Distributors at the beginning of the period	0	0	26
Addition of new distributors	0	26	37
Termination of existing distributors	0	0	0
Consolidation by other distributors	0	0	0
Net change in distributors	0	0	37
Distributors at the end of the period	0	26	63

We have expanded our sales network rapidly during the Track Record Period. See "Risk Factors — Risks Relating to Our Business — We may not be able to manage our existing distributors and maintain our relationships with them, or successfully retain new distributors."

Selection of Distributors

We select our distributors under a rigorous process, with criteria such as leading market positions, long operating history, and strong commitment to our products. In particular, we consider the following factors in selecting our distributors: (i) distribution network and sales channels, (ii) resources available to promote our products and brand, (iii) reputation and track record in the marble industry, (iv) secondary processing capabilities, (v) creditworthiness and financial condition, (vi) geographical coverage, (vii) capabilities in warehousing and logistics, and (viii) experience in respect of product promotions.

Our sales centers are responsible for the preliminary review of applications submitted to us by potential distributors. Applications of suitable candidates will be submitted to our management for final approval.

Management of Distributors

We enter into standard distribution agreements with all of our distributors. Our distribution agreements are generally for a term of one year and renewed annually.

Sales Targets

We plan to categorize our distributors into category one distributors and category two distributors and implement a differentiated pricing policy accordingly. As of the Latest Practicable Date, all our existing distributors were category one distributors. We generally formulate pre-set annual and/or monthly sales targets for our distributors in the distribution agreements. If a distributor fails to meet the sales target for three months consecutively, we are entitled to downgrade it to a category two distributor and if a distributor fails to meet the sales target for two quarters consecutively, we are entitled to disqualify it as our distributor. Our distributors usually pay a deposit of RMB20,000 to RMB50,000 to us after execution of the distribution agreements to guarantee their compliance with the terms of the distribution agreements.

Distribution Area

We generally appoint no more than one category one distributor in a city. However, none of our distributors have been granted exclusive distribution rights. As one of our measures to prevent unhealthy price wars, our distribution agreements prohibit our distributors from soliciting sales or distributing our products to sub-distributors or end customers outside of their authorized city unless approved by us.

We have no ownership or management control over any sub-distributors, and we rely on our distributors to manage their respective sub-distributors to ensure their compliance with our sales and distribution policies and guidelines. See "Risk Factors — Risks Relating to Our Business — We rely on our distributors to manage their respective sub-distributors."

Pricing

According to the distribution agreements, we are entitled to adjust the price at which our products are sold to our distributors by notifying our distributors. We confirm the product prices when we receive purchase orders from our distributors. We do not impose any price limitation on the retail price of our products sold by our distributors.

Delivery and Payment

We require 15 to 25 days of prior written notice for orders from our distributors. Our distributor customers generally pay the total price for their orders when the orders are made. In 2012, we provided a credit term of up to 30 days to a small number of distributors with strong credit profile. In 2013, we started granting credits to an increasing number of select customers. The credit term is generally one month, and extendable for up to three months for major customers. The shipping costs from the processing facilities to the distributors are generally borne by our distributors. We recognize our sales to our distributors when the products are dispatched from warehouses and the title to these products passes to our distributors without recourse.

We evaluate the creditworthiness, timeliness of payment history, reputation, financial condition, operating history and availability of security of our distributors and grant credit lines to select distributors. The actual credit term is generally one month and extendable for up to three months for major customers. The credit line granted to a distributor is generally determined and adjusted annually and does not exceed 20% of annual aggregate credit amount determined by our management and would be adjusted down in the event of, among other things, (i) decreasing sales of our products by the distributor for three consecutive months, (ii) no orders placed by the distributor for two consecutive months, (iii) delay or default in payment from the distributor. As of the Latest Practicable Date, we granted credit lines to 13 distributors.

For products sold to our distributors, we generally recognize revenue upon delivery of our products. For the six months ended June 30, 2013, we recognized a portion of our revenue (including revenue from sales to distributors and direct sales) on a bill-and-hold basis. A bill-and-hold transaction is generally a practice whereby a customer agrees to purchase the goods but the seller retains physical possession until the customer requests shipment to designated locations. Under the bill-and-hold arrangement, our customers take title and accept billing at the time of sale. Because marble stone mined from different locations may vary in color, patterns, texture, quality and other characteristics. To maintain a sufficient stock of marble stone with similar characteristics, customers may purchase a larger bulk of marble products in a single transaction. Due to the large storage capacity required for our products, however, some of these customers may request us to store their purchased products for a certain period, and make delivery at their request.

For products sold on such bill-and-hold basis, we provided a maximum of 90 days of free storage under contracts that are separate from the relevant sales or distribution contracts. We charge a storage fee for storage exceeding 90 days. We stored the sold products in our warehouses in Shuitou, on which the purchaser's details were properly labeled. All products sold under this practice were finished goods and had the same contract terms as if they had been delivered to the customers. As of June 30, 2013, marble slabs of 87,932 square meters under such practice remained to be delivered, representing revenue of RMB18.8 million. All of these marble slabs were subsequently delivered to the customers in the third quarter of 2013.

Refund, Return and Exchange

Our distribution agreements do not provide for distributors' right to return product and sales refund is not allowed under any circumstances. Except for product defect due to a quality problem, we generally do not allow product exchange with our distributor or end users. Nor do we provide any product warranty for products sold through distributors. During the Track Record Period, none of our distributors had claimed any refund for our products.

Termination

Our distribution agreements may be terminated prior to expiration by us if, among other things, (i) the distributors use our products or our brand in bad faith to harm our goodwill, (ii) the distributors fail to meet the annual sales target, (iii) the distributors distribute or sell our products at an excessively low price, (iv) the distributors fail to pay the agreed deposit, or (v) the distributors materially breach the provisions governing marketing activities and their obligation to report their sales to project customers to us.

Retention

We believe that, in addition to the attractiveness of our marble products, the following practices of our Group also help us retain our major distributors: (i) on-schedule delivery of our marble products; (ii) competitive pricing policy that allows our distributors to make a healthy profit from selling our products; (iii) providing a wide array of pre-sale, during-sale and post-sale services to our distributors such as assisting them in setting up show rooms and in their efforts to obtain contracts for construction projects; and (iv) assisting in training our distributors' employees.

Inventory Level of our Distributors

Our Directors believe that it is a common practice for distributors in the marble industry to maintain a certain level of inventory for the following reasons: (i) they need inventory of a variety of marble products for display and demonstration to end customers; (ii) they also need a certain level of inventory of each type of marble products to ensure supply of products of consistent colors and patterns to each specific customer; (iii) demands for marble products are relatively unsusceptible to changes in consumer preference and therefore the inventories of marble slabs are unlikely to become obsolete in a relatively short time period; (iv) customers of our distributors expect their suppliers to have certain level of inventory and usually conduct on-site inventory inspection as part of their supplier due diligence process; and (v) distributors in a distant location from Shuitou, the hub of marble processing in China and where our main warehouses and third party processing contractors are located, need to maintain an adequate inventory level in anticipation of the transportation lead time. However, (x) we do not allow the distributors to return sold products and only allow exchange of products with defects in limited circumstances; (y) all of our distributors are Independent Third Parties selected based on factors enumerated in "Business — Sales and Marketing — Sales to Distributors in the PRC — Selection of Distributors"; and (z) our trade receivables were low during the Track Record Period, all of which aged within three months. See "Financial Information — Discussion of Certain Items from the Consolidated Statements of Financial Position — Trade Receivables".

Direct Sales in the PRC

In addition to the sales and distribution of products through distributors in China, we sell a portion of our marble products directly to corporate customers in China. We plan to expand our sales channel to retail outlets.

Corporate Customers

General

Our direct sales to corporate customers began in 2011. Our direct sales corporate customers include real estate developers and construction companies of hotels, offices and residential homes. We approach corporate customers through our sales and marketing department. In 2013, we have entered into strategic cooperation agreements with real estate development companies, pursuant to which the real estate development companies will recommend our products to their interior designers.

We also obtain sales orders directly from our corporate customers. Although the payment terms vary, we generally require the customers to make deposits of at least 20% of the contract prices when orders are placed. In 2013, we recognized a portion of our direct sales revenue on a bill-and-hold basis. See "Business — Sales and Marketing — Sales to Distributors in the PRC — Management of Distributors — Delivery and Payment." We generally provide a six- to 12-month warranty to our corporate customers. Occasionally, at the request of customers, we procure from third-parties marble products in colors other than white and grey.

Recent Sales Contracts

In 2013, we entered into annual sales contracts with eleven corporate customers in China to sell our marble products, all of which will expire on December 31, 2015. All of these customers are real estate developers or their affiliates.

These contracts stipulate the annual quantity that our customers are obligated to purchase, product specifications, purchase price range and payment terms. These contracts provide for an aggregate annual sales volume of 40,000 square meters, 2.1 million square meters and 1.5 million square meters of cut-to-size slabs in 2013, 2014 and 2015, respectively. Under five of these contracts with an aggregate contracted sales volume of 1.9 million square meters, our customers are required to pay a penalty of 35% of the sales value shortfall if they fail to purchase the contracted annual volume. A guidance price is provided in each of these contracts for all or a majority of the products to be delivered. Some direct sales corporate customers occasionally request us to fill a small portion of their orders with products of less popular colors or patterns for use at inconspicuous places of their projects. We would give them a discount of no more than 10% if such products are available in our inventory. The bulk of the products delivered under the direct sale contracts will still be based on the applicable guidance price.

All eleven customers are required to deliver 20% of the purchase price when orders are placed, 40% to 50% upon delivery, 25% to 35% upon completion of fitting of our marble products and 5% upon expiration of our warranty period. Product defects shall be resolved by us within reasonable time. Four of these contracts provide that our customers are not allowed to return the products for product defects or other reasons.

These customers are not obligated to renew or extend the existing sales contracts with us. One of these contracts provides that the customer has the right to terminate its contract for any default committed by us. The other ten provide that either the customer or we may terminate the contracts if the other party fails to cure its breach of the agreements within a 30 day period.

These contracts are based on arms length negotiations between our customers and us. The following table sets forth further details of these sales contracts.

Customer Name	Order Time	Project Location	Projects Nature	Sales Volume (m^2)	Committed Minimum Price per Square Meter
Huayuan Construction	2013 to 2015	- Tengwangge, Donghu District, Nanchang, Jiangxi Province	- Hotel and office building	126,000	90% of guidance price
		- Huandao Road, Siming District, Xiamen, Fujian Province	- Office building		
		- Cuihu Road, Kunming, Yunnan Province	- Commercial property		
		- Jinyang New District, Guiyang, Guizhou Province	- Hotel and office building		
Xiamen Riyuegu Hotspring	2013 to 2015	- Spring Park Road, Gulou District, Fuzhou, Fujian Province	- Premium club	93,000	90% of guidance price
		- Fulian Road, Haichang District, Xiamen, Fujian Province	- Resort		
		- Fulian Road, Haichang District, Xiamen, Fujian Province	- Resort		
Baojia Group	2014	- Lujiang Road, Siming District, Xiamen, Fujian Province	- Hotel and commercial property	220,000	N/A
		- Xiangfu East, Gongshu District, Hangzhou, Zhejiang Province	- Residential and commercial property		
		- West Road, Shapingba University Town, Chongqing	- Residential and commercial property		
Xiamen Longxiang	2014	- Lianqian West Road, Siming District, Xiamen, Fujian Province	- Residential property	200,000	90% of guidance price
		- Chang'An Street, Nan'An, Fujian Province	- Residential property		

Customer Name	Order Time		Project Location		Projects Nature	Sales Volume (m^2)	Committed Minimum Price per Square Meter
Chaoan Dongshanhu	2014	-	Shaxi Town, Chao'An County, Chaozhou, Guangdong Province	-	Resort and villa	202,000	90% of guidance price
Zhangzhou Huihe Land	2014	-	High & New Industry District, Zhangzhou, Fujian Province	-	Commercial and residential property, hotel	380,000	90% of guidance price
Xiamen Qiancheng	2014 to 2015	-	Jiaomei Town, Zhangzhou, Fujian Province	-	Office building and residential property	1,250,000	N/A
		-	South New Town District, Mudanjiang, Heilongjiang Province	-	Commercial and residential property and office building		
		-	Fuding, Fujian Province	-	Commercial and residential property		
Yueyang Jinxing Land	2014 to 2015	-	Nanhuyou Road, Yueyang, Hunan Province	-	Residential property and community park	136,000	90% of guidance price
Anhui Henghe Land	2014 to 2015	-	Dongbu New Town, Anqing, Anhui Province	-	Commercial property	120,000	90% of guidance price
Xiamen Xieli Huarong Trading	2015	-	Dongdu Road, Huli District Xiamen, Fujian Province	-	Office building	600,000	N/A
Xiamen Chengji Enterprise	2015	-	Rongcheng Town, Qingyang County, Anhui Province	-	Commercial and residential property	320,000	N/A
Total Estimated Volume (m^2)							3,647,000
Total Estimated Sales Amount (pre-VAT, RMB'000)[1]							2,005,210

[1] Calculated based on the guidance sales price as indicated in each of the contracts.

We made the first delivery under these contracts in August 2013. With our expected production capacity of 60,000, 120,000 and 180,000 cubic meters of marble blocks per annum in 2013, 2014 and 2015, respectively, as well as our slab/block ratio of approximately 40, we are confident that we will have sufficient production capacity to fulfill these contracts in accordance with their respective terms. We plan to enter into more annual sales contracts with corporate customers.

See "Risk Factors — Risks Relating to Our Business — Our contract backlog may not be indicative of our future results of operations."

Retail Customers

We plan to expand our sales channel into retail outlets, either as self-owned outlets or joint ventures with our distributors. We expect our retail customers to be primarily homeowners or the construction teams that they hire. We are opening our first retail outlet in Xiamen in December 2013, which will be a self-owned retail outlet. We plan to open two more retail outlets in 2014, one in Beijing and the other in Shanghai, both of which will be self-owned. In 2015, we plan to open five retail outlets, one as self-owned outlet in Shenzhen, and the others as joint ventures with our local distributors in Chengdu, Hangzhou, Xi'an and Wuhan.

International Sales

Our international sales accounted for nil, 13.6% and 1.6% of our revenue for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively. Our international sales in 2012 primarily represented sales to Nord Stone LLC in Kazakhstan and Mohammad S. Almohesne (Orient Stone Jeddah Saudi Arabia as consignee) in the Middle East. We conduct overseas marketing mainly through industry exhibitions. In 2013, we gained additional overseas customers, including Allstone Corporation in the United States, Ciot Inc. in Canada, Antolini Luigi & C. S.P.A. in Italy, Living With Stone in New Zealand and S&N Bros Pty Ltd in Australia. We generally require 20% to 30% of the contract price to be paid by our international customers before we dispatch the products. We expect our future international sales to be on standard terms of FOB, or free on board, which means the shipping fees to the port of shipment will be included in the price of our products and risk of loss will pass to the customers when the products pass the ship's rail at port of shipment.

Largest Customers

Customers of our marble products comprise of third-party distributors who distribute our marble products to their sub-distributors and end customers, as well as corporate customers such as real estate developers and construction companies of hotels, offices and residential homes. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, sales to our five largest customers accounted for approximately 100.0%, 50.3% and 42.8%, respectively, of our total revenue, and sales to our largest customer accounted for approximately 65.9%,14.3% and 14.9%, respectively, of our total revenue.

We have no ownership or management control over any of our distributors or their sub-distributors as of the Latest Practicable Date. So far as our Directors are aware, none of our Directors or chief executive officer of our Company or its subsidiaries, their respective associates or any shareholders of our Company, holding more than 5% of the issued share capital of our Company immediately following completion of the Global Offering has any interests in any of our five largest customers during the Track Record Period.

Marketing and Branding

Marketing and branding activities are a critical aspect of our operations and have significantly contributed to our brand image and sales. As one of our marketing strategies, we engaged Ogilvy (Fujian) Advertisement Co., Ltd, a public relations consulting firm, in September 2012 to position our brand by seeking to enhance our brand image and to increase consumer awareness of our products within our targeted markets. Substantially all of our marketing activities are formulated and coordinated by our sales and marketing department.

Our marketing and branding efforts focus on the following:

- *Joint marketing with distributors.* We aim to assist our distributors in building our brand and selling our products. To that end, we assign at least one sales personnel to each distributor to assist in building a reliable marketing force, analyzing local market, and creating a show room that is consistent with our brand image. Such joint marketing efforts seek to combine our product knowledge and our distributors' knowledge of the local markets.

- *Event and sponsorship marketing.* Sponsoring industry events is an effective marketing tool to extend our market reach. We regularly attend domestic and international stone fairs and interior designer conferences, where we display new designs of our products to potential distributors and corporate customers and accept orders. We also selectively sponsor some of these events. For example, in 2012, we sponsored the China Building Decoration Association Annual Meeting of Designers in Beijing which approximately 130 interior designers attended and one of our management members was invited as a keynote speaker. These events attract attendees and media coverage from China and internationally, thereby raising our brand's profile.

- *Media advertising.* We promote our products and brand image through different forms of media. We advertise our products on certain stone trading websites such as www.stonecontact.com, and trade magazines such as the Stone Guide. To further extend our reach to customers, we regularly update our website at www.artgo.cn and our status at Weibo, a microblog website similar to Twitter, to provide the latest corporate and product information to customers.

Pricing

In setting the prices at which we sell our marble products to distributors, we take into account current market trends, production costs, our competitors' prices, quality of our products, services we provide to our distributors, distributors' acceptable price range and the economic condition of the relevant regions. We do not impose any price limitation on our distributors. We believe our wholesale prices to our distributors allow them to retain a reasonable profit margin and have helped to nurture mutually beneficial and long-term working relationships between us and our distributors. Our direct sales to corporate customers are priced at close to the retail price of our products of the same quality in the relevant markets and charges for modifying or customizing products are included where applicable.

We are in the early stage of producing and selling marble products and the sales volume was relatively low during the Track Record Period, especially in 2011 and the nine months ended September 30, 2012. Therefore, the price fluctuation of our products during such period is not meaningful as an indicator of the stability of the price of our products in the future. Furthermore, as sales volume increased in late 2012 and 2013, the average selling prices of our marble block and slab products in late 2012 and the nine months ended September 30, 2013 have started to exhibit a stabilizing trend. See discussion under "Financial Information — Description of Certain Items from the Consolidated Statements of Comprehensive Income — Revenue — Average Selling Price."

QUALITY CONTROL AND PRODUCT DEVELOPMENT

As of the Latest Practicable Date, our quality control and product development department has 20 personnel, comprising of a quality control team of 12 and a product development team of eight, both led by our executive Director, Mr. Wang Pingyao, who has over 16 years of experience in relation to mining technology and management and provided mining technical services to various marble mining companies.

Our quality control team is responsible for overseeing our mining operations and our third-party contractors' processing operations. Our quality control team conducts regular on-site inspection at the Yongfeng Mine to ensure that each step of our mining process, such as measurement of stone, cutting level and direction, is optimal and in compliance with our internal mining quality control policy. We designate two to three quality control personnel at each processing contractor's facilities to oversee the processing of slabs, determine the slabs that need to be re-processed, and inspect and number the slabs at delivery.

Our product development team plays an important role in our direct sales business. Strong design capability contributes to our competitiveness in obtaining new projects, especially when a customer lacks the experience or capacity in designing marble products. Being knowledgeable about our marble stones' characteristics, our product development team also works closely with interior designers to incorporate the design concepts into shaped stone products, such as bathtubs and basins. We believe the ability to design and produce a wide range of products will be important when we open our retail outlets in the future.

INFRASTRUCTURE AND UTILITY

Intra-site Transportation

As of the Latest Practicable Date, wide haul roads had been developed from the current office building up to our current mining areas (North #1 and North #4 mining areas). According to the CPR, these roads are adequate for both hauling of equipment/supplies and transporting mined blocks to the staging area.

We plan to develop an intra-site road system to connect various mining areas with internal staging areas (one in the north section and another in the south section of our mine site), waste rock dumps (one in the north section and another in the south section of our mine site), as well as the mine office and supporting facilities located to the northeast of the Yongfeng Mine.

Out of Site Transportation

Our mine site is currently connected through a branch concrete road to the main county road to Yongfeng County. The main county road and branch road provide an access to our mine site from the south, which results in a total distance of approximately 72 kilometers between our mine site and Yongfeng County, which is off an exit of a newly constructed expressway and connects us to China's national transportation system. We plan to construct a four-kilometer long new entrance road providing access to our mine site from the north. Construction of the road started in October 2013 and is expected to be completed in the first half of 2014. The new entrance road will shorten the distance between our mine and Yongfeng County to approximately 62 kilometers. We expect the construction cost will amount to RMB12.4 million in total.

Water Supply and Management

Our mining operations are not water intensive. During our mining activities such as drilling, sawing as well as block hauling, we use water and water spray to mitigate dust pollution. The water demand of the Yongfeng Mine is met by supply from nearby springs, which are fed by rainfall in the area. At the mine site, we are equipped with a water recycling system through which production water is drained into a central sump where the water is settled and cleared of sediment before being recycled back for our mining activities. Domestic water requirement at our mine site is supplied by the local municipal water supply system. Domestic waste water is treated in compliance with national standards and disposed of in a properly designated disposal system at our mine site. We believe the water supply at the Yongfeng Mine will be sufficient for our mining operation upon ramp-up. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material disruption due to shortage of water supply.

Electricity Supply

The power supply of our mining operations comes from the Yanggushan Power Station located in Yongfeng County. The Yanggushan Power Station has an installed capacity of 4,800 kilowatts. A dedicated power line with a capacity of 10 kilovolt has been installed at the Yongfeng Mine. We expect the dedicated power line to be sufficient for our mining and slab processing operations upon the ramp-up of our operations. We purchase electricity at market price. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material disruption due to shortage of electricity supply.

Warehousing

Marble blocks extracted from the Yongfeng Mine are temporarily stored at our staging area in Tangge, Yongfeng County, Jiangxi Province to be directly sold or shipped to our third-party contractors, where the marble blocks are processed into marble slabs. All of our third-party processing contractors provide us with six months of free warehousing for blocks and three months for slabs. The space for slab warehousing is required to be able to accommodate at least 10% of the annual volume of slabs processed by the contractor. In addition, our two warehouses in Shuitou have an aggregate floor area of 9,131 square meters and can accommodate approximately 100,000 square meters of marble slabs.

SUPPLIERS

For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, purchases from our five largest suppliers accounted for approximately 48.9%, 49.8% and 36.8%, respectively, of our total supply purchases, and purchases from our largest supplier accounted for approximately 16.0%, 19.7% and 12.8%, respectively, of our supply purchases. Our five largest suppliers for these periods are mainly slab processing contractors, mine equipment suppliers and transportation service providers. Our other supplies and purchases include diesel fuel, water and electricity.

We have no ownership or management control over any of our suppliers as of the Latest Practicable Date. So far as our Directors are aware, none of our Directors or chief executive officer of our Company or its subsidiaries, their respective associates or any shareholders of our Company, holding more than 5% of the issued share capital of our Company immediately following completion of the Global Offering has any interests in any of our five largest suppliers during the Track Record Period.

INVENTORY MANAGEMENT

Our inventories primarily consist of our marble blocks and slabs. These inventories are mainly stored in our warehouses in Shuitou. Such inventoried products are available to potential customers to view and inspect, which is customary in the marble industry. As we are still in an early stage of commercial production and have only established our distribution network in October 2012, we have been building up inventories of a variety of products during the Track Record Period. Therefore, our high inventory turnover days during the Track Record Period may not be a meaningful indicator of our inventory management practice in the future when our production and sales volume are ramped up. As of December 31, 2011, December 31, 2012 and September 30, 2013, our inventory was approximately RMB6.4 million, RMB28.1 million and RMB54.4 million, respectively.

COMPETITION

The market for marble in China is highly fragmented. According to the F&S Report, the ten largest marble manufacturers in China accounted for less than 8% of the total domestic marble market in terms of revenue in 2012. The principal competitive factors include resources, sales network, product quality, branding and pricing.

We face competition in the marble market from both domestic and international competitors, who might have longer history, more comprehensive sales network or better financial resources than us. Competitors in our China marketplace include domestic marble producers and suppliers, such as China Kingstone Mining Holdings Limited, Naigai Mining (China) Co., Ltd., Universal Marble & Granite Group Ltd., Xiamen Wanli Stone Stock Co., Ltd. and Fujian Wanlong Stone Co., Ltd.

We also face competition from manufacturers of building materials that can be substitutive for marble, such as ceramic tiles manufacturers and wood flooring manufacturers.

CORPORATE SOCIAL RESPONSIBILITY

Environmental Compliance

We are subject to environmental protection laws and regulations in the PRC. In particular, the Yongfeng Mine is required to be in compliance with the applicable environmental standards such as the Integrated Emission Standard for Air Pollutants (GB16297-1996), Integrated Wastewater Discharge Standard (GB8978-1996), Noise Standard at Boundary of Industrial Enterprises (GB12348-2008), Standard for Pollution for General Industrial Solid Wastes (GB18599-2001) and Energy Conservation Law. On December 27, 2012, we obtained the approval of our Environmental Impact Statement (EIS) issued by Ji'an City Environmental Protection Bureau with respect to our expected productivity of 250,000 cubic meters of marble blocks per annum.

Our environmental protection measures include the following:

- *Dust mitigation.* Dust control measures comprise use of water with drilling, cutting, and sawing activities, use of water sprays at material transfer points, and use of water trucks to spray the roads. Personal protection equipment for additional personal protection from dust is provided to our workers.

- *Noise control.* We require use of personal protection equipment at our mine site, such as ear muffs or ear plugs, for noise-affected workers. The noise sources of the Yongfeng Mine are at least 150 meters from any residence.

- *Wastewater treatment.* The mine site has been designed as a zero discharge site with a minimal water supply requirement. Approximately 15% of water used during the mining process will be recycled. Production water and rain water at the Yongfeng Mine drains to a central sump where the water is settled and cleared of sediment before being recycled back into on-going production activity. No toxic or hazardous substances are contained in the drainage water. Domestic wastewater at the mine site is disposed of in a properly designated local disposal system.

- *Solid waste.* Waste rocks can be used for metallurgical purposes as foundry sand, paint color sand, artificial sand, calcium powder, switch plates, high quality aggregate or cement plant feed. Waste rocks that are not directly utilized for these purposes are stored in our waste rock dumps at the mine site.

Our PRC legal advisor, Commerce & Finance Law Offices, has advised that we are in compliance with applicable PRC environmental laws and regulations in all material respects.

Our expenses in respect of environmental compliance amounted to approximately RMB45,340, RMB0.7 million and RMB0.3 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively. We plan to devote necessary operating and financial resources to environmental compliance and monitoring as required by PRC laws and regulations in the future. We estimate that our expenses in respect of environmental compliance will amount to RMB0.5 million for the year ending December 31, 2013.

Rehabilitation

Under the PRC Land Administration Law promulgated on June 25, 1986 and amended on August 28, 2004 and the Land Rehabilitation Regulations issued by the State Council which became effective on March 5, 2011, we must undertake measures to restore a mining site to its original state within a prescribed time frame if our mining activities result in damage to arable land, grassland or forestry land. Our Yongfeng Mine is located among forested hills and farmed valleys and the rehabilitation for disturbed areas will be focused on reforestation with agriculture and/or aquaculture on the final flat surfaces. We store stripped topsoil for future use in rehabilitations. The rehabilitated land is legally required to meet rehabilitation standards and may only be subsequently used upon examination and approval by the land authorities. Any failure to comply with this requirement or failure to restore the mining site to its original state will result in the imposition of fines, rehabilitation fees, rejection of applications for land use rights or rejection of application for new mining permits or renewal, alteration or cancellation of mining permits by the local bureau of land and resources. As of September 30, 2013, our provision for rehabilitation amounted to RMB9.7 million.

Health and Safety

On October 25, 2011, we obtained the Safety Production License for our operation at the Yongfeng Mine issued by the Jiangxi Administration of Work Safety, the valid period of which is three years. On December 19, 2012, we obtained an updated Safety Production License, which expires on October 24, 2014. In addition, we regularly submit occupational health and safety (OH&S) reports to the Yongfeng County Safety Bureau, which conducts random inspections on our OH&S practices.

We implemented safety policies for our mining operations based on relevant national health and safety standards. Our operations are conducted in strict compliance with applicable PRC laws and regulations in respect of OH&S in the mining industry and our workers are required to wear personal protection devices, as the specific work may require, before entering the mine site. We provide safety training to all of our mining workers. Head of each mining team conducts safety check on every shift. We also conduct quarterly and annual reviews on the safety of our mining operations, based on which we grant safety bonus to our mining teams.

Our Yongfeng Mine is supported by emergency medical facilities such as a local community hospital and two larger hospitals in Shima Town of Yongfeng County. As of the Latest Practicable Date, we had not encountered fatalities or major injuries.

INFORMATION TECHNOLOGY

We believe the adoption of practical, proven, and up-to-date information technology systems is critical for many aspects in the operation and expansion of our business, including customer services, quality control, supply chain management, and financial management. Our in-house IT team focuses on analysis of business needs, integration and development of the systems and maintenance of our existing systems. In the next three years, we plan to focus on developing and optimizing our enterprise resource planning (ERP) system.

We have entered into a software supply agreement with an authorized dealer of Oracle software and a consulting services agreement with Capgemini Consulting (China) Co., Ltd. for developing our ERP system. As of the Latest Practicable Date, we have purchased and installed the requisite server computers, completed the initial installation of the system environment, set up the demonstration environment, standard environment, test environment and development environment and prepared the end-user test environment. The ERP system was launched for end user's visits in September 2013. We expect our Oracle-based ERP modules to be fully operational by May 2014. Our ERP system will be specifically adapted to our business workflows and will fit our business strategies, management structure and customer service needs. It will provide support to various aspects of our business operations, including financial management, cost management, production management and supply chain management. The estimated total cost of our ERP system is approximately RMB6.1 million.

INSURANCE

As of the Latest Practicable Date, except as disclosed in "— Non-compliance", we were in compliance with applicable PRC laws and regulations with respect to required insurances for our employees. We have obtained liability insurance of safe production and paid required insurance premium. In addition to the insurances for our employees, we obtained standard vehicle insurance for our vehicles. During the Track Record Period, we did not make any claims under our insurance policies that had a material effect on our business, financial condition or results of operations. Consistent with what we believe to be customary practice in China, we do not maintain any fire, earthquake, liability or other property insurance with respect to our properties, equipment and inventories, with the exception of insurance coverage for our vehicles. We also do not maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental protection liabilities other than third-party liability insurance for our vehicles.

Our open-pit mining method has a relatively lower level of risk than underground mining. We engage third-party contractors to handle explosives and transport the marble blocks extracted from our Yongfeng Mine. Currently we also engage third-party contractors to process our marble blocks into marble slabs. As a result of these, we face comparatively lower levels of operational risk. During the Track Record Period, we did not experience any business interruptions or losses or damages to our facilities that had a material effect on our business, financial condition or results of operations. Except as disclosed in the section headed "Risk Factors — Risks Relating to Our Business — Any claim beyond our current insurance coverage may result in substantial expenses and a diversion of resources." and taking into account the general practice in the Chinese mining industry, our Directors are of the view that we had adequate insurance coverage for our current operations as of the Latest Practicable Date. Our Directors and senior management will closely review the risks relating to our operations and adjust our insurance coverage as we continue our business expansion.

SEASONALITY

Our revenue is typically lower in the first half of the year than the second half, primarily because general business activity levels in January and February are significantly lower due to the New Year and Chinese New Year holidays.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered 11 trademarks, including our " " trademark, and five domain names in the PRC and three trademarks in Hong Kong. We had also filed application for eight trademarks in the PRC as of the Latest Practicable Date. We do not currently own any patent. See "Statutory and General Information — Further Information About our Business" in Appendix V to this prospectus. We also possess unregistered trade secrets, technologies, know-how, processes and other intellectual property rights.

As of the Latest Practicable Date, we were not involved in any disputes or litigation relating to the infringement of intellectual property rights, nor are we aware of any such claims either pending or threatened.

PROPERTIES

Our Yongfeng Mine is located in Yongfeng County, Jiangxi Province and is west of the village of Shangsheng in Shima Town. The mining permit that we obtained for our Yongfeng Mine covers a site area of approximately 1,970,200 square meters. Pursuant to Implementation Rules on the Mineral Resources Law of the PRC (中華人民共和國礦產資源法實施細則) promulgated and effective on March 26, 1994, we, holder of valid mining permits, have the legal right to obtain, in accordance with the relevant laws and regulations, land use right to the parcel(s) of land required to meet our production and construction needs.

The land where the Yongfeng Mine is located is collectively owned by the villager groups living nearby. According to relevant PRC laws and regulations, we are only able to obtain the short-term land use rights rather than long-term land use right of such land unless such collectively-owned land has been converted into state-owned land. Article 57 of the PRC Land Administration Law provides the basis for short-term land use rights, which provides that an entity like us may be allowed to use a collectively-owned parcel of land on a short-term basis for non-agricultural use by entering into land use agreements with the local rural collectives and relevant parties and obtaining temporary land use approval from local land and resources bureau at county level or above. Article 57 also provides for an exception to Article 63 of the PRC Land Administration Law (a general provision providing that the right to use collectively-owned land cannot be sold or transferred and cannot be leased for non-agricultural-related construction). Therefore, we are able to obtain the short-term land use rights of the collectively-owned land through statutory approach.

Pursuant to relevant PRC laws and regulations, we may use collectively-owned land on a short-term basis for a period no longer than two years (which may be renewed upon expiration) if we (i) have been granted short-term land use rights by the competent government authority; and (ii) have entered into land use agreements with the relevant land owner, rural collective economic entity or village committee, and relevant farmers.

As of the Latest Practicable Date, we leased an aggregate site area of 529,703 square meters from these villager groups for a total rental of RMB2.4 million for the term of the lease agreements. These lease agreements either have a fixed term of 15 years, expiring from August 4, 2026 onwards, or provide that they will expire upon cease of our mining operations. Pursuant to eight Short-term Land Use Rights Approvals issued by the Land and Resource Bureau of Yongfeng County with dates ranging between June 21, 2012 and May 26, 2013, two Consent Letters (Yong Lin Di Xu Lin [2012] No. 40 and Yong Lin Di Xu Lin [2012] No. 55) issued by the Forest Bureau of Yongfeng County on June 20, 2012 and November 11, 2012 respectively, and a Confirmation Letter issued by the Forest Bureau of Jiangxi Province on May 10, 2013, we have obtained short-term land use rights with respect to a total of 153,533 square meters of these leased land. The valid term of short-term land use right generally expires within two years after it was appropriately granted by the competent authorities. These short-term land use rights have various expiration dates ranging between May 2014 and May 2015. Our PRC legal advisor, Commerce & Finance Law Offices, has advised us that based on the above, (i) Land and Resource Bureau of Yongfeng County, the Forest Bureau of Yongfeng County and the Forest Bureau of Jiangxi Province are the competent authorities for issuing the above approvals and/or confirmations; (ii) as a mining company, Jueshi Mining has legally held all the relevant short-term land use rights with respect to the 153,533 square meters of the leased collectively-owned land and is entitled to use such land in accordance with the approvals and/or confirmations as well as the underlying lease agreements.

Pursuant to relevant PRC laws and regulations, the short-term land use rights may not exceed two years, so the short-term land use rights we have obtained generally expire within two years, which is shorter than the term of the corresponding lease agreement. We must apply for extension of these short-term land use rights upon their expiration. We have obtained undertakings from the Land and Resource Bureau of Yongfeng County, the Forest Bureau of Yongfeng County and the Forest Bureau of Jiangxi Province dated April 3, 2013, March 29, 2013 and May 10, 2013, respectively. Pursuant to such undertakings, during the effective term of the mining permit for our Yongfeng Mine, the relevant authorities will grant new short-term land use rights or renew the existing short-term land use rights for us in relation to the land within the entire area covered by the mining permit of the Yongfeng Mine if Jueshi Mining meets the statutory conditions and requirements routinely required under applicable PRC laws and regulations for holding and retaining the short-term land use right. If we successfully obtain and/or extend the relevant short-term land use right in time and the lease agreement is still in its valid period, the corresponding leases will be valid continuously.

Based on the above-mentioned circumstances and the undertakings, our PRC legal advisor, Commerce & Finance Law Offices, has advised us that (i) the Land and Resource Bureau of Yongfeng County, the Forest Bureau of Yongfeng County and the Forest Bureau of Jiangxi Province are the competent authorities for providing the above undertakings; (ii) upon fulfillment of the following statutory conditions and requirements, there will be no material legal impediment for Jueshi Mining to renew the existing or obtain additional short-term land use rights: (a) Jueshi Mining legally holds and retains the valid mining permit for the Yongfeng Mine; (b) the corresponding lease agreements are duly entered into by Jueshi Mining and relevant parties and still in effective term; and (c) Jueshi Mining fulfils all its obligations under relevant lease agreements; and (iii) for each lease agreement, to the extent that we successfully obtain or renew the relevant short-term land use right in time and the corresponding lease agreement is still in effective term, such lease is legal and valid. The Directors of the Company confirm that as of the Latest Practicable Date, we have fulfilled all the statutory conditions and requirements required under applicable PRC laws and regulations for holding and retaining the short-term land use right and there is no material difficulty for us to continuously meet such statutory conditions and requirements in the future.

In addition, we leased 19 properties as of the Latest Practicable Date, including 18 properties with an aggregate floor area of approximately 17,959 square meters (one of which was leased for no charge) and a parcel of land with a site area of 20,001 square meters as staging area for our mining operations. As of the Latest Practicable Date, leases of seven properties with an aggregate floor area of approximately 14,614 square meters and the land with a site area of 20,001 square meters were not registered with relevant government authorities. Seven of these properties are used or planned to be used as offices, a warehouse and a retail outlet and the parcel of land with a site area of 20,001 square meters is the staging area for our mining operations. Our PRC legal advisor, Commerce & Finance Law Offices, has advised that we may be subject to a fine of RMB1,000 to RMB10,000 by relevant government authorities for each of these seven properties and may not legally use such land with a site area of 20,001 square meters. With respect to seven of our leased properties (the leases of five of which were not registered as discussed above), the relevant lessors did not provide us with relevant title ownership certificates or land use right certificates, as applicable, evidencing their rights to lease the properties to us. Six of such properties with title defect with an aggregate floor area of approximately 6,800 square meters are used or planned to be used as offices, a warehouse and a retail outlet and one of such properties with title defect is the staging area with a site area of 20,001 square meters. Based on the advice of our PRC legal advisor, if the lessors of the relevant leased properties do not have the requisite rights to lease out the relevant leased properties, we may be required to vacate from the relevant properties and relocate our operations on these properties. Our lease agreement with respect to the property for the staging area provides that in the event that we have to relocate due to title defect of the property, the lessor shall be responsible for the relocation costs. Our Directors are of the view that as the replacement properties for these properties are readily available and the total cost of relocation would not be material, in the event that we are required to terminate our usage of these properties, our operations located at these properties could be relocated to new sites without material interruption to our business and our financial condition would not be materially affected as a result thereof. Up to the Latest Practicable Date, our operations located at the above-mentioned properties have not been disrupted due to non-registration of our lease agreements or third-parties' challenge on the lessors' right to lease the relevant properties to us.

As of the Latest Practicable Date, we did not own any property interest.

We do not directly or indirectly hold or develop properties for letting or retention as investments, nor do we purchase or develop properties for subsequent sale or for retention as investments.

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all of our interests in land and buildings, for the reason that our Group had no single property interest with a carrying amount of 15% or more of its total assets as of September 30, 2013.

EMPLOYEES

We seek to recruit employees who share our commitment to producing high quality marble products. We offer competitive remuneration packages to attract and retain talented and experienced employees.

As of the Latest Practicable Date, we had a total of 368 full time employees. Substantially all of our employees are based in China. The table below sets forth a breakdown of our employees and contract personnel by function:

Function	Number of Employees
Management	16
Mining and Production	162
Sales and Marketing	85
Administration	62
Others	43
Total	368

The remuneration package for our employees generally includes basic salary, commission (if applicable) and bonuses. We determine employee remuneration based on factors such as qualifications, years of experience and performance. Employees also receive welfare benefits, including medical care, housing subsidies, retirement benefits, occupational injury insurance and other miscellaneous items.

During the Track Record Period, we did not experience any major disputes with our employees and we believe we maintain good working relationships with our employees. During the Track Record Period, there has not been any interruption to our operations as a result of a labor dispute.

As advised by our PRC legal advisor, Commerce & Finance Law Offices, except as set forth in "— Non-compliance", the PRC subsidiaries of the Company have complied with the relevant labor laws and regulations in all material aspects.

LEGAL PROCEEDINGS

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

RISK MANAGEMENT

We plan to adopt a risk management policy after the Global Offering to manage our operational risks. Under our risk management policy, our key risk management objectives include: developing a comprehensive risk management strategy for our Company; identifying different types of risks and developing appropriate risk management strategies based on the types of risks; identifying, monitoring and managing risk and our risk tolerance level; and balancing risk management with the growth strategy of our Company.

Under our risk management policy, our Board is responsible for establishing the key risk management principles and objectives, while our general legal counsel is responsible for establishing risk management measures and reviewing material risks within our Company. We have established a compliance and audit department which is expected to be responsible for implementing our risk management efforts, and each of our operating PRC subsidiaries has a designated risk management personnel who is expected to be responsible for coordinating and supervising our risk management efforts within the subsidiary.

With respect to our mining operations, in light of the good mining conditions of the Yongfeng Mine, any risk of the Yongfeng Mine failing to meet the production targets would most likely be a result of insufficient equipment or workforce. We plan to adopt the following measures if we encounter such risk:

- hiring more skilled and unskilled workers locally and national wide, providing sufficient training for the unskilled workers, and, if necessary, moderately increasing the working hours of the workers in compliance with the PRC labor laws;
- temporarily engaging third-party mining contractors to assist in the mining mine construction and operation;
- utilizing reserved mining equipment and temporarily lease certain heavy equipment; and
- outsourcing mining in certain areas to qualified third-party contractors.

NON-COMPLIANCE

During the Track Record Period, we were subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC. We have been involved in regulatory non-compliance incidents. We set out below the details of our non-compliance incidents and the primary remedial measures we adopted in response to these incidents:

Non-compliance incidents	Legal consequences and potential maximum penalties and other financial losses	Latest status	Measures taken or to be taken to prevent any future breaches and ensure on-going compliance
According to the relevant PRC laws and regulations, Jueshi Mining is required to, within 30 days from its establishment, complete the social insurance and housing fund registration procedure and then make contributions to applicable social insurance and housing funds for its employees. Jueshi Mining had not made such social insurance and housing fund registration until August 1, 2011 and has not fully contributed to social insurance and housing funds for its employees.	Jueshi Mining may be ordered to pay up the outstanding social insurance premiums and housing funds within a prescribed time limit due to such non-compliance. We estimate that the contribution shortfall amounted to approximately RMB1.9 million for the Track Record Period. Furthermore, any delayed payment of social insurance premiums may be subject to an overdue fine of 0.05% of the delayed payment per day.	On December 5, 2013, Jueshi Mining obtained confirmation letters from relevant social insurance and housing fund authorities, confirming that they will not request Jueshi Mining to pay the contribution shortfall or any overdue fine thereon. Since August 1, 2011, Jueshi Mining has contributed to social insurance and housing funds for its employees based on the amount and standard prescribed by competent government authorities as set forth in these confirmation letters. We have made provision for the historical contribution shortfall of RMB1.9 million as of September 30, 2013. Our PRC legal advisor, Commerce & Finance Law Offices, has advised us that the confirmation letters were issued by competent government authorities and that the possibility of us being requested by the local social insurance and housing fund authorities in Yongfeng County to pay historical contribution shortfall or overdue fine is remote.	Jueshi Mining has taken the following rectification measures: (i) strengthening legal compliance training to our management team; and (ii) enhancing our internal control.

Non-compliance incidents	Legal consequences and potential maximum penalties and other financial losses	Latest status	Measures taken or to be taken to prevent any future breaches and ensure on-going compliance
According to the relevant PRC laws and regulations, Huijin Stone is required to, within 30 days from its establishment, complete the social insurance and housing fund registration procedure and then make contributions to applicable social insurance and housing funds for its employees. Huijin Stone had not fully contributed to social insurance and housing funds for its employees until September 2013.	Huijin Stone may be ordered to pay up the outstanding social insurance premiums and housing funds within a prescribed time limit due to such non-compliance. We estimate that the contribution shortfall amounted to approximately RMB795,009 for the Track Record Period. Furthermore, any delayed payment of social insurance premiums may be subject to an overdue fine. We estimate that the maximum overdue fine on Huijin Stone's contribution shortfall amounted to approximately RMB21,872 for the Track Record Period.	Huijin Stone has fully complied with social insurance and housing funds contribution requirements from September 2013. We have made provision for the historical contribution shortfall of RMB795,009 in the Accountants' Report.	To ensure on-going compliance, Huijin Stone has taken the following rectification measures: (i) commencing contact with the relevant authorities to make arrangements to commence paying historical contribution shortfall on the social insurance and housing funds; (ii) strengthening legal compliance training to our management team; and (iii) enhancing our internal control.

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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Upon completion of the Global Offering, Mr. Liu, through Liu's Group, will be interested in approximately 48.7% to 53.9% of the issued share capital of our Company taking no account into Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Mr. Liu and Liu's Group will be our Controlling Shareholders.

None of our Controlling Shareholders are interested in any business which is, whether directly or indirectly, in competition with our business.

Independence from our Controlling Shareholders

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective associates (other than our Group) upon Listing for the following reasons:

Management independence — Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

(a) as of the Latest Practicable Date, no executive Director had overlapping roles or responsibilities in any business operation other than our business;

(b) our Controlling Shareholders do not operate any business other than our business;

(c) as of the Latest Practicable Date, none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our business;

(d) each Director is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her interest;

(e) our Articles of Association provide that, in the event that there is a potential conflict of interest arising out of any transaction or arrangement to be entered into between our Company or any member of our Group and any of our Directors or his/her respective associates, the interested Director(s) shall fully and fairly disclose his/her interest and shall abstain from voting at the relevant board meetings of our Company, nor shall such interested Directors be counted in the quorum present at such meeting in respect of such transactions or arrangement; and

(f) our Board comprises eight Directors and three of them are independent non-executive Directors, which represent more than one-third of the members of the Board. This is in line with current corporate governance practice in Hong Kong.

Operational independence — Our Company makes business decisions independently. Our Group holds all relevant licenses necessary to carry on our business, and has sufficient capital, equipment and employees to operate its business independently. As of the Latest Practicable Date, we had our own independent operation capabilities and independent access to customers and suppliers and, save as disclosed in the section entitled "Connected Transactions" beginning on page 160 of this prospectus, we had not entered into any connected transactions with any connected person of our Group. Details of the continuing connected transactions that will continue after Listing are set out in the section entitled "Connected Transactions" beginning on page 160 of this prospectus. Our Group's continuing connected transactions have been entered into and will continue to be entered into on normal commercial terms and in our ordinary course of business.

Financial independence — We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. We are financially independent of our Controlling Shareholders and their associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates have been fully settled and all guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing will be released upon Listing and will be replaced by a corporate guarantee. The amounts due from related companies as of September 30, 2012 have been fully released. In addition, our Group has an independent financial system and makes financial decisions according to its own business needs.

Our Directors are satisfied that we are capable of carrying on our business independently from any of our Controlling Shareholders and their respective associates (other than our Group) after our Company is listed on the Stock Exchange.

Non-competition Undertakings

In order to eliminate any existing or future competition with us, Mr. Liu and Liu's Group (the "Covenantors") have undertaken to us in the Deed of Non-competition that they will not, and will procure their associates not to engage in business which may or will be in competition with our business, including (without limitation) the following activities:

- acquiring, holding, developing, transferring, disposing or otherwise dealing in, whether directly or indirectly, in the marble business or related investments;
- engaging, having a right or in any way having an economic interest, in the promotion or development of or investment in the marble business; or
- acquiring, holding, transferring, disposing or otherwise dealing in any option, right or interest over any of the matters set out in the two paragraphs above; except for acquiring, holding, transferring, disposing or otherwise dealing in, directly or indirectly, shares of any company, joint venture, corporation or entity of any nature, whether or not incorporated, with any interest in the matters set out in the two paragraphs above so long as their aggregate interest in any such entity is less than 5% of its equity interest.

The Deed of Non-competition will lapse automatically if our Controlling Shareholders and their associates cease to hold, whether directly or indirectly, any of our Shares.

The Deed of Non-competition also provides that:

- each of the parties has undertaken to us that he/it will, and will procure its/his associates to use its/his best endeavours to provide all information necessary for the annual review by the independent non-executive Directors of his/her compliance with the Deed of Non-Competition and the enforcement of the Deed of Non-competition or a negative confirmation, as appropriate;

- each of the parties will make an annual declaration in our annual report on compliance with his/its undertakings under the Deed of Non-competition in the annual reports of our Company as the independent non-executive Directors think fit and to ensure disclosure of details of their compliance with and the enforcement of the non-competition undertakings under the Deed of Non-Competition is consistent with the relevant requirements under the Listing Rules; and

- each of the parties has undertaken to procure our Company to disclose decisions on matters reviewed by our independent non-executive Directors, at least on an annual basis, relating to the compliance and enforcement of its/his/her non-competition undertakings under the Deed of Non-Competition, either through the annual report or by way of announcements to the public.

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive officer or those of our subsidiaries, any of their associates and any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions which will continue after Listing will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Property Lease

Huijin Stone entered into two property lease agreements (the "Lease Agreements") dated June 1, 2012 and August 1, 2012, respectively, with Xiamen Zhonglianjian, pursuant to which Xiamen Zhonglianjian agreed to lease to Huijin Stone in respect of the property located at Rooms 2303 and 2304, Tower B, Haifu Centre, No. 599 Xishui Road, Huli District, Xiamen, the PRC (the "Property") with a total area of 894.37 square meters, for a term commencing from June 1, 2012 to June 30, 2015 and from August 1, 2012 to June 30, 2015, respectively.

In 2012 and for the nine months ended September 30, 2013, the total rent paid by Huijin Stone to Xiamen Zhonglianjian under the Lease Agreements amounted to approximately RMB246,000 and RMB406,800, respectively. The rent payable by Huijin Stone to Xiamen Zhonglianjian in respect of the Property is comparable to the prevailing market price for properties of similar quality in the neighbouring areas to which the Property is located and the Lease Agreements were entered into on normal commercial terms.

Our Directors estimate that the aggregate maximum annual rent provided by Huijin Stone to Xiamen Zhonglianjian under the Lease Agreements for each of the three years ending December 31, 2015 will not exceed RMB542,400.

As at the Latest Practicable Date, Xiamen Zhonglianjian is owned as to 95% by Mr. Liu, our Director and Controlling Shareholder and 5% by Ms. Chen Shuangping. As such, Xiamen Zhonglianjian is a connected person of our Company for the purpose of the Listing Rules, and the transactions under the Lease Agreements will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the percentage ratios (other than the profits ratio) for the Lease Agreements are expected to be less than 5% and the annual consideration is less than HK$1,000,000 on an annual basis, the transactions under the Lease Agreements constitute continuing connected transactions for our Company which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION

Directors' Confirmation

Our Directors (including the independent non-executive Directors) confirmed that the continuing connected transactions in respect of the Lease Agreements have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, and are fair and reasonable to our Company and in the interests of our Company and the Shareholders as a whole. Our Directors (including the independent non-executive Directors) further confirmed that the proposed annual caps in respect of the continuing connected transactions under the Lease Agreements are fair and reasonable and are in the interests of our Company and the Shareholders as a whole.

Compliance with the Listing Rules

If the material terms of the Lease Agreements are altered to the extent that it is no longer an exempted continuing connected transaction or if we enter into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us exceed the limits for exempted connected transactions or exempted continuing connected transactions referred to in the Listing Rules, we will comply with the relevant requirements of the Listing Rules.

BOARD OF DIRECTORS

DIRECTORS

Our Board of Directors currently consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth information regarding our Directors.

Name	Age	Position	Roles/ Responsibilities	Date of appointment as director	Date of joining the Group
Mr. LIU Chuanjia.	35	executive Director, chairman and chief executive officer	strategic planning and overall operation	September 23, 2011	June 15, 2011
Mr. LI Dingcheng	51	executive Director and the manager of geology, production and environmental safety	production safety, environmental and geological matters	July 26, 2012	March 2, 2012
Mr. WANG Pingyao	54	executive Director and the technical and quality research department manager	mining and processing technologies and equipment	December 9, 2013	July 1, 2011
Mr. FAN Huiming	44	executive Director and vice president	stone processing and preparatory work for the construction of the stone processing factory	December 9, 2013	August 23, 2012
Mr. WU Yun	33	non-executive Director	auditing and financial affairs	July 26, 2012	July 26, 2012
Mr. LIU Jianhua	49	independent non-executive Director	performing the role of an independent non-executive Director	December 9, 2013	December 9, 2013
Mr. WANG Hengzhong . .	45	independent non-executive Director	performing the role of an independent non-executive Director	December 9, 2013	December 9, 2013
Mr. JIN Sheng	53	independent non-executive Director	performing the role of an independent non-executive Director	December 9, 2013	December 9, 2013

Save as disclosed below, there are no other matters concerning each of our Directors' appointment that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Executive Directors

Mr. LIU Chuanjia, aged 35, became the founder of our Group in 2011 and is currently an executive Director, the chairman and the chief executive officer of our Group. Mr. Liu has over 12 years of experience in the stone trading industry and over six years of experience in the stone sculpting industry. Since 2011, Mr. Liu has been mainly responsible for our Group's strategic planning and overall operation, including mining, sales and productivity expansion, reviewing and analyzing mineral exploration reports and feasibility reports, procuring mining, equipment and recruiting geology and mining experts. From 1992 to 1998, Mr. Liu worked as stone designer and sculptor at Hui'an Hailong Stone Carving Factory and Fujian Tengfei Ancient Architecture Landscape Co., Ltd., mainly responsible for design and carving of stone into sculpture. From 1999 to 2004, Mr. Liu operated the import and export of marble and granite jointly with Xiamen Sharing Metals & Minerals Import and Export Co., Ltd., and was mainly responsible for liaising with customers in Japan, Germany and the United States and collecting information on domestic stones. Mr. Liu was the executive director and general manager of Xiamen Zhonglianfa Import and Export Co., Ltd. from December 2004 to August 2012. During his tenure in Xiamen Zhonglianfa Import and Export Co., Ltd., Mr. Liu visited the mines and explored the stone industry in Japan, South Africa and Brazil and exported stone products including marbles to the United States, Canada, Turkey, Japan and South Korea. In 2008, Mr. Liu was elected as a permanent member of the second session of the Youth Committee of the Fujian Federation of Returned Overseas Chinese. In 2009, he was elected as the deputy chairman of the third session of the Youth Committee of the Fujian Federation of Returned Overseas Chinese. In 2012, Mr. Liu was the permanent member of the first session of the Fujian Federation of Overseas Chinese Entrepreneurs and a standing member of the third session of the council of Fujian Stone Industry Association. Since April 2013, he has been attending the executive leadership programme on management of small-to-medium enterprises organized by the Ministry of Industry and Information Technology at School of Management of Xiamen University.

As of the Latest Practicable Date, Mr. Liu did not hold directorship in any listed public companies in the past three years.

Mr. LI Dingcheng, aged 51, is currently an executive Director and the manager of geology, production and environmental safety of our Group. He joined our Group on March 2, 2012 and is mainly responsible for overseeing production safety in the Yongfeng Mine, compiling mining geological studies and evaluating mining policies. Mr. Li has over 24 years of experience in the mineral and geological exploration industry, with a particular focus on mine safety evaluation and management, based on his site visits of various mines, and understanding and analysis of the exploration and extraction process. Mine safety and environmental evaluation is an indispensable process for mine exploration and extraction and requires a concrete and substantial understanding of the techniques and procedures of mine exploration and extraction. Prior to joining our Company, from 1985 to December 2000, Mr. Li had worked as an assistant engineer, engineer, senior engineer and the project leader of Geological Engineering Investigation Institute of National Building Materials Bureau, where he was responsible for the inspection, exploration planning and evaluation of various mineral resources including marbles and granite, the environmental impact evaluation on mines and cement factory construction projects, including a detailed review and analysis on marble mines and writing a report named The Manual on Chinese National Marble and Granite Decorative Stone Resources Distribution and Forecast Atlas. From February 2003 to June 2006, Mr. Li was the technical manager of the Environmental Impact and Safety Evaluation Centre of the Sino-African Geological Engineering Exploration Research Institute, where he was responsible for conducting safety assessment for outdoor and underground mining sites, including the review and assessment of mining exploration and extraction processes. For the evaluation of safety and the environmental impact of each mine, Mr. Li generally had to spend a period spanning from three to twelve months conducting site visits at the relevant mine, where he would study the characteristics of the mine and analyze the workflow of the exploration and extraction processes before devising a technical mining exploration and extraction proposal in compliance with the relevant laws and regulations. From August 2006 to December 2008, Mr. Li was a project manager at the Environmental Impact Evaluation Centre of China Research Academy of Environmental Sciences, where he was responsible for matters relating to environmental impact evaluation and planning of mines, which covered an analysis of the daily operation of mines and how the mining exploration and extraction process impacts on the environment. In carrying out such analysis, Mr. Li conducted site visits at the mines to inspect the characteristics of the mines, studied the workflow of the exploration and extraction processes, designed proposals to implement mining exploration and extraction activities in compliance with the relevant laws and regulations. From December 2008 and February 2010, he was the chief engineer and technical leader of the environmental impact assessment department and the person-in-charge of the safety assessment department in Beijing Zhong'an Quality Assessment Center, where he was responsible for the environmental evaluation of mines, which covered an analysis of the daily operation of mines and how the mining exploration and extraction process impacts on the surrounding environment. From February 2010 to February 2012, Mr. Li worked as the chief engineer, the technical director of No. 2 evaluation department and the manager of the projects department in Century Safety Technology Co., Ltd (Beijing), where he was responsible for the safety evaluation of marble and granite quarries, which entailed a detailed review and analysis of the marble and granite exploration and extraction process. In carrying out such review and analysis, Mr. Li conducted site visits at the marble and granite mines to inspect the characteristics of the mines, and monitored the workflow of the exploration and extraction processes. Mr. Li graduated from Chengdu College of Geology (currently known as Chengdu University of Technology) with a bachelor's degree in engineering in July 1985, majoring in geology and mineral resources survey. Mr. Li was awarded the title of senior engineer in 1998. He is currently a certified safety engineer in the PRC. Mr. Li also has substantial achievement in stone theoretical research. Mr. Li received several awards on the research of stone theory. The project named PRC Natural Marble, Granite Resources and Research, which was led by Mr. Li, was awarded the second prize of 1992 yearly scientific and technological progress issued by China Construction Materials and Geological Prospecting Center. He also published the article named PRC Natural Marble, Decorative Granite Stone Resources Forecast and Analysis during the Third National Youth Geologists Symposium. As of the Latest Practicable Date, Mr. Li did not hold directorship in any listed public companies in the past three years.

Mr. WANG Pingyao, aged 54, is currently an executive Director and the technical and quality research department manager of our Group. He joined our Group on July 1, 2011 and is mainly responsible for providing technical guidance to miners, providing technical support in mines construction, mining machinery and equipment and supervising and managing blocks mining and large plate processing. He has over 16 years of experience in mining technology and management. From May 1996 to August 2002, Mr. Wang worked at the Asia-Pacific region of CMS SpA as a technical engineer of the service division, where he was mainly responsible for providing technical services to various marble mining companies and such technical services included the enhancement of the marble mining exploration and extraction process. From September 2002 to November 2005, as a senior consultant of Xianglian Stone (Xiamen) Co., Ltd, Mr. Wang acquired experience in mineral exploration and business development in China, and was also involved in the construction and trial production of stone processing plants, including marble processing plants. From December 2005 to June 2007, as a consultant of Xu Chao Stone Materials Co., Ltd, he was responsible for advising the export of stone materials, including marbles. In 2007, Mr. Wang founded Yao Interlink Limited, which was engaged in the export of stone and marble mining and exploration equipment and provision of technical consultation on stone and marble exploration to clients in Israel, Kazakhstan and Kyrgyzstan. Mr. Wang graduated from National Cheng Kung University with a bachalor's degree in mechanical engineering in 1982, majoring in industrial production. As of the Latest Practicable Date, Mr. Wang did not hold directorship in any listed public companies in the past three years.

Mr. FAN Huiming, aged 44, is currently an executive Director and the vice president of our Group. He joined our Group on August 23, 2012, and is mainly responsible for the supervision and management of stone processing, the selection and coordination of the external processing factories and the preparatory work for the building of the stone processing factory of our Company. He has over 18 years of experience in the stone processing industry and had worked in various stone processing companies prior to joining our Group. From March 1994 to November 1995, Mr. Fan was the head of the production department of Universal Marble & Granite Group Ltd., where he was responsible for the production management of irregular-shaped marble products. Mr. Fan advised and participated in the development and implementation of the mining exploration and exploitation programme from the beginning to the end. From December 1995 to December 2003, Mr. Fan was the production plant manager of Dongguan City Dongcheng Stone Materials Co., Ltd., where he was responsible for the production management of the engineering plant of irregular-shaped marble materials. As the representative of the processing department, Mr. Fan advised the development and implementation of the plan of mining exploration and exploitation, communicated with the exploration department, mining department and technical department during the entire process of exploration and exploitation. From February 2004 to December 2006, Mr. Fan was the production director of Xishi Group Development Co., Ltd. (currently known as Xishi Co., Ltd.), where he was responsible for the production management of an irregular-shaped marble material factory, a marble plates factory and a sheet plates factory and the external processing. As the representative of the processing department, Mr. Fan advised the development and implementation of the plan of mining exploration and exploitation, communicated with the exploration department, mining department and technical department on exploration and exploitation workflow during the entire process of exploration and exploitation. He was awarded the Quanzhou Outstanding Foreign Labour Entrepreneurial Award under the "Second Top Ten Outstanding Foreign Entrepreneurs of Quanzhou City, Fujian Province Scheme" in 2006. From February 2007 to March 2012, Mr. Fan was the production plant manager and the deputy general manager of Universal Marble & Granite Group Ltd., where he was responsible for the production management of the projects department (mainly the stone processing in marble projects), establishment and management of the Marble Creation Industrial Park and the management of a marble processing line. Mr. Fan advised and participated in the development and implementation of the mining exploration and exploitation programme from the beginning to the end. In relation to Mr. Fan's representation of the processing department and his advice on the development and implementation of the plan of mining exploration and exploitation during all the aforementioned periods, interactive communication between the processing and the exploration departments is vital in the entire process of exploration and exploitation, because members of the processing department must feed important information, such as the design patterns and specifications of marbles in line with the current market demand, to the exploration department so that the raw marbles would be extracted using appropriate methods for subsequent processing. Unlike other commodities mining, precision in cutting a marble block is crucial to its usability and marketability. Cutting a marble block in a slightly different angle may render a marble block unusable and unmarketable. As such, members of the processing department must educate mine employees on the cutting techniques that would maximize the value of marble blocks for further processing. In this regard, given his deep knowledge on marble mining and processing, Mr. Fan's advice on how the raw marbles are extracted from the mine as regards the design patterns and specifications of marbles in line with the current market demand, as well as his on-the-ground education and supervision of mine employees in the marble extraction process to ensure marble blocks are properly cut to maximize their value, is essential to the entire exploration process and such knowledge and experience is very valuable to our mining operations. Mr. Fan graduated from Jiangxi Industrial University (currently Nanchang University) with junior college diploma in 1992, majoring in machinery. He was awarded the honorary title "the Best 100 Reform Model Newsmaker" issued by State Council Economic Restructuring Office Reform Press and National Farmer Newspapers Association in August 2000 and the certification of "Workplace Management Improvement" issued by Hong Kong Enterprises Management Center Group in November 2008. In addition, he became a senior registered production management manager of the CHC Manager Human Resource of China High-technology Education Working Committee in 2010. As of the Latest Practicable Date, Mr. Fan did not hold directorship in any listed public companies in the past three years.

Non-executive Director

Mr. WU Yun, aged 33, was appointed as a non-executive Director in July 2012. Mr. Wu has over ten years of experience in audit, equity research and investment. From August 2002 to July 2003, Mr. Wu was an auditor at the Beijing office of KPMG, where he was primarily responsible for auditing the financial statements of listed companies. From January 2004 to April 2005, he was an analyst at China International Capital Corporation, where he was primarily responsible for conducting research on China's insurance and banking industries. From April 2005 to August 2006, Mr. Wu was a research analyst of BNP Paribas Equities (Asia) Limited Beijing Representative Office, where he was primarily responsible for conducting research on China's energy and metals industries. In January 2007, Mr. Wu joined Carlyle Investment Consulting (Shanghai) Co., Ltd. (Beijing Branch) and is now providing advice on growth capital investment in Asia as a director. Since May 2010, Mr. Wu has been a director of Jiangsu Rainbow Heavy Industries Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2483). Mr. Wu graduated from University of International Business and Economics with a bachelor's degree in economics in July 2002. As of the Latest Practicable Date, save as disclosed above, Mr. Wu did not hold directorship in other listed public companies in the past three years.

Independent Non-executive Directors

Mr. LIU Jianhua, aged 49, was appointed as an independent non-executive Director on December 9, 2013. Mr. Liu has over 17 years of experience in managing construction projects involving glass and stones. From 1985 to 1990, Mr. Liu was an assistant engineer and subsequently an engineer of National Building Material Bureau Technology Information Institute. From 1990 to 2006, he was the vice secretary-general, secretary-general and vice president of China Architectural and Industrial Glass Association, respectively. Since 2006, Mr. Liu has served as the vice president of China Stone Material Association. Since 2010, he has been an independent non-executive director of Zhuzhou Kibing Group Stock Co., Ltd., a company listed on the main board of Shanghai Stock Exchange (stock code: 601636). Mr. Liu graduated from East China University of Science and Technology with a bachelor's degree in engineering in July 1985. He obtained the qualification of senior engineer from SASAC in October 2009. As of the Latest Practicable Date, save as disclosed above, Mr. Liu did not hold directorship in other listed public companies in the past three years.

Mr. WANG Hengzhong, aged 45, was appointed as an independent non-executive Director on December 9, 2013. Mr. Wang has over 14 years of experience in auditing and accounting. Mr. Wang is currently a partner of the auditing department of the Grant Thornton Group. From August 1998 to December 2007, Mr. Wang was the chief accountant of Shanghai Jiahua Accountancy Co., Ltd. From December 2007 to September 2009, he was the legal representative of Shanghai Junfu Pan Chen Zhang Jiahua Accountancy Co., Ltd. (a company formed from the merger of Shanghai Pan Chen Zhang Joint Accounting Firm and Shanghai Jiahua Accountancy Co., Ltd.). From September 2009 to July 2012, he was a partner of Jingdu Tianhua Accountancy Co., Ltd. (Shanghai Branch), as a result of the partnership between Shanghai Junfu Pan Chen Zhang Jiahua Accountancy Co., Ltd. and Jingdu Tianhua Accountancy Co., Ltd. In December 2011, Jingdu Tianhua Accountancy Co., Ltd. (Shanghai Branch) was reorganized and the Shanghai branch of Grant Thornton Accounting Firm (a special general partnership) was established. Mr. Wang has been its partner since January 2013. Mr. Wang graduated from Shanghai Institute of Building Materials (currently known as Tongji University) with a junior college diploma in July 1990, majoring in financial accounting. Mr. Wang obtained a master's degree in professional accountancy from the Chinese University of Hong Kong in December 2006. He was also awarded the certificate of qualification for independent directors by the Shanghai Stock Exchange in April 2013. Mr. Wang is currently an executive member of the council in Shanghai Young Entrepreneurs Association, a member of Jiu San Society and a member of Shanghai Jia Ding District Political Consultative Committee. He is a certified public accountant in the PRC and is currently a member of the disciplinary committee of the Association of Certified Public Accountants of Shanghai. As of the Latest Practicable Date, Mr. Wang did not hold directorship in any listed public companies in the past three years.

Mr. JIN Sheng, aged 53, was appointed as an independent non-executive Director on December 9, 2013. Mr. Jin has over 15 years of experience in banking and finance. He was the director and deputy director, respectively, of the credit card business department, director of the credit card business center of Industrial and Commercial Bank of China Xiamen branch from September 1997 to April 2001, section chief and vice president of Xiamen Industrial and Commercial Bank of China from June 2001 to April 2007, specialist of Industrial and Commercial Bank of China Co., Ltd. Tianjin Internal Audit Bureau from April 2007 to October 2007, president of Xiamen Industrial and Commercial Bank of China from October 2007 to November 2011 and vice president of Industrial and Commercial Bank of China Fujian branch from November 2011 to May 2012. Since January 2012, Mr. Jin has served as the president of Fengrun Financial Holding Group Ltd. Mr. Jin graduated from Xiamen University with a master's degree in senior management business administration in June 2012. He obtained the qualification of senior accountant from the Industrial and Commercial Bank of China in August 1999. As of the Latest Practicable Date, Mr. Jin did not hold directorship in any listed public companies in the past three years.

SENIOR MANAGEMENT

The following table presents certain information concerning the senior management personnel of our Group:

Name	Age	Position	Roles/ Responsibilities	Date of joining our Group/appointment to present position
Mr. NIE Zhiqiang	46	vice president, production	mining plans confirmation, product quality control and product transportation	June 18, 2012
Mr. LIU Xiangbo	37	mine head	mining production team, execution of mining plans, mining employees' training, production safety and quality control	May 5, 2012
Mr. FENG Song	36	deputy mine head	oversee the technical implementation of mining exploration and extraction activities	July 15, 2012
Mr. ZHANG Min	41	vice president, sales	domestic sales strategy and sales tasks, resolving sales tasks, management of domestic distributors and marketing center	July 20, 2012
Ms. AI Qinghua	47	financial controller	advise our Group on major strategies, financial planning and risk management, financial budget and internal audit	January 14, 2013

Mr. NIE Zhiqiang, aged 46, is currently the vice president of Jueshi Mining in charge of production, responsible for mining plans confirmation, product quality control and product transportation of our Group. Mr. Nie joined our Group on June 18, 2012, and has over 20 years of experience in mining production. Prior to joining our Group, Mr. Nie was responsible for the mining production and management of various companies. He worked in Shanxi Sida Construction Materials Co., Ltd from June 1991 to October 1997, serving as general staff, supervisor of quality control, head of production and person-in-charge of mining operation, respectively, responsible for the quality control and assurance of granite mines and production management, including a detailed analysis of the granite exploration and extraction process. He worked in Shanxi Huajun Stone Enterprise Co., Ltd from November 1997 to November 2000, serving as production manager and mining head, responsible for the production, exploration and extraction management of a mine and a mine processing plant, including marbles and stones. From March 2001 to August 2004, Mr. Nie was the mine and factory manager of Shanxi Evergreen Stone Co., Ltd, responsible for mineral resource management and formulation and execution of granite mining production plans. From March 2005 to June 2009, he was the assistant manager and the mine manager of the mineral resource department of Universal Marble & Granite (Dongguan) Co., Ltd, responsible for mining and management, including the daily management of the marble mining and resources department, evaluating mine acquisition targets by assessing the nature and quality of marble and granite in mines, formulating marble mine exploration plans and proposals to facilitate mining production, organizing and coordinating mining exploration and extraction activities, and organizing training for mining personnel on the technical, safety and environmental protection aspects of marble mines. From February 2010 to June 2012, he served as the vice general manager of Hubei Era Mining Co., Ltd., responsible for overseeing marble mining affairs and the operation of a marble mine processing plant, which covered the marble exploration and extraction process.

Mr. LIU Xiangbo, aged 37, is currently the mine head of Jueshi Mining, responsible for the setting up and management of mining production team, the execution of mining plans, supervision and management of the production, supervising the training of mining employees, production safety and quality control. Mr. Liu joined our Group on May 5, 2012, and has over 14 years of experience in mining production. Prior to joining our Company, from March 1998 to April 2011, Mr. Liu was the head of marble mines in Sichuan of Sichuan Daxing Stone Material Co., Ltd, where he was responsible for technical supervision and management of extraction equipment, in addition to the management of production and safety in marble mines. Mr. Liu was the mine production manager and deputy mines production manager, respectively, of Sichuan Jiangyou Jinshida Stone Co., Ltd from June 2011 to February 2012, responsible for mines exploration, assisting the marble mines production manager in all matters relating to production, including quality assurance and evaluation of the performance of miners during the marble exploration and extraction process. He was also the production mines manager of Gansu Yumen Huadi Mining Co., Ltd from February 2012 to May 2012, where he was involved in the granite mine planning, production coordination and verification of granite mining output. Mr. Liu graduated from Sichuan Water Resources and Electric School (currently known as Sichuan Water Conservancy Vocational College) in July 1996, and obtained the qualification as the main person in charge for non-coal mines in August 2012.

Mr. FENG Song, aged 36, is currently the deputy mine head of Jueshi Mining, responsible for overseeing the technical implementation of mining exploration and extraction activities, as well as advising on matters relating to the technical aspects of the operation of mines. Mr. Feng joined our Group on July 15, 2012, and has over 8 years of experience in mining exploration and extraction. Prior to joining our Company, from June 1999 to January 2006, Mr. Feng was the person-in-charge of the mine technical department of the Wudinglisha Stone Co., Ltd., responsible for formulating technical proposals in relation to the exploration of marble mines, supervising marble mine extraction activities, providing technical support to the implementation of mine exploration technical proposals and operation of mining equipment, as well as training technical personnel for marble mines. Mr. Feng was the technical director of Hunan Yingzi Hill Stone Exploration Co., Ltd. from March 2010 to May 2012, where he was responsible for formulating and implementing marble mine exploration plans, supervising marble mine exploration and extraction activities to ensure compliance with the relevant environmental protection and production safety laws and regulations, providing technical support to the operation of mining equipment and training technical personnel for marble mines. Mr. Feng graduated from Changchun Industrial Tertiary Institute (currently known as Changchun Institute of Technology) in May 1998 specializing in mine geology.

Mr. ZHANG Min, aged 41, is currently our Group's vice president in charge of sales, responsible for making domestic sales strategy and sales tasks, resolving sales tasks and the management of domestic distributors and marketing center. Mr. Zhang joined our Group on July 20, 2012, and has over ten years of experience in the sales of building materials. Prior to joining the Company, Mr. Zhang was the sales director of East China Region and marketing manager of Guangdong Bode Fine Building Material Co., Ltd. from July 2002 to January 2006, where he was responsible for the sales of building materials, development of distribution network and promotion of the company brand. From

February 2006 to March 2008, he was the relationship manager of major clients and the deputy general manager of Guangdong New Zhongyuan Ceramics Enterprise Group, where he was responsible for the sales of various ceramics products. From March 2008 to May 2009, Mr. Zhang was the sales general manager of Wanfeng Stone Technology Co., Ltd., where he was responsible for establishing sales networks for the company. From 2009 to 2012, Mr. Zhang was the general manager of Beijing Ziyin Century Technological Development Co., Ltd., where he was responsible for the sales of stone materials.

Ms. AI Qinghua, aged 47, is currently our Group's financial controller, responsible for advising our Group on matters relating to major strategies, financial planning and risk management and the management of financial budget and internal audit. Ms. Ai joined our Group on January 14, 2013, and has over 27 years of experience in financial management. Prior to joining our Company, from July 1985 to August 1988, Ms. Ai was the chief accountant, the deputy general manager and the general manager of the finance department of Henan Zhumadian Industrial Trading Center, where she was responsible for internal audit and financial reporting. Ms. Ai was the chief financial officer of various companies, including Hong Kong Kingboard Chemical Holdings Limited from August 1998 to April 2006, where she was responsible for strategic development and financial affairs, Guangxi Jingdaxing Paper Industrial Co., Ltd from September 2006 to December 2011, where she was responsible for preparing the company for initial public offering, and Henan Junding Group Co., Ltd. from February 2012 to December 2012, where she was responsible for internal control and cost management. Ms. Ai graduated from Zhongnan University of Economics and Law with a bachelor's degree in laws via distance learning in 1997. Ms. Ai obtained the qualification of National Intermediate Accountant and International Certified Public Accountant in 1997 and 2009, respectively. She attended a course on chief financial officer (Phase II) under the Executive Development Programme at Xiamen University from April 2008 to June 2009. She became a qualified internal control consultant in the PRC in January 2013.

Comparison of Extraction and Exploration Activities for Marble and Granite

As set out above, certain members of our senior management and Directors were involved in marble and/or granite mining. In fact, as confirmed by the Competent Person, the mining processes of granite do not differ materially from marbles and the skills applicable to granite are transferrable to marble mining activities, as marbles and granite are substantially similar in the following perspectives: (i) characteristics; (ii) mine planning; (iii) exploration, ore extraction and production; (iv) ore handling and processing; and (v) safety measures.

In particular, the mining processes and skills for the extraction and exploration of marble and granite are similar in the following aspects:

- Both marble and granite share substantially the same physical characteristics and can be used as decorative surfacing stones;
- Both marble and granite both belong to the stone mines, with very similar design for mine construction and mining production;
- The mining processes for marble and granite are very similar, and such processes include overburden and weathered rock stripping, bench development, bench block separated by cutting, overturning the separated bench block, separating the large bench blocks to appropriate smaller sized blocks for commercial production, trimming the blocks to regular rectangular shape, block transportation, and slag removal;

- The mining approach for marble and granite is the same, namely open pit mining by bench;
- The mining method for both marble and granite is the same, namely drilling and splitting, as well as mechanical sawing;
- The equipment for mining marble and granite is the same, namely vertical and horizontal drills, diamond wire cutting machines, disk saws, etc.;
- The lifting and hoisting equipment, as well as transportation equipment, for mining marble and granite is the same; and
- The design and construction of the safety measures for both marble and granite mines are exactly the same.

COMPANY SECRETARIES

Ms. CHEUNG Yuet Fan, aged 48, is the company secretary of our Company and a senior manager of the Corporate Services Division of Tricor Services Limited. Ms. Cheung was appointed as our joint company secretary on December 9, 2013. Ms. Cheung has worked in various Hong Kong listed groups and Deloitte Touche Tohmatsu and has over 20 years of experience in the company secretarial field. Ms. Cheung is an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators of the United Kingdom.

Ms. JIAO Jie, aged 33, is the joint company secretary of our Company and was appointed to such position on December 9, 2013. She is also our Group's general legal counsel, responsible for the preparation for the Global Offering, and private equity financing and legal affairs of our Company. Ms. Jiao joined our Group on March 1, 2012, and has over eight years of experience in initial public offerings, private equity financing and corporate legal affairs. Prior to joining the Company, from 2004 to 2007, Ms. Jiao was a legal assistant of Jingtian & Gongcheng. From March 2007 to January 2010, she was the board secretary and special assistant to the chairman of China Sunshine Paper Holdings Company Limited, a company listed on the main board of Hong Kong Stock Exchange (stock code: 02002). From January 2010 to February 2012, Ms. Jiao was the chief counsel and head of investor relations of Soufun Holdings Limited, a company listed on the New York Stock Exchange (stock code: SFUN). Ms. Jiao graduated from the Law School and China Center for Economic Research at Peking University with bachelor's degrees in law and economics in July 2003 and obtained a degree of magister juris from University of Oxford in July 2005. Ms. Jiao obtained the certificate of Legal Profession Qualification in March 2010. She also obtained Registered Qualification Certificate of Enterprise Legal Adviser of the PRC from SASAC in May 2012.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on December 9, 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group.

The audit committee comprises Mr. Liu Jianhua, Mr. Wang Hengzhong and Mr. Jin Sheng. Mr. Wang Hengzhong has been appointed as the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee on December 9, 2013 with written terms of reference as suggested under the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee include determining the policies in relation to human resources management, reviewing our Company's remuneration policies and determining remuneration packages for Directors and senior management members of our Company.

The remuneration committee comprises Mr. Liu Chuanjia, Mr. Wang Hengzhong and Mr. Jin Sheng. Mr. Jin Sheng has been appointed as the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee on December 9, 2013 with written terms of reference as suggested under the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary function of the nomination committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises Mr. Liu Chuanjia, Mr. Jin Sheng and Mr. Liu Jianhua. Mr. Liu Chuanjia has been appointed as the chairman of the nomination committee.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, the roles of chairman and chief executive officer of the Group should be separate and should not be performed by the same individual such that there is a clear division of responsibilities for the management of the Board on the one hand and the day-to-day management of our Group's business on the other hand to ensure a balance of power and authority. Mr. Liu is the chairman as well as the chief executive officer of our Group. He has extensive experience in the stone trading and stone sculpting industry and has strong contribution to the development and growth of the business of our Group. He has been responsible for our Group's strategic planning and overall operation of our Group since he founded our Group in 2011.

The Board believes that the arrangement of having Mr. Liu acting as both the chairman and the chief executive officer of our Group is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of our Group as the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who will meet regularly to discuss issues affecting the operation of our Group. The Board has full confidence in Mr. Liu and believes that his appointment to the posts of chairman as well as the chief executive officer is beneficial to the business prospects of our Group.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses relating to the performance of the Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, the aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors was RMB62,000, RMB532,000, RMB340,000 and RMB640,000, respectively. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid or payable by the Company to our five highest paid individuals for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013 was approximately RMB261,000, RMB918,000, RMB648,000 and RMB1,067,000, respectively.

No remuneration was paid by the Company to our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013. Further, none of our Directors had waived any remuneration during the same period.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2013 shall be no more than RMB860,000.

Each of our executive Directors has entered into a service contract with our Company dated December 9, 2013 and our Company has also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors. Further details of the terms of the above service contracts and letters of appointment are set out in the section entitled "Statutory and General Information — Further Information about our Directors, Substantial Shareholders and Experts" in Appendix V to this prospectus.

COMPLIANCE ADVISOR

We have appointed CMB International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

PRE-IPO SHARE OPTION SCHEME

In order to assist us in attracting, retaining and motivating our key employees and senior management, we adopted a Pre-IPO Share Option Scheme on December 9, 2013, details of which are set out in Appendix V headed "Statutory and General Information — Pre-IPO Share Option Scheme" to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Statutory and General Information — Share Option Scheme" in Appendix V to this prospectus.

CORNERSTONE PLACING

As part of the International Offering, our Company and the Sole Global Coordinator entered into a cornerstone placing agreement with VMS Investment Group Limited (**"VMS"**) on December 11, 2013. Pursuant to the cornerstone placing agreement, which was negotiated and entered into on arm's length basis, VMS has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$20 million (approximately HK$155 million based on the noon buying rate for U.S. dollars in New York City for cable transfers in the Hong Kong dollar as certified for customs purposes by the Federal Reserve Bank of New York as of December 6, 2013) at the Offer Price. Assuming an Offer Price of HK$2.43 (being the low end of the Offer Price range set forth in this Prospectus), VMS would subscribe for 63,820,000 Shares, representing approximately 4.8% of the total issued Shares outstanding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$2.73 (being the mid-point of the Offer Price range set forth in this Prospectus), VMS would subscribe for 56,807,000 Shares, representing approximately 4.3% of the total issued Shares outstanding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). Assuming an Offer Price of HK$3.03 (being the high end of the Offer Price range set forth in this Prospectus), VMS would subscribe for 51,182,000 Shares, representing approximately 3.8% of the total issued Shares outstanding upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

VMS is the holding company of an investment group of companies covering businesses of proprietary investments, asset management, securities brokerage and corporate advisory services.

VMS has confirmed that it is not an existing shareholder of our Company, is not a connected person or an associate of our Company and is an Independent Third Party. We will disclose the actual number of Offer Shares to be allocated to VMS in the allotment results announcement that we will issue on or before December 27, 2013.

The Offer Shares to be subscribed for by VMS (or its wholly-owned subsidiary where VMS so elects) will rank *pari passu* in all respects with the fully paid Shares in issue. All Offer Shares to be subscribed for by VMS will be counted towards the public float of our Company. VMS does not have a representative on our Board. The Offer Shares to be subscribed for by VMS will not be affected by any re-allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of an over-subscription under the Hong Kong Public Offering as described in the section headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering" nor by any exercise of the Over-allotment Option to be granted by the Company to the International Underwriters as described in the section headed "Structure and Conditions of the Global Offering — Over-allocation and Stabilization" in this prospectus.

Conditions Precedent

The subscription obligations of VMS are conditional upon, among other things,

- the underwriting agreement for the Hong Kong Public Offering and the underwriting agreement for the International Offering being entered into and having become effective and unconditional by no later than the time and date as specified in these underwriting agreements or such later time and date as may be agreed between the Company and the Sole Global Coordinator;
- none of the aforesaid underwriting agreements having been terminated; and
- the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange.

Restrictions on Disposal by VMS

VMS has covenanted with and undertaken to our Company and the Sole Global Coordinator that, without the prior written consent of the Company and the Sole Global Coordinator, it will not, at any time during the period of six months following the Listing Date, directly or indirectly, dispose in any manner of any Offer Shares subscribed for pursuant to the cornerstone placing agreement other than transfers to its direct or indirect wholly-owned subsidiaries provided that the transferee will be subject to the restrictions and obligations as imposed on VMS under the cornerstone placing agreement.

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme) and the Capitalization Issue.

	Nominal value
	HK$
Authorized Share capital:	
3,000,000,000 Shares	30,000,000.00
Issued Share capital:	
102 Shares in issue as of the date of this prospectus	1.02
Shares to be issued:	
999,999,898 Shares to be issued under the Capitalization Issue	9,999,998.98
333,334,000 Shares to be issued pursuant to the Global Offering	3,333,340.00
Total issued Share capital on completion of the Global Offering and the Capitalization Issue:	
1,333,334,000 Shares	13,333,340.00

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering. It does not take into account any Shares which may be allotted and issued or repurchased pursuant to the general mandate given to our Directors for allotment and issuance of Shares referred to in Appendix V to this prospectus or the repurchase mandate referred to in Appendix V to this prospectus, as the case may be.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank equally with all Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Assuming the Global Offering becomes unconditional, our Directors will be granted a general mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the total nominal amount of our share capital in issue immediately following completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme; and
- the total nominal amount of our share capital repurchased by us under the mandate as mentioned in the paragraph entitled "— General Mandate to Repurchase Shares" below.

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Articles of Association, or pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or under the Global Offering or upon the exercise of the Over-allotment Option.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or the Articles of Association to hold its next annual general meeting; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under Appendix V entitled "Statutory and General Information — Further Information about our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on December 9, 2013" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section entitled "Structure and Conditions of the Global Offering — Determination of the Offer Price — Conditions of the Global Offering" in this prospectus, our Directors will be granted a general mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in Appendix V entitled "Statutory and General Information — Further information about our Group — Repurchases of our Shares" in this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by any applicable laws of the Cayman Islands or the Articles of Association to hold its next annual general meeting; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

OVERVIEW

ArtGo is a branded marble producer with the largest marble mine and distribution network in China. We currently own and operate the Yongfeng Mine, which was the largest marble mine in China as of September 30, 2013 according to the F&S Report, with 106.9 million cubic meters of measured, indicated and inferred resources and 44.2 million cubic meters of proved and probable reserves as of September 30, 2013. The block recovery rate of our mine historically has been 46.7% and is expected to be approximately 45% over our entire deposit according to the CPR, compared to the industry average of 15% according to the F&S Report. We currently use third-party contractors for marble slab processing and plan to construct our own marble processing plant with a view to becoming a fully vertically integrated marble producer. We currently sell our marble products primarily through our distributors, which totaled 63 as of September 30, 2013 and was the largest marble distribution network in China according to the F&S Report, complemented by direct sales to our corporate customers. We also sell a small portion of our products into the overseas markets.

Our Yongfeng Mine is located in Yongfeng County of Jiangxi Province, China. Our mining permit for the Yongfeng Mine covers an area of approximately 2.0 square kilometers and has an initial term of five years from February 5, 2013 to February 5, 2018. We have the right to extend the term of our mining permit for another 25 years by paying RMB37.2 million plus interest accrued in four equal annual installments in the next four years. According to the CPR, as of September 30, 2013, our Yongfeng Mine has approximately 44.2 million cubic meters of marble stone reserves under the JORC Code, consisting of approximately 23.2 million cubic meters of proved reserves and approximately 21.0 million cubic meters of probable reserves. Our actual unit cash operating costs of one-side-polished slabs for 2012 and the nine months ended September 30, 2013 were RMB218 and RMB136 per square meter, respectively. We outsourced the processing of our marble slabs to third-party contractors during these periods. According to the CPR, the Competent Person forecasts that when we reach our full mining output in 2017, the total unit cash operating costs for our one-side-polished slabs processed by our contractors will be RMB150 per square meter. Based on the actual cash operating cost we have achieved during 2012 and the nine months ended September 30, 2013, we believe we will be able to achieve that unit cost level or even better results while we further ramp up our production. In addition, with the construction of our own processing plant, it is expected that unit cash operating costs for our self-processed one-side-polished slabs will be reduced to RMB130 per square meter in 2017 when we reach our full mining output.

Mine construction at the Yongfeng Mine commenced in 2010. As of the Latest Practicable Date, we had developed two mining areas at the mine. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, we produced 1,588, 13,456 and 27,612 cubic meters, respectively, of marble blocks from the Yongfeng Mine. We plan to rapidly ramp up our mining capacity by developing more mining areas at the Yongfeng Mine in the next three years. These mining areas will enable our Yongfeng Mine to reach a production capacity of 60,000, 120,000, 180,000 and 250,000 cubic meters per annum in 2013, 2014, 2015 and 2016, respectively. We aim to reach an annual mining output of 250,000 cubic meters of marble blocks by 2017.

In the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, we generated revenue of RMB173,000, RMB8.2 million and RMB92.1 million, respectively, and gross profit of RMB47,000, RMB3.7 million and RMB56.5 million, respectively. We recorded a loss of RMB4.4 million and RMB19.4 million for the period from June 15 to December 31, 2011 and the year ended December 31, 2012, respectively, and a net profit of RMB9.3 million for the nine months ended September 30, 2013.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the following factors:

- *Production volume*. We are in a relatively early stage of large-scale commercial production at the Yongfeng Mine, which we acquired in June 2011. Production volume is affected by production capacity, which in turn reflects a combination of mining capacity and processing capacity. Mining capacity is affected by factors such as (i) the capital available to us to scale up our mining capacity; (ii) capacity of roads for the transportation of our marble stones; (iii) our ability to obtain regulatory approval from the appropriate authorities in a timely manner; and (iv) our ability to train any new mining workers. Currently we primarily use five third-party contractors to process marble slabs, and expect phase 1 of our own processing plant to commence commercial operation in 2016.

- *Sales volume and sales network*. Our sales volume is affected by factors such as (i) the scale of our domestic distribution network; (ii) our ability to attract direct sales to corporate customers as well as retail customers; (iii) our ability to generate international sales; and (iv) customers' preference and demand for our products. Our large-scale sales and marketing efforts began in late 2012 as we launched our distribution network in October 2012. As of September 30, 2013, we had 63 distributors. Our international sales also began in 2012, and represented 13.6% and 1.6% of our total sales in 2012 and the nine months ended September 30, 2013, respectively. As we plan to open our first retail outlet in December 2013, our future sales volume will also be affected by our ability to manage our marble retail business. Our overall sales volume is significantly affected by our brand recognition, and as our business continues to expand, and as the brand recognition of our products continues to increase, we expect our sales volume to increase significantly.

- *Average selling price*. The average selling price of our one-side-polished slabs was RMB240 and RMB217 per square meter in 2012 and for the nine months ended September 30, 2013, respectively, and the retail price of these products generally range from RMB600 to RMB950 per square meter. The leading Italian brands that we compete with have retail prices ranging from RMB700 to RMB2,500 per square meter. As a result, there is significant upside pricing potential for our products. Factors affecting our ability to realize such pricing potential include: (i) the actual and perceived quality of our marble products; (ii) brand recognition of our products; (iii) end customers' preference; (iv) our product mix; and (v) the supply and demand for marble products in local, national and global markets.

- *Sales channel mix*. We sell our marble products in China primarily through a network of distributors. We also sell a portion of our products directly to corporate customers in China. We plan to open our first retail outlet in Xiamen in December 2013. Compared to sales to distributors, the gross margin of direct sales to corporate customers is usually higher, but the related selling and distribution expenses of direct sales are also higher. Moreover, we provide some of our distributors and direct sales corporate customers a credit term of one month to three months. We expect retail customers to pay full price prior to delivery. As a result, a significant change in the mix of our sales channels will affect our revenue, average selling prices, gross and net profit margins.

- *Costs of production*. Major components of our costs of production are directly related to production volume. Our operating cash costs mainly consist of mining costs, processing fees, general and administration and other costs. Variations in production volume and the costs associated with stripping, separation, disintegration, hauling to the processing plants, cutting, polishing and warehousing are key factors that affect our cash costs of production. We expect our unit operating cash cost to remain relatively stable.

- *Product mix*. Our product lines consist of marble blocks and marble slabs, which is further divided into one-side-polished slabs and cut-to-size slabs. Taking into account the slab/block ratio, marble slabs generally bear higher average selling prices and higher unit cost than marble blocks. We sold all of our products from our mining operations as marble blocks in 2011. As we continue to expand our distribution network and develop our own processing plants, we expect to sell a majority of our products as marble slabs and the remaining as marble blocks. As cut-to-size slabs are produced from one-side-polished slabs, which process involves additional outsourced processing costs and wastage, cut-to-size slabs generally bear higher unit cost and higher average selling prices than one-side-polished slabs. We commenced significant sales of cut-to-size slabs in 2013.

In addition, our results of operation are affected by a number of macro-economic and industry-related factors, such as economic and income growths in China, strength of the commercial and residential property markets, and changes in consumer preference in marble products. See "Industry Overview" and "Risk Factors".

BASIS OF PRESENTATION

Pursuant to the reorganization as set out in "History and Corporate Development — Corporate Reorganization" in this prospectus, the Company became the holding company of the companies now comprising our Group on February 7, 2012. The companies now comprising our Group were under the common control of Mr. Liu, our ultimate Controlling Shareholder, before and after the Reorganization. Accordingly, the Consolidated Financial Information set out in the Accountants' Report has been prepared by applying the principles of merger accounting as if the reorganization had been completed as of June 15, 2011.

The consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of our Group from June 15 to December 31, 2011, for the year ended December 31, 2012 and the nine months ended September 30, 2013 include the results and cash flows of all companies now comprising our Group from the earliest date presented in the Accountants' Report or since the date when the subsidiaries first came under the common control of our ultimate Controlling Shareholder where this is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2011, December 31, 2012 and September 30, 2013 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from our ultimate Controlling Shareholder's perspective. The consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of our Group for the nine months ended September 30, 2012 have been prepared for comparative purposes and are unaudited. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of reorganization.

Equity interests in subsidiaries held by parties other than our ultimate Controlling Shareholder, and changes therein, prior to the reorganization, are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are set forth in Note 3.2 of Section II of the Accountants' Report as set out in Appendix I to this prospectus. IFRSs requires that we adopt accounting policies and make estimates and assumptions that our management believes are most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial condition. The preparation of our Consolidated Financial Information requires us to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities.

We have identified below the accounting policies that we believe are the most critical to our Consolidated Financial Information and that involve the most significant estimate. We have a relatively short operating history, and from our historical experience to date, these accounting estimates and assumptions have proved largely consistent with actual outcomes and there has been no significant adjustment made to our historical operating results, financial condition or cash flows due to uncertainties of these estimates and assumptions.

Revenue Recognition

Revenue recognition involves estimates and judgments concerning timing. Significant changes in our management's estimates and judgments may result in revenue adjustments. As a general principle, revenue is recognized at the time when the economic benefits will most probably flow to us and when the amount of revenue can be measured reliably based on the following criteria:

(a) from the sale of goods under "bill and hold" arrangements, where the delivery of goods is delayed at the buyer's request, but the buyer takes title and accepts billing, provided (a) it is probable that delivery will be made; (b) the item is on hand, identified and ready for delivery to the buyer at the time the sales is recognized; (c) the buyer specifically acknowledges the delivery instructions; and (d) the usual payment terms apply;

(b) from the sale of goods not under "bill and hold" arrangements, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

With respect to sales of goods, we generally recognize revenue upon delivery of our products. In 2013, we have also provided temporary warehouse space for a period of up to 90 days to certain customers at their request. For these purchases, we recognized revenue on a bill-and-hold basis, under which we billed our customers and recognized revenue on the same day the transaction occurred, but not delivering the products. See the section headed "Business — Sales and Marketing" for further details regarding our bill-and-hold arrangement and revenue recognition practice with our customers.

Depreciation and Amortization

The amount of depreciation and amortization expenses to be recorded of an asset is affected by a number of estimates made by our management, such as estimated useful lives, proved and probable reserves and residual values. If different judgments are used, material differences may result in the amount and timing of the depreciation and amortization charges related to the asset. We have identified below the accounting policies that we believe are critical to our financial information in connection with depreciation and amortization.

Property, Plant and Equipment

Depending on the nature of items of property, plant and equipment, depreciation is calculated either (i) on a straight line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life or (ii) using the units of production method to write-off the cost of the assets in proportion to the proved and probable mineral reserves. Our management estimates the useful lives, proved and probable reserves, residual values and related depreciation charges for property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of each item of property, plant and equipment of a similar nature and function. They could change significantly as a result of technical innovations and actions of our competitors. The assumptions used in the determination of useful lives of property, plant and equipment are reviewed periodically.

Mining Rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration Rights and Assets

Exploration rights are stated at cost less accumulated amortization and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortization and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and depreciated/amortized using the unit of production method based on the proved and probable mineral reserves in accordance with the production plan of the entities concerned and the proved and probable reserves of the mine. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Impairment of Receivables

We evaluate impairment of receivables on an individual basis. Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. We did not incur any impairment of receivables during the Track Record Period.

PRC Corporate Income Tax

Our operating subsidiaries in the PRC are subject to PRC corporate income tax. As a result of the fact that certain matters relating to corporate income tax have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of corporate income tax to be made. Where the final tax outcome of these matters assessed by the tax authorities is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realize.

Useful Lives of Property, Plant and Equipment

We estimate useful lives and related depreciation charges for our items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of our competitors. Our management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned.

Impairment of Non-financial Assets

Our non-financial assets primarily include property, plant and equipment, and intangible assets. We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, our management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. We did not incur any impairment of non-financial assets during the Track Record Period.

Mine Reserves

Engineering estimates of our mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortization rate calculated on a units-of-production basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

Exploration and Evaluation Expenditure

The exploration and evaluation assets comprise costs which are directly attributable to researching and analyzing existing exploration data; conducting topographical and geological surveys; exploratory drilling and samplings and trenching; and activities in relation to commercial and technical feasibility studies. The cost of exploration and evaluation assets in 2011 was primarily incurred for the exploration and evaluation works undertaken by Beijing SINOMA and Suzhou SINOMA at our Yongfeng Mine. The total exploration and evaluation assets were transferred to mining rights when we obtained the new mining permit on February 5, 2013.

The application of our accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of the mine reserve is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires our management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Provision for Rehabilitation

Our provision for rehabilitation is mainly recognized for the present value of estimated costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with our Group's obligations for the closure and environmental restoration and clean-up on completion of our Group's mining activities. These costs are expected to be incurred on mine closure, based on the current terms of mining rights for Yongfeng Mine and the area disturbed, and are discounted at a discount rate of 6.55%. Changes in assumptions could significantly affect these estimates.

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents our management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability.

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Our management reassesses these estimates at the end of each reporting period. We have not historically taken any impairment on our inventory after taking into account the current and foreseeable market selling prices of our products.

DESCRIPTION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income for the period indicated. This information should be read together with our Consolidated Financial Information and related notes, which have been prepared in accordance with IFRSs, and set out in Appendix I to this prospectus. Our operating results in any period are not necessarily indicative of results that may be expected for any future period.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Revenue	173	8,210	2,307	92,054
Cost of sales	(126)	(4,505)	(1,134)	(35,581)
Gross profit	47	3,705	1,173	56,473
Other income and gain	52	210	58	3,978
Selling and distribution expenses	(114)	(7,953)	(2,431)	(19,505)
Administrative expenses	(4,212)	(12,257)	(8,231)	(19,596)
Other expenses	(16)	(855)	(133)	(465)
Finance costs	(142)	(2,254)	(1,691)	(2,765)
Profit/(loss) before tax	(4,385)	(19,404)	(11,255)	18,120
Income tax credit/(expense)	—	(17)	3	(8,799)
Profit/(loss) for the year/period and total comprehensive income/(loss) for the year/period	(4,385)	(19,421)	(11,252)	9,321
Attributable to:				
Owners of the Company	(4,122)	(19,421)	(11,252)	9,321
Non-controlling interests	(263)	—	—	—
	(4,385)	(19,421)	(11,252)	9,321

Revenue

Revenue represents the net invoiced value of goods sold, net of various types of government surcharges. We did not engage distributors for sales of our marble products until October 2012, before which time we had focused on expanding production capacity at our Yongfeng Mine. Therefore, our operations had generated limited revenue prior to October 2012.

Revenue by Product Category

The following table sets forth the total revenue by product category and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30, 2012		Nine months ended September 30, 2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Marble slabs								
One-side-polished slabs	—	—	7,706	93.9	1,825	79.1	59,743	64.9
Cut-to-size slabs	—	—	—	—	—	—	3,109	3.4
Subtotal	—	—	7,706	93.9	1,825	79.1	62,852	68.3
Marble blocks	173	100.0	504	6.1	482	20.9	29,202	31.7
Total	173	100.0	8,210	100.0	2,307	100.0	92,054	100.0

We sold all of the marble products from our mining operations in 2011 as marble blocks. In 2012, we began to engage third-party marble processing contractors to process our marble blocks and since then most of our marble products have been sold in the form of marble slabs. As we continue to expand our distribution network and develop our own processing plants, we expect to sell at least a majority of our products as marble slabs and the remaining as marble blocks. In the nine months ended September 30, 2013, sales of our cut-to-size slab products increased as a percentage to our total revenue because of increased demand for such products from our direct sale customers. During the same period, sales of our block products as a percentage also increased as a result of the increased demand for marble blocks from the marble trading companies among our direct sale customers.

Revenue by Product Series

The following table sets forth the total revenue by product series and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30, 2012		Nine months ended September 30, 2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Aris Series	95	54.9	1,342	16.3	940	40.7	57,470	62.4
Abba Series	78	45.1	6,868	83.7	1,367	59.3	34,584	37.6
Total	173	100.0	8,210	100.0	2,307	100.0	92,054	100.0

We commenced mining operations in 2011, starting from the bottom horizon of the ore body of the Yongfeng Mine, the marble stones extracted from which primarily belong to our Aris Series of products. The average selling prices of our products historically have not varied significantly across different series. Our mining operations have not expanded to the middle and the top horizon of the ore body of the Yongfeng Mine from which we expect to primarily produce our Abba Series and Ally Series of products. See "Business — Our Principal Products — Our Product Series."

Revenue by Region

The following table sets forth the total revenue by the geographical location of our customers and percentage to total revenue for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Domestic sales	173	100.0	7,097	86.4	1,530	66.3	90,549	98.4
Overseas sales	—	—	1,113	13.6	777	33.7	1,505	1.6
Total	173	100.0	8,210	100.0	2,307	100.0	92,054	100.0

All of our sales in 2011 were in China. In 2012, we began marketing and selling to the overseas markets and mainly sold to customers in Saudi Arabia and Kazakhstan. Overseas sales in the first nine months of 2013 primarily consisted of sales to Europe and Australia. See "Business — Business Strategy".

Revenue by Sales Channel

The following table sets forth our domestic revenue by sales channel for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Sales to distributors	—	—	3,894	55.0	—	—	39,409	43.5
Direct sales	173	100.0	3,203	45.0	1,530	100.0	51,140	56.5
Total domestic sales	173	100.0	7,097	100.0	1,530	100.0	90,549	100.0

In the first nine months of 2013, our total direct sales increased significantly as a percentage to our total domestic revenue due to a significant increase of sales to marble trading companies during such period.

Sales Volume

The following table sets forth the sales volume of our products by product category for the period indicated:

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
			(unaudited)	
Marble slabs *(square meter)*				
One-side-polished slabs	—	32,070	6,730	275,562
Cut-to-size slabs	—	—	—	11,997
Marble blocks *(cubic meter)*	97	103	95	4,951

Average Selling Price

The following table sets forth the average selling price of our products by product category for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
			(unaudited)	
Marble slabs *(RMB/square meter)*				
One-side-polished slabs	—	240	271	217
Cut-to-size slabs	—	—	—	259
Marble blocks *(RMB/cubic meter)*	1,784	4,885	5,076	5,898

The average selling price of our marble products fluctuated significantly during the Track Record Period. We did not actively sell our marble products in 2011 and the nine months ended September 30, 2012, during which we focused on developing our Yongfeng Mine to increase commercial production. As we had limited sales in 2011 and the nine months ended September 30, 2012, the average selling price of our marble products during such periods may not be indicative. Our average selling price started to normalize after we established our distribution network in October 2012.

Production Cost and Cost of Sales

Our cost of sales represents the sum of our total production cost and the net movement in finished goods. Our production cost mainly includes processing fees, material costs, labor costs, power and utilities costs, depreciation and amortization, transportation costs, and other costs.

The following table sets forth the components of our cost of sales for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Production cost				
Processing fees	858	8,951	1,819	31,501
Transportation	239	1,940	375	7,029
Labor	602	2,975	2,117	7,879
Material costs	732	2,010	1,336	4,580
Power and utilities	170	1,043	756	3,738
Depreciation and amortization	478	2,937	2,036	1,934
Rental	—	—	—	1,092
Outsourcing fees	693	—	—	—
Other cost	466	1,474	375	1,593
Total	4,238	21,330	8,814	59,346
Movement in finished goods				
Beginning balance	2,029	6,141	6,141	22,966
Ending balance	6,141	22,966	13,821	46,731
Net movement	(4,112)	(16,825)	(7,680)	(23,765)
Cost of sales	126	4,505	1,134	35,581

As we started to engage third-party processors to process most of our marble blocks into marble slabs, processing fees became the largest component of our cost of sales. For the year ended December 31, 2012 and the nine months ended September 30, 2013, our processing fees for one-side-polished slabs was approximately RMB79 and RMB64 per square meter, respectively. The decrease in processing charge per square meter was primarily due to an increase in processing volume and, in turn, our pricing power. Our cut-to-size slabs are processed from one-side-polished slabs, which involves additional processing fees and wastage. Our labor cost relates to employees involved in mining operations. Our cost of materials primarily includes costs for consumables used in mining equipments. Our transportation cost relates to transportation of our marble blocks to our third-party contractors' processing plants and transportation of our marble blocks within our mine site.

Gross Profit and Gross Profit Margin

The following table sets forth the gross profit and gross profit margin of our products for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30, 2012		Nine months ended September 30, 2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Marble slabs								
One-side-polished	—	—	3,324	43.1	809	44.3	30,719	51.4
Cut-to-size slabs	—	—	—	—	—	—	1,132	36.4
Marble blocks	47	27.2	381	75.6	364	75.5	24,622	84.3
Total	47	27.2	3,705	45.1	1,173	50.8	56,473	61.3

The gross profit margin of our marble slabs is generally lower than that of our marble block products because for marble slabs, in addition to mining costs, we also incur processing fees paid to our third-party processing contractors and transportation costs for transporting marble blocks from our Yongfeng Mine to the processing plants in Shuitou. Among our marble slab products, cut-to-size slabs have a lower gross profit margin than one-side-polished slabs because the production of cut-to-size slabs involves additional processing costs and wastage.

Other Income and Gain

During the Track Record Period, we had other income and gain, primarily representing foreign exchange gain and the interests of our interest-bearing bank deposits. We recorded other income of RMB52,000, RMB210,000, RMB58,000 and RMB4.0 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, respectively. The increase in 2012 was primarily due to an increase in our bank interest income. The increase for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012 was primarily due to increases in foreign exchange gain and our bank interest income.

Selling and Distribution Expenses

The following table sets forth the components of our selling and distribution expenses for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Staff wages and salary	—	—	2,974	37.4	1,119	46.0	9,447	48.4
Advertisement and promotion	114	100.0	2,420	30.4	903	37.2	4,797	24.6
Rental	—	—	641	8.1	228	9.4	1,530	7.9
Travel expenses	—	—	208	2.6	5	0.2	1,254	6.4
Transportation costs	—	—	378	4.8	166	6.8	881	4.5
Sales incentive costs	—	—	300	3.8	—	—	394	2.0
Conference expenses	—	—	862	10.8	—	—	34	0.2
Others	—	—	170	2.1	10	0.4	1,168	6.0
Total	114	100.0	7,953	100.0	2,431	100.0	19,505	100.0

Selling and distribution expenses mainly represent expenses related to staff wages and salary, advertisement and promotion, rental, travel expenses, transportation costs (consisting of the cost of transporting to ports for ocean shipping on overseas sales and the cost of transporting to construction sites on direct sales), sales incentive costs, conference expenses and others. We incurred selling and distribution expenses of RMB0.1 million, RMB8.0 million, RMB2.4 million and RMB19.5 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, respectively. The significant increase primarily reflected an increase in selling and distribution activities since 2012.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30,			
					2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Global Offering expenses	1,111	26.4	2,297	18.7	2,050	24.9	9,413	48.0
Staff costs	529	12.6	2,816	23.0	1,512	18.4	4,933	25.2
Mineral resource compensation fees	—	—	100	0.9	100	1.2	1,223	6.2
Office rental	—	—	424	3.5	167	2.0	689	3.5
Entertainment	288	6.8	2,157	17.6	982	11.9	637	3.3
Travelling expenses	741	17.6	1,839	15.0	1,257	15.3	610	3.1
Motor vehicle expenses	221	5.3	515	4.2	257	3.1	441	2.3
Depreciation	61	1.4	236	1.9	114	1.4	215	1.1
Office expenses	518	12.3	446	3.6	318	3.9	181	0.9
Others	743	17.6	1,427	11.6	1,474	17.9	1,254	6.4
Total	4,212	100.0	12,257	100.0	8,231	100.0	19,596	100.0

Administrative expenses mainly represent costs related to expenses related to the Global Offering, staff costs, mineral resource compensation fees, office rental, entertainment, travelling expenses, motor vehicle expenses, depreciation, office expenses and others. We incurred administrative expenses of RMB4.2 million, RMB12.3 million, RMB8.2 million and RMB19.6 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, respectively. The increase primarily reflected the expansion of our business and preparation for the Global Offering.

Other Expenses

The following table sets forth the components of the category of "other expenses" for the period indicated.

	Period from June 15 to December 31, 2011		Year ended December 31, 2012		Nine months ended September 30, 2012		Nine months ended September 30, 2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Service fees	—	—	—	—	—	—	270	58.2
Donation	—	—	70	8.2	70	52.6	70	15.1
Banking transaction fees	9	56.3	31	3.7	16	12.0	66	14.2
Foreign exchange loss	—	—	632	73.9	10	7.5	—	—
Disposal of items of property, plant and equipment	1	6.3	84	9.8	24	18.0	—	—
Others	6	37.4	38	4.4	13	9.9	58	12.5
Total	16	100.0	855	100.0	133	100.0	464	100.0

Our "other expenses" mainly represent service fees (i.e. a financial advisory fee in connection with a commercial bank loan), donation, bank transaction fees, foreign exchange loss, loss on disposal of fixed assets and others. We incurred other expenses of RMB16,000, RMB0.9 million, RMB0.1 million and RMB0.5 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, respectively, primarily due to foreign exchange losses resulted from fluctuation of the exchange rate between U.S. dollar and Renminbi and banking transaction fees.

Finance Costs

We incurred finance costs of RMB0.1 million, RMB2.3 million, RMB1.7 million and RMB2.8 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, respectively. We obtained six-month bank loans of RMB26.2 million on December 7, 2011, RMB1.8 million on March 12, 2012, RMB10 million on June 1, 2012 and RMB16.2 million on June 6, 2012. Therefore, the finance costs in 2012 were significantly higher than the finance costs in 2011. Our finance costs in the nine months ended September 30, 2013 are primarily comprised of interest on payables relating to the purchase of our mining rights and interest on bank loans.

Income Tax Credit/(Expense)

Income tax expense represents current and deferred tax. Income tax expense 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.

Pursuant to the income tax rules and regulations in the PRC, our subsidiaries located in Mainland China were subject to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Track Record Period.

We recorded income tax expenses of nil, RMB17,000, income tax credit of RMB3,000 and income tax expenses of RMB8.8 million for the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, respectively.

RESULTS OF OPERATIONS

Nine months ended September 30, 2013 compared with the nine months ended September 30, 2012

Revenue

Our revenue increased by RMB89.8 million from RMB2.3 million for the nine months ended September 30, 2012 to RMB92.1 million for the nine months ended September 30, 2013. The increase was due primarily to increased sales volume as a result of the establishment of our distribution network in October 2012 and an increase in our average selling price of marble blocks. Our sales volume increased from 95 cubic meters of marble blocks and 6,730 square meters of one-side-polished slabs for the nine months ended September 30, 2012 to 4,951 cubic meters of marble blocks, 275,562 square meters of one-side-polished slabs and 11,997 square meters of cut-to-size slabs for the nine months ended September 30, 2013. The average selling price for our one-side-polished slabs decreased from RMB271 per square meter to RMB217 per square meter from the nine months ended September 30, 2012 to the nine months ended September 30, 2013 as we offered additional discount incentives to drive sales and clear inventory.

Cost of Sales

Our cost of sales increased from RMB1.1 million for the nine months ended September 30, 2012 to RMB35.6 million for the nine months ended September 30, 2013. The increase primarily reflected increases in processing charges, transportation and labor, and was primarily attributable to an increase in sales volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we had a gross profit of RMB1.2 million and RMB56.5 million for the nine months ended September 30, 2012 and, 2013, respectively. Our gross profit margin for the nine months ended September 30, 2012 was not meaningful because we had very limited sales activities during such period. Our sales volume has increased steadily after the establishment of our distribution network in October 2012. As a result, our gross profit margin started to stabilize and was 61.3% for the nine months ended September 30, 2013.

Other Income

We recorded other income of RMB58,000 for the nine months ended September 30, 2012 and RMB4.0 million for the nine months ended September 30, 2013. The increase for the nine month ended September 30, 2013 compared to the nine month ended September 30, 2012 was primarily due to an increase in our bank interest income as a result of an increase in the average balance of bank deposits and foreign exchange gains resulted from exchange rate fluctuations between the U.S. dollar and Renminbi.

Selling and Distribution Expenses

We incurred selling and distribution expenses of RMB2.4 million for the nine months ended September 30, 2012 and RMB19.5 million for the nine months ended September 30, 2013. The significant increase was primarily due to increases in staff wages and salary and advertisement and promotion as a result of our business expansion and thus a higher level of selling and distribution activities.

Administrative Expenses

We incurred administrative expenses of RMB8.2 million for the nine months ended September 30, 2012 and RMB19.6 million for the nine months ended September 30, 2013. The increase of administrative expenses was primarily due to increases in staff costs as a result of expansion of our workforce and an increase in Global Offering expenses.

Other Expenses

We incurred other expenses of RMB0.1 million for the nine months ended September 30, 2012 and RMB0.5 million for the nine months ended September 30, 2013. The increase of other expenses was primarily due to service charges paid in connection with the loan granted to us by the Agricultural Bank of China in the amount of RMB30.0 million.

Finance Costs

We incurred finance costs of RMB1.7 million for the nine months ended September 30, 2012 and RMB2.8 million for the nine months ended September 30, 2013. The increase was primarily due to interest on payables relating to the unpaid portion of the consideration of the mining rights of the Yongfeng Mine, partially offset by a decrease of interest on bank borrowing due to a decrease in the average balance.

Income Tax Expense

We recorded income tax credit of RMB3,000 for the nine months ended September 30, 2012 and income tax expense of RMB8.8 million for the nine months ended September 30, 2013. We recorded income tax expense of RMB8.8 million for the nine months ended September 30, 2013 primarily due to the provision of current income tax of RMB8.8 million as Jueshi Mining generated taxable profit during the nine months ended September 30, 2013. As we recorded losses before tax for the nine months ended September 30, 2012, it is not meaningful to calculate effective tax rates for such period. Our effective tax rate for the nine months ended Setpember 30, 2013 was 48.6%, which is higher than the applicable PRC corporate income tax rate of 25% primarily as a result of non-deductible expenses in connection with the Listing and unsettled processing fees, transportation fees and staff costs.

Profit for the Period

As a result of the foregoing factors, we incurred loss of RMB11.3 million for the nine months ended September 30, 2012 and profit of RMB9.3 million for the nine months ended September 30, 2013.

Year ended December 31, 2012 compared with period from June 15 to December 31, 2011

As a result of merger accounting, the financial statements of Jueshi Mining are included in our Consolidated Financial Information as if the consolidation had occurred from June 15, 2011 when Jueshi Mining first came under control of our Controlling Shareholder. In addition, our distribution network was established in October 2012, before which our sales were limited. As a result, the comparisons of our operating results for the period from June 15 to December 31, 2011 and 2012 may not be meaningful.

Revenue

Our revenue increased by RMB8.0 million from RMB0.2 million for the period from June 15 to December 31, 2011 to RMB8.2 million for the year ended December 31, 2012. In 2011, we focused on the development of our mine, and had very limited sales and marketing activities and sold only marble blocks. In 2012, we increased sales and marketing activities, leading to the establishment of our distribution network in October 2012. We engaged additional third-party marble slab processing plants in 2012, which increased our ability to market and sell marble slab products. These factors contributed to increases in both sales volume and average selling price in 2012.

Cost of Sales

Our cost of sales increased from RMB0.1 million for the period from June 15 to December 31, 2011 to RMB4.5 million for the year ended December 31, 2012. The increase primarily reflected increases in various types of production costs (including processing fees, transportation, labor, material costs and depreciation and amortization), and was primarily attributable to an increase in sales.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB47,000 for the period from June 15 to December 31, 2011 to RMB3.7 million for the year ended December 31, 2012. Our gross profit margin increased from 27.2% for the period from June 15 to December 31, 2011 to 45.1% for the year ended December 31, 2012, reflecting a combination of (i) commencement of sales of our marble slabs through our newly established distribution network in October 2012, and (ii) the ramp-up of mining operations at our Yongfeng Mine, resulting in increased operation scale.

Other Income and Gain

We recorded other income of RMB52,000 for the period from June 15 to December 31, 2011 and RMB0.2 million for 2012. The increase was primarily due to an increase in bank interest income from RMB3,000 for the period from June 15 to December 31, 2011 to RMB0.2 million for 2012. Our bank interest income increased primarily because we deposited a portion of the proceeds from the shareholder loan from Liu's Group arising from the investment by Carlyle. See "History and Corporate Development — Corporate Reorganization — Investment by Carlyle."

Selling and Distribution Expenses

We incurred selling and distribution expenses of RMB0.1 million for the period from June 15 to December 31, 2011 and RMB8.0 million for 2012. The significant increase was primarily due to increases in staff wages and salary and advertisement and promotion as a result of our business expansion and thus a higher level of selling and distribution activities.

Administrative Expenses

We incurred administrative expenses of RMB4.2 million for the period from June 15 to December 31, 2011 and RMB12.3 million for 2012. The increase of administrative expenses for 2012 compared to the period from June 15 to December 31, 2011 was primarily due to increases in staff costs, entertainment expenses and travelling expenses as a result of our business expansion and an increase in Global Offering expenses.

Other Expenses

We incurred other expenses of RMB16,000 for the period from June 15 to December 31, 2011 and RMB0.9 million for 2012. The increase of other expenses for 2012 compared to the period from June 15 to December 31, 2011 was primarily due to the foreign exchange losses of RMB0.6 million in 2012 on the exchange of U.S. dollar into Renminbi, partially offset by foreign exchange gains on shareholder loans from Liu's Group denominated in U.S. dollar, as a result of the appreciation in the Renminbi against the U.S. dollar.

Finance Costs

We incurred finance costs of RMB0.1 million for the period from June 15 to December 31, 2011 and RMB2.3 million for 2012. In December 2011, we borrowed a commercial bank loan, which was renewed in 2012. The increase in finance costs primarily reflected the full-year effect of such loan on finance costs.

Income Tax Expense

We recorded income tax expense of nil for the period from June 15 to December 31, 2011 and RMB17,000 for 2012 due to income tax charged to profit or loss in 2012. As we recorded losses before tax during such periods, it is not meaningful to calculate effective tax rates for such periods.

Loss for the Year/Period

As a result of the foregoing factors, we incurred loss of RMB4.4 million for the period from June 15 to December 31, 2011 and loss of RMB19.4 million for 2012.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our summary consolidated statements of financial position at the date indicated. This information should be read together with our Consolidated Financial Information included in the Accountants' Report in Appendix I to this prospectus.

	As of December 31,		As of September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	3,861	15,091	40,459
Intangible assets	22,355	21,838	77,409
Prepayments, deposits and other receivables	—	1,958	4,788
Payment in advance	—	1,520	10,826
Restricted deposits	—	1,702	1,702
Total non-current assets	26,216	42,109	135,184
Current assets			
Inventories	6,437	28,135	54,390
Trade receivables	—	41	12,151
Prepayments, deposits and other receivables	500	6,823	12,998
Due from related parties	16,660	2,322	—
Pledged deposits	—	—	20,000
Cash and bank balances	1,470	201,092	129,317
Total current assets	25,067	238,413	228,856
Current liabilities			
Trade payables	156	3,888	22,717
Other payables and accruals	5,091	9,860	38,138
Tax payable	—	20	7,198
Interest-bearing bank loans	26,160	28,000	30,000
Due to related parties	6,442	250,551	71
Total current liabilities	37,849	292,319	98,124
Net current assets/(liabilities)	(12,782)	(53,906)	130,732
Total assets less current liabilities	13,434	(11,797)	265,916
Non-current liabilities			
Deferred tax liabilities	2,968	2,965	3,059
Other payables	—	1,017	28,000
Provision for rehabilitation	—	176	9,746
Total non-current liabilities	2,968	4,158	40,805
Net assets/(liabilities)	10,466	(15,955)	225,111

Inventories

As of December 31, 2011, December 31, 2012 and September 30, 2013, we had inventories in the amount of RMB6.4 million, RMB28.1 million and RMB54.4 million, respectively. As of December 31, 2011 and 2012, our marble blocks with carrying amounts of RMB5.0 million and RMB3.2 million, respectively, were pledged as security for our bank loans. The following table sets forth the components of our inventory as of the date indicated and turnover days for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
	(RMB'000 except turnover days)		
Marble blocks:			
Finished goods	4,726	10,857	17,121
Work-in-progress	296	4,855	6,868
Marble slabs			
One-side-polished slabs:			
Finished goods	1,415	12,109	25,528
Work-in-progress	—	—	253
Cut-to-size slabs finished goods	—	—	4,082
Materials and supplies	—	314	538
Total	6,437	28,135	54,390
Inventory turnover days(1)	6,642	1,401	318

(1) Inventory turnover days represents average inventory divided by cost of sales for the relevant period and multiplied by number of days in such period. Average inventory equals inventory at the beginning of the period plus inventory at the end of period divided by two.

Our total inventory as of June 15, 2011 was RMB2.0 million, which increased to RMB6.4 million as of December 31, 2011, RMB28.1 million as of December 31, 2012 and RMB54.4 million as of September 30, 2013. Our inventory of marble blocks increased from RMB5.0 million as of December 31, 2011 to RMB15.7 million as of December 31, 2012 and RMB24.0 million as of September 30, 2013. Our inventory of marble slabs increased from RMB1.4 million as of December 31, 2011 to RMB12.1 million as of December 31, 2012 and RMB29.9 million as of September 30, 2013. The increase of our inventory was primarily due to the following factors: (i) we sought to build up inventories of various products in 2012 and 2013 in anticipation of a significant increase of sales volume in 2013 and 2014, particularly in light of the launch of our distribution network in October 2012, and (ii) we started to maintain a certain level of inventory since 2012 in anticipation of increasing sales to corporate customers (such as trading companies), which generally required fast shipments of our products. See "Business — Sales and Marketing — Direct Sales in the PRC — Corporate Customers — Recent Sales Contracts" for details. For these reasons as well as the fact that we were still in an early stage of commercial production, the inventory turnover days for the period from June 15, 2011 to December 31, 2011, for the year ended December 31, 2012 and for the nine months ended September 30, 2013 may not be a meaningful indicator of our results of operations.

As of October 31, 2013, which is the latest practicable date for the purpose of our indebtedness statement, of our inventory of RMB54.4 million as of September 30, 2013, we used RMB12.3 million.

Trade Receivables

As of December 31, 2011, December 31, 2012 and September 30, 2013, we had trade receivables in the amount of nil, RMB41,000 and RMB12.2 million, respectively. The following table sets forth an aging analysis of our trade receivables as of the date indicated and turnover days for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
	(RMB'000 except turnover days)		
Within 1 month	—	—	10,314
1 to 3 months	—	41	1,837
Total	—	41	12,151
Trade receivables turnover days[1]	—	0.9	18

(1) Trade receivables turnover days represents average trade receivables divided by revenue for the relevant period and multiplied by number of days in such period. Average trade receivables equals trade receivables at the beginning of the period plus trade receivables at the end of the period, divided by two.

We generally required full payment upon delivery before 2013, and our low turnover days in 2012 reflected such policy and practice. In 2013, we started granting credits to some of our existing customers. The credit term is generally one month and extendable for up to three months for major customers. The increase in trade receivables turnover to 18 days from December 31, 2012 to September 30, 2013 reflected such change in our credit policy.

Our trade receivables outstanding as of December 31, 2012 and September 30, 2013 were non-interest-bearing, aged within 3 months and neither due nor impaired. We do not hold any collateral or other credit enhancements over these balances.

As of October 31, 2013, which is the latest practicable date for the purpose of our indebtedness statement, of our outstanding trade receivables of RMB12.2 million as of September 30, 2013, RMB2.3 million was settled.

Trade Payables

As of December 31, 2011, December 31, 2012 and September 30, 2013, we had trade payables in the amount of RMB0.2 million, RMB3.9 million and RMB21.0 million, respectively. The following table sets forth an aging analysis of our trade payables as of the date indicated and turnover days for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
	(RMB'000 except turnover days)		
Within 1 month	156	3,543	9,762
1 to 2 months	—	345	6,264
2 to 3 months	—	—	1,727
Over 3 months	—	—	4,964
Total	156	3,888	22,717
Trade payables turnover days(1)	122	164	102

(1) Trade payables turnover days represents average trade payables divided by cost of sales for the relevant period and multiplied by number of days in such period. Average trade payables equals trade payables at the beginning of the period plus trade payables at the end of the period, divided by two.

All of our trade payables as of December 31, 2011, December 31, 2012 and September 30, 2013 were aged within six months. The decrease in our trade payable turnover days between 2012 and the first nine months of 2013 was primarily due to an increase in our cost of sales during the first nine months of 2013. Our trade payables are non-interest-bearing and normally settled on 30-day terms. The trade payables turnover days for the period from June 15, 2011 to December 31, 2011 and the year ended December 31, 2012 may not be a meaningful indicator of our results of operations due to the fact that we were in an early stage of commercial production during such periods.

Other Payables and Accruals

Our other payables and accruals mainly consist of advances from customers, payables relating to purchase of mining rights, Global Offering fees, payroll and welfare, taxes other than income tax, purchase of property, plant and equipment, advertisement fees, exploration and evaluation assets, mineral resources compensation fees and distributors' earnest monies. The following table sets forth the details of our other payables and accruals as of the date indicated.

	As of December 31,		As of September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current portion			
Advances from customers	7	2,900	3,164
Payables related to:			
Purchase of mining rights	—	—	9,300
Global Offering fees	—	—	7,355
Payroll and welfare	286	2,120	5,658
Taxes other than income tax	13	28	3,291
Purchase of property, plant and equipment	—	1,476	2,204
Advertisement fees	—	—	1,800
Transportation fee	—	320	—
Exploration and evaluation assets	4,509	1,279	1,279
Mineral resources compensation fees	—	—	1,223
Distributors' earnest monies	—	560	930
Rental fees	—	—	120
Interest payable relating to			
Bank loan	61	62	50
Purchase of mining rights	—	—	1,389
Others	215	1,115	375
	5,091	9,860	38,138
Non-current portion			
Payables relating to			
Purchase of mining rights	—	—	27,900
Purchase of property, plant and equipment	—	1,017	100
	—	1,017	28,000
Total other payables and accruals	5,091	10,877	66,138

The payables relating to purchase of mining rights represent payables in connection with the purchase of mining rights to the Yongfeng Mine. We settled RMB18.6 million out of RMB55.8 million in January 2013 and expect to pay an annual installment of RMB9.3 million for the next four years. The payables are unsecured and interest bearing with reference to the prevailing interest rate with similar repayment term promulgated by the PBOC. We recorded the interest at a rate of 6.4% per annum for the relevant periods.

Taxes other than income tax incurred as of September 30, 2013 mainly represented the value added taxes we incurred.

The payables relating to purchase of property, plant and equipment represent payables in connection with purchase of mining excavators.

Other than payables related to purchase of property, plant and equipment and mining rights, all of our other payables are non-interest-bearing and normally settled on 30-day terms.

Current Assets and Current Liabilities

The table below sets forth the components of our current assets and current liabilities as of the date indicated.

	As of December 31,		As of September 30,	As of October 31,
	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	6,437	28,135	54,390	57,802
Trade receivables	—	41	12,151	20,035
Prepayments, deposits and other receivables	500	6,823	12,998	13,589
Due from related parties	16,660	2,322	—	—
Pledged deposits	—	—	20,000	20,000
Cash and bank balances	1,470	201,092	129,317	125,661
	25,067	238,413	228,856	237,087
Current liabilities				
Trade payables	156	3,888	22,717	26,505
Other payables and accruals	5,091	9,860	38,138	38,279
Tax payable	—	20	7,198	4,450
Interest-bearing bank loans	26,160	28,000	30,000	33,600
Due to related parties	6,442	250,551	71	71
	37,849	292,319	98,124	102,905
Net current assets/(liabilities)	(12,782)	(53,906)	130,732	134,182

For the period from June 15 to December 31, 2011 and in 2012, we focused our business activities on mine planning and construction, and infrastructure development. In addition, we had financed our cash requirements primarily through a combination of a shareholder loan from Liu's Group and interest-bearing bank loans during the period from June 15 to December 31, 2011 and the year ended December 31, 2012. As a result, we recorded net current liabilities of RMB12.8 million and RMB53.9 million as of December 31, 2011 and 2012, respectively. On June 29, 2013, we issued two new ordinary shares to Liu's Group in exchange for the settlement of its shareholder's loans to us. Primarily as a result of such transaction as well as the continuing expansion of our business, we had net current assets of RMB130.7 million as of September 30, 2013. See "History and Corporate Development — Pre-IPO Investment — Terms of the Investment." Our net current assets increased by approximately RMB3.5 million from RMB130.7 million as of September 30, 2013 to RMB134.2 million as of October 31, 2013 primarily due to our profits generated during the month ended October 31, 2013.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly represent prepayment for office rental, warehouse rental, lease of land at the Yongfeng Mine, purchase of materials and supplies, deferred listing fees relating to the Global Offering, deposits, interest income receivables, deductible input value-added tax and other receivables. The following table sets forth the components of our prepayments, deposits and other receivables as of the date indicated.

	As of December 31,		As of September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current portion			
Prepayments in respect of:			
Office rental	22	126	219
Warehouse rental	—	961	1,070
Lease of parcels of land located at the Yongfeng Mine	—	142	355
Purchase of materials and supplies	3	331	2,549
Deferred listing fees	370	1,136	4,156
Deposits	—	881	2,353
Interest income receivables	—	61	371
Deductible input value-added tax	—	2,346	105
Other receivables	105	839	1,820
	500	6,823	12,998
Non-current portion			
Prepayment in respect of the lease of parcels of land located at the Yongfeng Mine	—	1,958	4,788
	—	1,958	4,788
Total prepayments, deposits and other receivables	500	8,781	17,786

Prepayment for lease of parcels of land at the Yongfeng Mine represents prepayment made to villagers for the use of parcels of land in Shangsheng Village for mining activities at the mine. Based on agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers on September 1, 2012 and September 23, 2013, Jueshi Mining prepaid RMB2.1 million and RMB3.2 million for a right to use a parcel of land for a period of 15 years from September 1, 2012 and September 23, 2013, respectively.

The item of deferred listing fees represents legal and other professional fees relating to the Global Offering, which will be deducted from equity upon completion of the Global Offering.

The financial assets included above relate to receivables for which there was no recent history of default. None of the above assets is past due or impaired.

Property, Plant and Equipment

The table below sets forth the net carrying amount of our property, plant and equipment as of the date indicated.

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net carrying amount:							
As of December 31, 2011. .	539	1,863	118	1,341	—	—	3,861
As of December 31, 2012 .	555	10,229	1,139	2,675	176	317	15,091
As of September 30, 2013 .	552	21,784	2,497	3,609	9,291	2,726	40,459

Our property, plant and equipment amounted to RMB3.9 million, RMB15.1 million and RMB40.5 million as of December 31, 2011, December 31, 2012 and September 30, 2013, respectively. The increase primarily related to the construction of our mine facilities and purchase of production equipment for the development of our Yongfeng Mine.

Intangible Assets

The below table sets forth the net book value of our intangible assets as of the date indicated.

	Mining rights	Exploration and evaluation assets	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net carrying amount:				
As of December 31, 2011	12,006	10,349	—	22,355
As of December 31, 2012	9,056	12,758	24	21,838
As of September 30, 2013	77,286	—	123	77,409

The mining rights represent the right for the mining of marble resources in the Yongfeng Mine. In February 2013, we obtained our official updated permit for a term of up to 30 years with a production capacity of 250,000 cubic meters per annum. Accordingly, the net book value of our mining rights increased substantially from December 31, 2012 to September 30, 2013.

The exploration and evaluation assets comprise costs which are directly attributable to researching and analyzing existing exploration data; conducting topographical and geological surveys; exploratory drilling and samplings and trenching; and activities in relation to commercial and technical feasibility studies. The cost of exploration and evaluation assets in 2011 was primarily incurred for the exploration and evaluation works undertaken by Beijing SINOMA and Suzhou SINOMA at our Yongfeng Mine. The total exploration and evaluation assets were transferred to mining rights when we obtained the new mining permit on February 5, 2013.

Related Party Transactions

The following table sets forth material transactions with related parties for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Sales of goods				
Xiamen Zhonglianjian	—	342	—	374
Xiamen Global	—	8	8	—
	—	350	8	374
Office rental				
Xiamen Zhonglianjian	—	246	111	407
Loan provided by/(repayment of loan to) Liu's Group	—	250,551	—	(15,873)
Bank loans guaranteed by				
Mr. Liu	26,160	—	28,000	—

The following table sets forth the components of our related party transactions as of the date indicated.

	As of December 31, 2011	As of December 31, 2012	As of September 30, 2013
	RMB'000	RMB'000	RMB'000
Due from related parties			
Non-trade in nature			
Mr. Liu	—	1,922	—
Xiamen Global	16,660	—	—
Trade in nature			
Xiamen Zhonglianjian	—	400	—
	16,660	2,322	—
Due to related parties			
Non-trade in nature			
Mr. Liu	6,442	—	71
Liu's Group	—	250,551	—
	6,442	250,551	71

Xiamen Global Power Import and Export Co., Ltd. ("Xiamen Global") was a company controlled by Mr. Liu's brother, who transferred its equity interest in Xiamen Global to an Independent Third Party in August 2012. Our sales to Xiamen Global were undertaken on commercial terms similar to those offered to unrelated customers in the ordinary course of business.

Our sales to Xiamen Zhonglianjian were undertaken on commercial terms similar to those offered to unrelated customers in the ordinary course of business.

On June 1, 2012 and August 1, 2012, we entered into two lease agreements with Xiamen Zhonglianjian. Pursuant to the lease agreements, we leased office space of approximately 208 and 686 square meters from Xiamen Zhonglianjian for a consideration of RMB10,200 and RMB35,000 a month, respectively. Both lease agreements will expire on June 30, 2015. Our directors consider the rental rate as no less favorable than the market rate for similar premises in similar locations. See "Connected Transactions."

From August 2012 to June 2013, Liu's Group made a number of loans to us using the proceeds received from issuance of the Exchangeable Notes. See "History and Corporate Development". These loans were partially settled before June 29, 2013. On June 29, 2013, we issued two new ordinary shares to Liu's Group in exchange for the settlement of the remaining balance of these loans. See "History and Corporate Development — Pre-IPO Investment — Terms of the Investment."

In the period from June 15, 2011 to December 31, 2011 and the nine months ended September 30, 2012, we had borrowed an aggregate of RMB26.2 million and RMB28.0 million, respectively in bank loans which were guaranteed by Mr. Liu. These guarantee provided by Mr. Liu were released on November 24, 2012.

Balances with related parties were interest-free, unsecured and have no fixed term of repayment. The related party transactions during the Track Record Period are also set out in Notes 20 and 32 of the Accountants' Report in Appendix I to this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of liquidity have been to invest in the development of our mine and to fund our working capital. As of the Latest Practicable Date, we financed our cash requirements through a combination of bank loans, cash generated from operating activities, capital contributions by Liu's Group using the proceeds from the issuance of the Exchangeable Note and other debt financing. To further enhance our liquidity position, as of the Latest Practicable Date, we have entered into:

(i) a banking framework agreement with the Xiamen branch of Bank of Communications dated May 2013 under which the bank agreed in principle but did not fully commit to provide us with up to RMB500 million of financing support (on terms and conditions to be negotiated and agreed between the bank and us) before May 29, 2016, and we agreed to notify the bank in writing prior to any major corporate event such as decreases in registered capital, merger, acquisition or other corporate reorganization if such event would adversely affect the bank's rights;

(ii) a banking framework agreement with the Yongfeng County branch of China Construction Bank dated September 30, 2013 for a term of five years under which the bank agreed in principle but did not fully commit to provide us with up to RMB300 million of credit financing support (including providing loans, trade financing, bill business services and non-financing letters of guarantee) on terms and conditions to be negotiated and agreed between the bank and us; and

(iii) a banking framework agreement with the Yongfeng County branch of Industrial and Commercial Bank of China dated September 29, 2013 for a term of five years under which the bank agreed in principle but did not fully commit to provide us with up to RMB200 million of financing support (including mid- to long-term loans, short term loans, investment banking services, online banking services, cash management services and other financial services) on terms and conditions to be negotiated and agreed between the bank and us.

We have not used any amount provided in the banking framework agreements. In the event that we need to apply for bank loans or facility under these banking framework agreements, we expect to enter into detailed agreements with the banks. We plan to service any borrowings that we may make pursuant to any of these agreements through cash generated from operating activities.

Cash Flows

The following table sets forth a summary of our cash flows information for the period indicated:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Cash and cash equivalents at the beginning of the year/period	47	1,470	1,470	153,092
Net cash flows from/(used in) operating activities	(22,135)	(17,854)	13,573	7,272
Net cash flows used in investing activities	(9,044)	(66,919)	(9,115)	(18,755)
Net cash flows from/(used in) financing activities	32,602	237,943	142,110	(11,880)
Net increase/(decrease) in cash and cash equivalents	1,423	153,170	146,568	(23,363)
Cash and cash equivalent at the end of year/period	1,470	153,092	148,638	129,317

Operating Activities

Net cash inflows from operating activities for the nine months ended September 30, 2013 were RMB7.3 million, primarily due to (i) a profit before tax of RMB18.1 million, (ii) an increase in trade payables of RMB18.8 million due to continued business expansion, and (iii) an increase in other payables and accruals in the amount of RMB16.9 million due to continued business expansion, partially offset by an increase in trade receivables of RMB12.1 million and increase in inventories of RMB26.3 million due to increased production and sales volumes of our products.

Net cash outflows from operating activities for the year ended December 31, 2012 were RMB17.9 million, primarily due to (i) a loss before tax of RMB19.4 million, (ii) an increase in inventories of RMB21.7 million due to increased production, (iii) an increase in prepayments and other receivables of RMB8.2 million due to continued business expansion, and (iv) a decrease in amount due from related parties of RMB16.3 million due to the settlement of RMB16.7 million due from Xiamen Global. See "— Discussion of Certain Items from the Consolidated Statements of Financial Position — Related Party Transactions".

Net cash outflows from operating activities for the period from June 15 to December 31, 2011 were RMB22.1 million, primarily due to (i) a loss before tax of RMB4.4 million, (ii) an increase in inventories of RMB4.4 million due to increased production, and (iii) an increase in amount due from Xiamen Global of RMB16.7 million. See "— Discussion of Certain Items from the Consolidated Statements of Financial Position — Related Party Transactions".

Investing Activities

Net cash flows used in investing activities for the nine months ended September 30, 2013 were RMB18.8 million primarily due to (i) the purchase of mining right of RMB18.6 million for the Yongfeng Mine; (ii) purchase of items of property, plant and equipment, particularly production equipment, of RMB25.6 million, to expand the production capacity at the Yongfeng Mine; (iii) purchase of software of RMB2.3 million; and (iv) increase in pledged deposits of RMB20.0 million to secure the bank loan of RMB30 million from the Agricultural Bank of China partially offset by a decrease in time deposit with maturity of over three months.

Net cash flows used in investing activities for the year ended December 31, 2012 were RMB66.9 million primarily due to (i) purchase of items of property, plant and equipment, particularly production equipment, of RMB11.6 million, to expand the production capacity at the Yongfeng Mine; (ii) expenditure on exploration and evaluation assets of RMB5.6 million, primarily to Beijing SINOMA and Suzhou SINOMA for their exploration and evaluation work at the Yongfeng Mine; (iii) an increase in time deposits with maturity of over three months of RMB48.0 million; and (iv) an increase in restricted deposits of RMB1.7 million. See "— Discussion of Certain Items from the Consolidated Statements of Financial Position — Intangible Assets".

Net cash flows used in investing activities for the period from June 15 to December 31, 2011 were RMB9.0 million due to (i) purchase of items of property, plant and equipment, particularly production equipment, of RMB3.2 million, to expand the production capacity at the Yongfeng Mine; (ii) expenditure on exploration and evaluation assets of RMB5.8 million, primarily to Beijing SINOMA and Suzhou SINOMA for their exploration and evaluation work at the Yongfeng Mine, (iii) purchase of software of RMB2.3 million; and (iv) increase in pledged deposit of RMB20.0 million to secure the bank loan of RMB30.0 million from the Agricultural Bank of China. See "— Discussion of Certain Items from the Consolidated Statements of Financial Position — Intangible Assets".

Financing Activities

Net cash outflows used in financing activities for the nine months ended September 30, 2013 were RMB11.9 million primarily due to (i) repayment of bank loans of RMB28.0 million, and (ii) a decrease in an amount due to Liu's Group of RMB15.9 million, which was repaid; partially offset by proceeds from bank loans of RMB30.0 million.

Net cash inflows from financing activities were RMB237.9 million for the year ended December 31, 2012. Our cash inflow from financing activities during the year primarily consisted of: (i) proceeds from bank loans of RMB56.0 million; and (ii) an increase in amounts due to Liu's Group of RMB251.5 million due to Carlyle's investment in the form of exchangeable notes; partially offset by (i) repayment of bank loans of RMB54.2 million; (ii) a decrease in amount due to our ultimate Controlling Shareholder of RMB8.4 million; and (iii) distribution to our ultimate Controlling

Shareholder of RMB7 million. The distribution to the Ultimate Controlling Shareholder represented an amount paid to Mr. Liu, the then equity holder of Jueshi Mining, of RMB7.0 million for the acquisition of its 100% equity interests in Jueshi Mining by our Group. See note 26(a) to the Accountants' Report in Appendix I to this prospectus.

Net cash inflows from financing activities were RMB32.6 million for the period from June 15 to December 31, 2011. Our cash inflow from financing activities during the period primarily consisted of (i) proceeds from bank loans of RMB26.2 million; and (ii) increase in amount due to Mr. Liu, our ultimate Controlling Shareholder, of RMB6.4 million.

Working Capital

We recorded net current liabilities as of December 31, 2011 and 2012. As a result of the settlement of shareholder's loans on June 29, 2013 in connection with Carlyle's investment, we recorded net current assets of RMB130.7 million as of September 30, 2013. See " — Discussion of Certain Items from the Consolidated Statements of Financial Position — Current Assets and Current Liabilities." As a result, our Directors confirm, after due and careful inquiry, that net proceeds from the Global Offering, our operating cash flow, our available banking facilities and our current cash and cash equivalents will be sufficient to meet 125% of our present working capital requirements for the period ending twelve months from the date of this prospectus.

INDEBTEDNESS

As of December 31, 2011, December 31, 2012 and September 30, 2013, our interest-bearing borrowings were RMB26.2 million, RMB28.0 million and RMB30.0 million, respectively, all of which were bank loans payable within one year and denominated in RMB.

As of December 31, 2011, our bank loans bore interest at a fixed interest rate of 7.93% per annum and were guaranteed by Mr. Liu and secured by our inventory of marble blocks in the amount of RMB5.0 million. The bank loans guaranteed by Mr. Liu have been fully released on November 24, 2012. As of December 31, 2012, our bank loans bore interest at a fixed interest rate of 7.28% per annum and were secured by our inventory of marble blocks in the amount of RMB3.2 million. As of September 30, 2013, our bank loans bore interest at a fixed interest rate of 6.60% per annum and were guaranteed by Jueshi Mining and secured by our deposits in the amount of RMB20.0 million.

We have not experienced any default or withdrawal or request for early repayment of bank borrowings during the Track Record Period. Our Directors confirm that during the Track Record Period, there has not been any material defaults in payment of our trade and non-trade payables or our bank borrowings.

On September 10, 2013, we obtained a one-year loan of RMB30 million with a fixed interest rate of 6.60% per annum from the Agricultural Bank of China for working capital purposes. The loan is guaranteed by Jueshi Mining and secured by our deposits in the amount of RMB20.0 million as discussed above. Under our loan agreement with the Agricultural Bank of China, we need to obtain its consent before doing any of the followings: creating encumbrances on our assets which would affect our ability to repay the loan; guaranteeing a large amount of debt; making major changes to our corporate structures, such as entering into joint ventures, mergers, acquisitions, reorganizations, liquidation or dissolution; reducing registered capital; selling or disposing main assets; issuing debt securities; entering into material related transactions; major financing; and other material events that could affect our ability to repay the loan.

As of October 31, 2013, being the latest practicable date for the purpose of this indebtedness statement, our interest-bearing borrowings amounted to RMB33.6 million. As of October 31, 2013, other than RMB20 million of pledge deposits, our Company does not have any mortgage or charge. We do not expect that our ability to obtain external financing will be affected by the financial market volatility and credit tightening after the 2008 global financial crisis. As of the Latest Practicable Date, we have entered into banking framework agreements with three banks under which such banks have agreed in principle to provide us with financing supports with an aggregate amount of up to RMB1 billion. See "— Liquidity and Capital Resources."

KEY FINANCIAL RATIOS

The following table sets forth our certain key financial ratios as of the date and for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
Return on equity(1)	NM(5)	NM(5)	0.04
Current ratio(2)	0.7	0.8	2.3
Debt to equity ratio(3)	3.5	NM(5)	0.3
Net gearing ratio(4)	3.4	NM(5)	NM(5)

(1) Profit attributable to owners of the Company for the period, divided by equity attributable to owners of the Company, then multiplied by 100%.
(2) Current assets divided by current liabilities.
(3) Total debt divided by total equity. Total debt includes interest-bearing bank borrowings, amount due to related parties and other payables related to acquire property, plant and equipment and intangible assets.
(4) Net debt divided by total equity. Net debt includes total debt net of cash and bank balances.
(5) NM means not meaningful.

The following is a discussion of the material trends in the financial ratios in the table above.

- *Return on equity*. Our return on equity in the period from June 15 to December 31, 2011 and 2012 was not meaningful, as we generated losses attributable to owners of the Company for each such period.

- *Current ratio*. Our current ratio remained relatively stable in the period from June 15 to December 31, 2011 and 2012, and increased significantly in the nine months ended September 30, 2013 primarily because we issued in June 2013 new ordinary shares to Liu's Group in exchange for the settlement of its shareholder's loans to us.

- *Debt to equity ratio*. Our debt to equity ratio was relatively high in the period from June 15 to December 31, 2011 because we incurred significant bank loans to finance the expansion of our Yongfeng Mine. Such ratio was not meaningful in 2012 because we had negative equity in 2012 as a result of Carlyle's investment in the form of exchangeable notes to Liu's Group, which lent the proceeds to us in the form of shareholder's loans. In the nine months ended September 30, 2013, we issued new ordinary shares to Liu's Group in exchange for the settlement of its shareholder's loans to us.

- *Net gearing ratio*. Our net gearing ratio was relatively high in the period from June 15 to December 31, 2011 because we incurred significant bank loans to finance the expansion of our Yongfeng Mine. Such ratio was not meaningful in 2012 because of Carlyle Asia's and CAGP's investment as discussed above. Such ratio was nil for the nine months ended September 30, 2013 because we had no net debt as of September 30, 2013.

SENSITIVITY ANALYSIS

The following table sets forth an illustrative sensitivity analysis of our products' average selling price, average unit cost sold, cash operating cost and its major components (including processing fees for the outsource processing services). This table is calculated based on a change in the amount of the above items by 10% from the actual historical amount, assuming for the amounts for processing fees, that the proportion of processing fees in the average unit cost sold equals to the proportion in the unit production cost in the same period. The 10% change in average selling price, average unit cost sold, processing fees, cash operating cost and its major components respectively is used for the sensitivity analysis based on our reasonable estimate of the magnitude of fluctuation in such indicators of our Group in the future when they become relatively stable. The historical price fluctuation of our products is not meaningful as an indicator of the stability of the price of our products in the future as we were in the early stage of producing and selling marble products and the sales volume was relatively low during the Track Record Period. Therefore, we used the historical trend of marble prices in China as a reference in selecting the percentage change for our sensitivity analysis since we believe our marble products are up to industry standards. According to the F&S Report, the average unit price of white/grey domestic marble products increased by 9.5% in 2012 compared to 2011 and is expected to increase by 11.4% in 2013 compared to 2012. Because a number of assumptions have been applied, this sensitivity analysis is for illustrative purposes only, and actual results may differ from those illustrated below.

	Period from June 15 to December 31, 2011			Year ended December 31, 2012			Nine months ended September 30, 2013		
	Actual	±10%		Actual	±10%		Actual	±10%	
		Amount Change	Percentage Change		Amount Change	Percentage Change		Amount Change	Percentage Change
	(RMB'000 except percentages)								
Average selling price									
Gross profit	47.0	±17.3	±36.8%	3,705.0	±821.0	±22.2%	56,473.0	±9,205.4	±16.3%
Profit/(loss) before tax	(4,385.0)	±17.3	∓0.4%	(19,404.0)	±821.0	∓4.2%	18,120.0	±9,205.4	±50.8%
Average unit cost sold									
Gross profit	47.0	∓12.6	∓26.8%	3,705.0	∓450.5	∓12.2%	56,473.0	∓3,558.1	∓6.3%
Profit/(loss) before tax	(4,385.0)	∓12.6	±0.3%	(19,404.0)	∓450.5	±2.3%	18,120.0	∓3,558.1	∓19.6%
Cash operating cost									
Gross profit	47.0	∓10.7	∓22.7%	3,705.0	∓424.5	∓11.5%	56,473.0	∓3,465.6	∓6.1%
Profit/(loss) before tax	(4,385.0)	∓326.1	±7.4%	(19,404.0)	∓2,191.4	±11.3%	18,120.0	∓6,407.0	∓35.4%
Processing fees									
Gross profit	47.0	N/A	N/A	3,705.0	∓266.3	∓7.2%	56,473.0	∓2,004.0	∓3.5%
Profit/(loss) before tax	(4,385.0)	N/A	N/A	(19,404.0)	∓266.3	±1.4%	18,120.0	∓2,004.0	∓11.1%
Material cost									
Gross profit	47.0	∓2.9	∓6.2%	3,705.0	∓20.3	∓0.5%	56,473.0	∓219.1	∓0.4%
Profit/(loss) before tax	(4,385.0)	∓2.9	±0.1%	(19,404.0)	∓20.3	±0.1%	18,120.0	∓219.1	∓1.2%
Staff cost									
Gross profit	47.0	∓2.4	∓5.1%	3,705.0	∓26.2	∓0.7%	56,473.0	∓376.6	∓0.7%
Profit/(loss) before tax	(4,385.0)	∓55.3	±1.3%	(19,404.0)	∓605.2	±3.1%	18,120.0	∓1,814.6	∓10.0%
Transportation									
Gross profit	47.0	∓0.08	∓0.2%	3,705.0	∓100.9	∓2.7%	56,473.0	∓505.7	∓0.9%
Profit/(loss) before tax	(4,385.0)	∓0.08	±0.0%	(19,404.0)	∓138.7	±0.7%	18,120.0	∓593.8	∓3.3%

COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments

We did not have capital commitments as of December 31, 2011. As of December 31, 2012 and September 30, 2013, we had capital commitment of RMB2.1 million and RMB10.8 million, respectively, principally for the construction (including RMB5 million for road construction as of September 30, 2013) and purchase of plant and equipment and purchase of intangible assets.

Operating Lease Arrangements

We lease our offices and warehouses under operating lease arrangements, with lease terms primarily ranging from one to five years. As of each of the statement of financial position dates, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As of December 31,		As of September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	—	1,573	3,845
In the second to fifth years, inclusive	—	6,730	8,450
	—	8,303	12,295

Contingent Liabilities

On July 26, 2012, Liu's Group, Carlyle Asia, CAGP, our Company, Mr. Liu and our certain subsidiaries entered into an Investors' Rights Agreement (the "Rights Agreement"). On August 1, 2013, Carlyle Asia and CAGP assigned all of their rights and benefits under the Rights Agreement to Carlyle Holdco, and Carlyle Holdco assumed all accrued and ongoing obligations of Carlyle Asia and CAGP under the Rights Agreement. Pursuant to the Rights Agreement, if (A) any third party (including any other shareholder of our Company) brings a claim against Carlyle Holdco as a result of Carlyle Holdco's investment in our Company and (B) such claim is not attributable to any breach of any transaction documents for such investment by Carlyle Holdco or willful misconduct or fraud on the part of Carlyle Holdco (e.g., an investor of Carlyle Asia or CAGP sues Carlyle Holdco for failure to identify a misrepresentation by our Company during the due diligence process before making its investment in our Company), our Company is required to indemnify Carlyle Holdco to the maximum extent permitted by applicable laws for such claim if Carlyle Holdco's losses due to such claim exceeds US$40,000. Our Company's aggregate liability for the foregoing may not exceed US$40,000,000. Such indemnification right of Carlyle Holdco will terminate upon the Listing. See "History and Corporate Development — Pre-IPO Investment." In addition, the exchangeable notes issued to Carlyle are secured by a share charge on 50% of the issued capital of the Company held by Liu's Group, which is released upon the Listing.

Capital Expenditures

We incurred capital expenditures for the construction and development of the Yongfeng Mine during the Track Record Period. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, we incurred capital expenditures of RMB13.6 million, RMB15.1 million and RMB83.6 million, respectively, primarily due to purchases of production equipment at the mine. The table below sets forth details of our capital expenditures for the period indicated.

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2013
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	3,204	12,704	27,489
Intangible assets	10,349	2,434	56,125
	13,553	15,138	83,614
Repayable within			
one year	4,509	1,476	9,972
two to four years	—	1,017	27,900
	4,509	2,493	37,872

As at the Latest Practicable Date, we financed our capital expenditure through a combination of bank loans, cash generated from operating activities, capital contributions by Liu's Group using the proceeds from the issuance of the Exchangeable Note and other debt financing.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third-parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business. The main risks arising from our financial instruments are liquidity risk, interest rate risk, foreign currency risk and credit risk. Our finance department, which is led by our senior management, is responsible for managing our exposure to these and other market risks. Our finance department identifies and evaluates financial risks in close cooperation with our operating units. The Board regularly reviews these risks and our financial risk management policy seeks to ensure that adequate resources are available to manage the market risks summarized below and to create value for our Shareholders.

Credit Risk

The carrying amounts of cash and bank balances and time desposits, trade and other receivables and amounts due from related parties represent our maximum exposure to credit risk in relation to our financial assets.

Substantial amounts of our cash and bank balances and time deposits are held in major reputable financial institutions located in the PRC and Hong Kong, which we believe are of high credit quality. The credit risk of our other financial assets, which comprise trade and other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. We have no other financial assets which carry significant exposure to credit risk.

Since we only trade only with recognized and creditworthy third-parties, there is no requirement for collateral. As of September 30, 2013, 86% of our trade receivables outstanding, or RMB10.5 million, were attributable to five customers, which represented significant credit risk concentration. Concentrations of credit risk are managed by customer and by geographical region, and our financial department and sales department confirm the balance of trade receivables every month with customers. In respect of the credit quality of customers, we have adopted and will continue to implement a customer appraisal program to review each customer's receivables, assess each customer's credibility and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that credit risk is significantly reduced.

Foreign Currency Risk

Most of our sales of products are conducted in Renminbi. Most of our assets and liabilities are denominated in Renminbi, except for an amount due to Liu's Group and certain cash at banks which are denominated in Hong Kong dollars and U.S. dollars.

We have not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

The following table demonstrates the sensitivity to a 5.0% change in Renminbi against U.S. dollars. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of our exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets at the end of each reporting period for a 5.0% of change in Renminbi against U.S. dollars, with all other variables held constant, of our profit/loss before tax (due to changes in the fair value of cash and bank balances and an amount due to Liu's Group denominated in U.S. dollars).

	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30,	
			2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Increase/(decrease) in profit before tax:				
If RMB weakens against US$	—	(7,094)	(2,006)	202
If RMB strengthens against US$	—	7,094	2,006	(202)

Liquidity Risk

We monitor our exposure to a shortage of funds by considering the maturity of both financial liabilities and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and funding from Liu's Group.

The maturity profile of our financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is as follows.

	December 31, 2011				
	On demand	Less than 3 months	3 to less than 12 months	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans	—	457	26,609	—	27,066
Trade payables	156	—	—	—	156
Other payables and accruals	4,791	—	—	—	4,791
Due to related parties	6,442	—	—	—	6,442
	11,389	457	26,609	—	38,455

	December 31, 2012				
	On demand	Less than 3 months	3 to less than 12 months	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank loans	—	2,284	26,485	—	28,769
Trade payables	3,888	—	—	—	3,888
Other payables and accruals	6,260	369	1,107	1,017	8,753
Due to related parties	250,551	—	—	—	250,551
	260,699	2,653	27,592	1,017	291,961

	September 30, 2013				
	On demand	Less than 3 months	3 to less than 12 months	1 to 4 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	451	31,447	—	31,898
Trade payables	22,717	—	—	—	22,717
Other payables and accruals	17,065	396	12,721	31,571	61,753
Due to related parties	71	—	—	—	71
	39,853	847	44,168	31,571	116,439

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 23 of Section II of the Accountants' Report as set out in Appendix I to this prospectus.

Capital Management

The primary objective of our capital management is to ensure that we maintain healthy capital ratios in order to support our business and maximize our Shareholders value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions. During the start-up stage of our Group, the investor of the Company contributed capital based on the needs of our subsidiaries. The dividend policy will be established when we start to generate revenues from our activities.

No changes were made in the objectives, policies or processes for managing financial risks during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on September 30, 2013. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as of September 30, 2013 or any future dates.

	Consolidated net tangible assets attributable to equity holders of the Company as of September 30, 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on Offer Price at HK$2.43 per Share	147,702	572,603	720,305	0.54	0.68
Based on Offer Price at HK$3.03 per Share	147,702	721,668	869,370	0.65	0.82

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of September 30, 2013 is extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to owners as of September 30, 2013 of RMB225.1 million with an adjustment for intangible assets of RMB77.4 million as of September 30, 2013.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$2.43 per Share or HK$3.03 per Share after deduction of the underwriting fees and related expenses payable by our Group. For the purpose of the estimated net proceeds from the Global Offering, the translation of Hong Kong dollars into Renminbi was made at the rate of HK$1 to RMB0.7929, the exchange rate prevailing on September 30, 2013.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are based on 1,333,334,000 Shares expected to be in issue following the completion of the Global Offering.

DISTRIBUTABLE RESERVES

As of September 30, 2013, the aggregate amount of reserves available for distribution to the equity holders of the Company amounted to RMB231.7 million. The Companies Law provides that share premium account of an exempted company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIVIDEND POLICY

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

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

LISTING EXPENSES

The total estimated listing expenses (excluding underwriting commission) in connection with the Global Offering comprising principally professional fees are expected to amount to approximately RMB43.9 million, of which approximately RMB10.9 million is directly attributable to the issue of new shares to the public and will be accounted for as a deduction from equity. The remaining estimated listing expenses which cannot be so deducted will be charged to profit or loss of our Group. For the period from June 15 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013, listing expenses charged to profit or loss amounted to approximately RMB1.1 million, RMB2.3 million and RMB9.4 million, respectively, and RMB0.4 million, RMB0.8 million and RMB3.0 million, respectively, will be charged against equity upon successful listing according to relevant accounting standard. For the year ending December 31, 2013, we estimate that the listing expenses will amount to approximately RMB39.3 million, of which approximately RMB29.6 million will be charged to the profit and loss in the year and the remaining RMB9.7 million will be charged against equity upon successful listing, according to relevant accounting standard.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2013, the date of the latest audited financial statements of our Company, and there has been no events since September 30, 2013 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS

Please see the section headed "Business — Business Strategy" for a detailed description of our future plans. We plan to finance the cash requirements of our future plans, including the ramping up of our Yongfeng Mine, construction of our self-owned marble processing plant, opening of retail outlets and expansion to overseas markets, through a combination of the net proceeds of the Global Offering, cash generated from operating activities and bank loans. As of the Latest Practicable Date, we have entered into banking framework agreements with three banks under which such banks have agreed in principle to provide us with financing supports with an aggregate amount of up to RMB1 billion. Please see the section headed "Financial Information — Liquidity and Capital Resources" for a detailed description of the banking framework agreements.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$2.73 per Share (being the mid-point of the indicative range of the Offer Price of HK$2.43 to HK$3.03 per Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK$816 million.

We intend to use the net proceeds to be received from the Global Offering for the following purposes:

- approximately 40% of the net proceeds (approximately HK$326 million) to fund the future capital requirements of the Yongfeng Mine, including purchase of production equipment for the mine, construction of the mine and its support facilities, payment towards any outstanding balance of our mining right fees and payment toward land acquisition relating to the mine;

- approximately 30% of the net proceeds (approximately HK$244 million) to fund the construction of our slab processing facilities, most of which are expected to be used on phase 1 of the slab processing facilities;

- approximately 10% of the net proceeds (approximately HK$82 million) to fund the expansion our sales channels, including leasing and remodeling our retail outlets and show rooms, and hosting our annual distributor conferences as well as brand promotional activities;

- approximately 10% of the net proceeds (approximately HK$82 million) to fund selective acquisitions of high-end and premium marble resources; and

- approximately 10% of the net proceeds (approximately HK$82 million) for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$944 million (assuming an Offer Price of HK$2.73 per Share, the midpoint of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

Pursuant to the relevant laws and regulations of the PRC, we may transfer the net proceeds received from the Global Offering to the PRC by (a) making capital contributions to the relevant PRC subsidiaries, (b) establishing new foreign investment enterprises, (c) acquiring existing domestic or foreign investment enterprises in the PRC and/or (d) providing shareholder loans to our qualified PRC operating subsidiaries. We may, subject to approvals by the competent PRC authorities, transfer the net proceeds we will receive from the Global Offering to the PRC and use the same in accordance with the use of proceeds set forth above.

HONG KONG UNDERWRITERS

Joint Lead Managers

Merrill Lynch Far East Limited
Haitong International Securities Company Limited

Co-lead Managers (in alphabetical order)

GF Securities (Hong Kong) Brokerage Limited
Great Roc Capital Securities Limited
South China Securities Limited
Yuanta Securities (Hong Kong) Company Limited

HONG KONG PUBLIC OFFERING

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is initially offering 33,334,000 Hong Kong Public Offer Shares for subscription under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the related Application Forms.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the existing issued Shares and the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be sold pursuant to the exercise of the Over-allotment Option) and of the Shares issuable on the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (on behalf of the Underwriters) and the Company agreeing on the Offer Price), the Hong Kong Underwriters have severally but not jointly agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering, on the terms and subject to the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

The Sole Global Coordinator (on behalf of itself and the Hong Kong Underwriters) may in its absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to the Company at any time prior to 8:00 a.m. on the Listing Date if:

there shall develop, occur, exist or come into effect:

- any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the Cayman Islands, the BVI, the PRC, the United States, the United Kingdom, France, Germany, the European Union (as a whole), Japan, Singapore or any other jurisdiction relevant to any member of the Group (the "Relevant Jurisdictions");

- any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

- any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;

- any general moratorium on commercial banking activities in any Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions;

- any new Laws (as defined in the Hong Kong Underwriting Agreement) or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting any of the Relevant Jurisdictions;

- the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

- a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

- any loss or damage sustained by any member of the Group;

- any Action (as defined in the Hong Kong Underwriting Agreement) of any third party being threatened or instigated against any member of the Group;

- any Governmental Authority or a political body or organisation in any Relevant Jurisdiction is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or any director of any Subsidiary (as defined in the Hong Kong Underwriting Agreement); or

- a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the US dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions,

which, individually or in the aggregate, in the opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- has or will or may have an adverse effect on the assets, liabilities, business, general affairs, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

- has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

- makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

- has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

there has come to the notice of the Sole Global Coordinator:

- that any statement contained in this prospectus, the Application Forms, the Formal Notice (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any respects, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions;

- that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

- the issue of or the requirement by the Company to issue any Supplementary Prospectus (as defined in the Hong Kong Underwriting Agreement) (or to any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

- any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Global Coordinator, the Sole Sponsor or the Underwriters);

- any event, act or omission which gives or is likely to give rise to any liability of any of the Company and the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement;

- any adverse change or development or any prospective adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole and the effect of which is, in the opinion of the Sole Global Coordinator, so adverse as to make it impracticable or inadvisable to proceed with the Global Offering;

- any breach of, or any event rendering untrue or incorrect in any respect, any of the Warranties (as defined in the Hong Kong Underwriting Agreement) given by any of the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement;

- that the approval by the Listing Committee (as defined in the Hong Kong Underwriting Agreement) of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

- that the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- any litigation or dispute or potential litigation or disputes, which would materially affect the operation, financial condition or reputation of the Group;
- any of Ernst & Young, the Competent Person, the Industry Consultant (as defined in the Hong Kong Underwriting Agreement), Commerce & Finance Law Offices or Conyers Dill & Pearman (Cayman) Limited has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appear;
- any Director or any director of any Subsidiary (as defined in the Hong Kong Underwriting Agreement) is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- the chairman of the Board or the chief executive officer of the Company vacating his office;
- any prohibition on the Company for whatever reason from allotting or selling the Offer Shares pursuant to the terms of the Global Offering;
- any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering or any contravention by any member of the Group with the Listing Rules or any other Applicable Laws (as defined in the Hong Kong Underwriting Agreement);
- any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- any change or prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus.

Undertakings

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) *Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering (including the Over-allotment Option and any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme) or any issue of Shares or securities in compliance with Rule 10.08(1) to (4) of the Listing Rules, no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

(B) *Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange that it shall not and shall procure that the relevant registered Shareholder(s) shall not:

- during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and

- within the period of six months commencing on the date on which the period referred to in the immediate preceding paragraph above expires (the "Second Six Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in the immediately preceding paragraph above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder.

Note 2 to Rule 10.07 of the Listing Rules provides that such rule does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of the Controlling Shareholders has further undertaken to the Company and the Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

- any indication received by it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders (or its respective shareholders) and disclose such matters by way of an announcement which is published on the website of the Stock Exchange as soon as possible after being so informed by any of the Controlling Shareholders (or its respective shareholders).

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) *Undertakings by the Company*

We have undertaken to the Sole Global Coordinator not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong

Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the "First Six-Month Period"):

(i) offer, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, either directly or indirectly, any of the share capital or other securities of the Company or any interest therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option and the exercise of options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme). In the event that, during the six-month period immediately following the First Six-Month Period (the "Second Six-Month Period"), the Company enters into any such transactions or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

(B) *Undertakings by the Controlling Shareholders*

Each of the Controlling Shareholders agrees and undertakes to the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) save for any lending of Shares by Liu's Group pursuant to the Stock Borrowing Agreement (as defined in the Hong Kong Underwriting Agreement), during the First Six-Month Period, he/it will not:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares), or agree to transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any Shares, or any other equity securities of the Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) publicly disclose that he/it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such capital or securities, in cash or otherwise;

(A) during the Second Six-Month Period, he/it will not enter into any transaction described in paragraphs (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(B) until the expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions specified in paragraphs (a)(i), (ii) or (iii) above or agrees or contracts to, or publicly announces an intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of the Company; and

(b) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/it shall:

(i) if and when he/it pledges or charges any securities or interests in the securities of the Company beneficially owned by he/it, immediately inform the Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be disposed of, immediately inform the Company and the Sole Global Coordinator in writing of such indications.

The Company agrees and undertakes that upon receiving such information in writing from any of the Controlling Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

Each of the Company and the Controlling Shareholders has agreed to, jointly and severally, indemnify, amongst others, each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

Carlyle Holdco has undertaken to each of the Hong Kong Underwriters, the Sole Global Coordinator, the Joint Bookrunners and the Company that, without the prior written consent of the Sole Global Coordinator on behalf of the Hong Kong Underwriters, Carlyle Holdco shall not during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, severally but not jointly, agree to subscribe for or purchase, or to procure subscribers to subscribe for or purchase, their respective applicable proportions (set out in the International Underwriting Agreement) of the International Offer Shares being offered pursuant to the International Offering.

Under the International Underwriting Agreement, the Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue up to 50,000,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be issued and sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of, among other things, covering over-allocations, if any, in the International Offering.

Commissions and Expenses

The Company will pay an aggregate underwriting commission and fee of 3.25% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Bookrunners may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$93.8 million (assuming an Offer Price of HK$2.73 per Offer Share (which is the mid-point of the indicative Offer Price range), the Over-allotment Option is not exercised and the full payment of a discretionary incentive fee) and will be paid by us.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for Merrill Lynch Far East Limited, as the stabilizing manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the paragraph "Over-allocation and Stabilization" under the section "Structure and Conditions of the Global Offering". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their respective obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe to or to nominate persons to subscribe to securities in our Company or any of our subsidiaries.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offering of an initial 33,334,000 Shares to be offered by the Company (subject to adjustment as mentioned below) (representing 10% of the total number of Offer Shares initially available under the Global Offering) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" below; and
- the International Offering of an initial 300,000,000 Shares to be offered by the Company (subject to adjustment as mentioned below and the Over-allotment Option) (representing 90% of the total number of Offer Shares initially available under the Global Offering) (a) in the United States to QIBs in reliance on Rule 144A or another available exemption from registration requirement under the US Securities Act; and (b) outside the United States in offshore transactions in reliance on Regulation S.

Merrill Lynch International is the Sole Global Coordinator of the Global Offering. Merrill Lynch International and Haitong International Securities Company Limited are the Joint Bookrunners for the Hong Kong Public Offering and the International Offering. Merrill Lynch Far East Limited and Haitong International Securities Company Limited are the Joint Lead Managers for the Hong Kong Public Offering and Merrill Lynch International and Haitong International Securities Company Limited are the Joint Lead Managers for the International Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation and, in the case of the International Offering only, the Over-allotment Option as described in the paragraph headed "Over-Allocation and Stabilization" below.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting".

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Under the Hong Kong Public Offering, the Company is initially offering 33,334,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of the Company's issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" below.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Offer Shares in the Hong Kong Public Offering will be conditional on, among other things:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the existing issued Shares, the Offer Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares issuable on the exercise of any options which have been granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme);

- the Offer Price having been determined on the Price Determination Date;

- the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

- the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed among the Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Thursday, December 26, 2013, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms. If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Public Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, December 30, 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

Allocation

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applications may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 33,334,000 Hong Kong Public Offer Shares initially comprised in the Hong Kong Public Offering (that is, 16,667,000 Hong Kong Public Offer Shares) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times and (iii) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 100,002,000 Offer Shares (in the case of (i)), 133,334,000 Offer Shares (in the case of (ii)) and 166,668,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may reallocate

Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. For the avoidance of doubt, the aforesaid right of the Joint Bookrunners to reallocate Offer Shares shall not affect the right of the Sole Global Coordinator to allocate the re-allocated Offer Shares to the individual applicants at its sole and absolute discretion.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate. For the avoidance of doubt, the aforesaid right of the Joint Bookrunners to reallocate Offer Shares shall not affect the right of the Sole Global Coordinator to allocate the re-allocated Offer Shares to the individual placees at its sole and absolute discretion.

Subject to the two paragraphs above, the Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the applications submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$3.03 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum price of HK$3.03 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Shares Offered

Subject to reallocation as described above, the International Offering will consist of 300,000,000 Offer Shares (subject to adjustment and the Over-allotment Option) to be issued by the Company, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of the Company and the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue up to 50,000,000 additional Shares, representing no more than 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to, among other things, cover over allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 3.61% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Shares for the purpose of the offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, December 19, 2013, and in any event on or before Thursday, December 26, 2013, by agreement among the Sole Global Coordinator (on behalf of the Underwriters) and the Company and the number of Shares to be allocated under the offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.03 per Offer Share and is expected to be not less than HK$2.43 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Sole Global Coordinator (on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) a notice of any such reduction. Such notice will also be available at the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.artgo.cn**. Upon issue of a notice in the reduction of the Offer Price, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon among the Company and the Sole Global Coordinator (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to the Company (assuming that no additional Shares will be issued by the Company pursuant to the Over-allotment Option and after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Global Offering) are estimated to be approximately HK$722 million, assuming an Offer Price per Offer Share of HK$2.43, or approximately HK$910 million, assuming an Offer Price per Offer Share of HK$3.03.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allocation of Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, December 27, 2013, in the manner set out in the paragraph headed "11. Publication of Results" under the section headed "How to Apply for the Hong Kong Public Offer Shares".

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Merrill Lynch Far East Limited, as stabilizing manager (the "Stabilizing Manager"), its affiliates or any person acting for it, (on behalf of the Underwriters), may over-allocate and/or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be allotted and issued upon exercise of the Over- allotment Option, being 50,000,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above;

(A) (1) over-allocate the Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of the Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or

(D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it, which may include a decline in the market price of the Shares.

Stabilization cannot be used to support the price of the Shares for longer than the stabilization period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on January 18, 2014, after which an announcement will be made pursuant to section 9 of, and schedule 3 to, the Securities and Futures (Price Stabilization) Rules. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore then market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Shares.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 50,000,000 Shares, representing approximately 15% of the Offer Shares, from Liu's Group to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising of the Over-allotment Option.

If such Stock Borrowing Arrangement is entered into, it will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Liu's Group or their nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, or (b) the day on which the Over-allotment Option is exercised in full. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Liu's Group or their agents in relation to such stock borrowing arrangement.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 30, 2013, it is expected that dealings in the Shares on the Stock Exchange will commence on Monday, December 30, 2013.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or going to become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 16, 2013 till 12:00 noon on Thursday, December 19, 2013 from:

(i) the following offices of the Joint Lead Managers as to Hong Kong Public Offering:

Merrill Lynch Far East Limited

15/F Citibank Tower
3 Garden Road
Central
Hong Kong

Haitong International Securities Company Limited

22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street Central
	King's Road Sub-Branch	67-71 King's Road
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chaiwan
	Wanchai Sub-Branch	G/F., 32-34 Johnston Road
Kowloon	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Shamshuipo Sub-Branch	Shop G1, G/F., Golden Centre 94 Yen Chow Street Sham Shui Po
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road Tsimshatsui
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza 77 Ngau Tau Kok Road
New Territories	Shatin Sub-Branch	Shop No. 193 Level 3, Lucky Plaza Shatin
	Market Street Sub-Branch	G/F., 53 Market Street Tsuen Wan

The Bank of East Asia, Limited

	Branch	Address
Hong Kong Island	Main Branch	10 Des Voeux Road Central
	Wanchai Branch	Shop A-C, G/F Easey Commercial Building 253-261 Hennessy Road Wanchai
	Shaukiwan Branch	G/F, Ka Fook Building 289-293 Shau Kei Wan Road
	Quarry Bay Branch	Shop G2-G4 G/F, Fok Cheong Building 1032-1044 King's Road Quarry Bay
Kowloon	Mongkok Branch	638-640 Nathan Road
	Waterloo Road Branch	Shop A, G/F, Richland House 77B & 77C Waterloo Road
	Hoi Yuen Road Branch	Unit 1, G/F, Hewlett Centre 54 Hoi Yuen Road
	Wong Tai Sin Branch	Shop UG15, Upper Ground Floor Wong Tai Sin Plaza Kowloon
New Territories	Tai Wai Branch	16-18 Tai Wai Road Cheung Fung Mansion Shatin
	Tai Po Plaza Branch	Units 49-52, Level 1 Tai Po Plaza

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, December 16, 2013 until 12:00 noon on Thursday, December 19, 2013 from the Depository Counter of **HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached for the payment, and marked payable to "Bank of Communications (Nominee) Co. Ltd. — ArtGo Mining Public Offer" should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Monday, December 16, 2013 — 9:00 a.m. to 5:00 p.m.
- Tuesday, December 17, 2013 — 9:00 a.m. to 5:00 p.m.

- Wednesday, December 18, 2013 — 9:00 a.m. to 5:00 p.m.
- Thursday, December 19, 2013 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, December 19, 2013, the last application day or such later time as described in "— Effect of Bad Weather on the Opening of the Applications Lists".

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— Who can apply" may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, December 16, 2013 until 11:30 a.m. on Thursday, December 19, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 a.m. on Thursday, December 19, 2013 or such later time under the "— Effect of Bad Weather on the Opening of the Applications Lists".

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of paper via the self-service and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "ArtGo Mining Holdings Limited" White Form eIPO application submitted via the www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Vouex Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator, the Joint Bookrunners and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and **a WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists

(excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Monday, December 16, 2013 - 9:00 a.m. to 8:30 p.m.(1)
- Tuesday, December 17, 2013 - 8:00 a.m. to 8:30 p.m.(1)
- Wednesday, December 18, 2013 - 8:00 a.m. to 8:30 p.m.(1)
- Thursday, December 19, 2013 - 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, December 16, 2013 until 12:00 noon on Thursday, December 19, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, December 19, 2013, the last application day or such later time as described in "— Effect of Bad Weather on the Opening of the Application Lists".

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, December 19, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure and Conditions of the Global Offering — Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, December 19, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, December 19, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Friday, December 27, 2013 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.artgo.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.artgo.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, December 27, 2013;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, December 27 2013 to 12:00 midnight on Thursday, January 2 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00a.m. and 10:00 p.m. from Friday, December 27 2013 to Monday, December 30, 2013;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, December 27 2013 to Saturday, December 28, 2013 and Monday, December 30, 2013 at all the receiving banks' designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO** service provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the **White Form eIPO** service provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.03 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, December 27, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your

refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Friday, December 27, 2013. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, December 30, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) **If you apply using a WHITE Application Form**

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Friday, December 27, 2013, by ordinary post and at your own risk.

(ii) **If you apply using a YELLOW Application Form**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, December 27, 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, December 27, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 27, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) **If you apply through the White Form eIPO Service**

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, December 27, 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, December 27, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) **If you apply via Electronic Application Instructions to HKSCC**

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, December 27, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, December 27, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 27, 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, December 27, 2013. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, December 27, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

EY 安永

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Fax: +852 2868 4432
www.ey.com

December 16, 2013

The Directors
ArtGo Mining Holdings Limited
Merrill Lynch Far East Limited

Dear Sirs,

We set out below our report on the financial information of ArtGo Mining Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the period from June 15, 2011 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as of December 31, 2011 and 2012 and September 30, 2013, together with the notes thereto (the "Financial Information") and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended September 30, 2012 (the "Interim Comparative Information") prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated December 16, 2013 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

On June 15, 2011, the ultimate controlling shareholder of the Company acquired a controlling interest in Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. ("Jueshi Mining"). As a result, this date is the starting date of the Relevant Periods as it is the earliest date Jueshi Mining that is now part of the Group came under the common control of the ultimate controlling shareholder.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 23, 2011 with the name of China Huijin Stone Mining Holdings Ltd.. The name of the Company was subsequently changed to its present name on March 15, 2012. Pursuant to a group reorganization (the "Reorganization") as set out in note 2.1 of Section II below, which was completed on February 7, 2012, the Company became the holding company of the subsidiaries, including Jueshi Mining, now comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As of the date of this report, no statutory financial statements have been prepared for the Company since the date of its incorporation as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of its incorporation.

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted December 31 as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the period from June 15, 2011 to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as of December 31, 2011 and 2012 and September 30, 2013 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	4	173	8,210	2,307	92,054
Cost of sales		(126)	(4,505)	(1,134)	(35,581)
Gross profit		47	3,705	1,173	56,473
Other income and gain	5	52	210	58	3,978
Selling and distribution expenses		(114)	(7,953)	(2,431)	(19,505)
Administrative expenses		(4,212)	(12,257)	(8,231)	(19,596)
Other expenses		(16)	(855)	(133)	(465)
Finance costs	6	(142)	(2,254)	(1,691)	(2,765)
PROFIT/(LOSS) BEFORE TAX	7	(4,385)	(19,404)	(11,255)	18,120
Income tax credit/(expense)	9	—	(17)	3	(8,799)
PROFIT/(LOSS) FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(4,385)	(19,421)	(11,252)	9,321
ATTRIBUTABLE TO:					
Owners of the Company	10	(4,122)	(19,421)	(11,252)	9,321
Non-controlling interests		(263)	—	—	—
		(4,385)	(19,421)	(11,252)	9,321
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY:					
Basic and diluted	11	N/A	N/A	N/A	N/A

Consolidated statements of financial position

	Notes	December 31, 2011	December 31, 2012	September 30, 2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	12	3,861	15,091	40,459
Intangible assets	13	22,355	21,838	77,409
Prepayments, deposits and other receivables	15	—	1,958	4,788
Payments in advance	16	—	1,520	10,826
Restricted deposits	17	—	1,702	1,702
Total non-current assets		26,216	42,109	135,184
CURRENT ASSETS				
Inventories	18	6,437	28,135	54,390
Trade receivables	19	—	41	12,151
Prepayments, deposits and other receivables	15	500	6,823	12,998
Due from related parties	20	16,660	2,322	—
Pledged deposits	17	—	—	20,000
Cash and bank balances	17	1,470	201,092	129,317
Total current assets		25,067	238,413	228,856
CURRENT LIABILITIES				
Trade payables	21	156	3,888	22,717
Other payables and accruals	22	5,091	9,860	38,138
Tax payable		—	20	7,198
Interest-bearing bank loans	23	26,160	28,000	30,000
Due to related parties	20	6,442	250,551	71
Total current liabilities		37,849	292,319	98,124
NET CURRENT ASSETS/(LIABILITIES)		(12,782)	(53,906)	130,732
TOTAL ASSETS LESS CURRENT LIABILITIES		13,434	(11,797)	265,916
NON-CURRENT LIABILITIES				
Deferred tax liabilities	24	2,968	2,965	3,059
Other payables	22	—	1,017	28,000
Provision for rehabilitation	30	—	176	9,746
Total non-current liabilities		2,968	4,158	40,805
Net assets/(liabilities)		10,466	(15,955)	225,111
EQUITY/(DEFICIT)				
Equity attributable to owners of the Company				
Issued capital	25	—	—	—
Reserves	26	10,466	(15,955)	225,111
Total equity/(deficit)		10,466	(15,955)	225,111

Consolidated statements of changes in equity

	Attributable to owners of the Company								
	Issued capital	Share premium	Safety fund surplus reserve	Contributed surplus	Difference arising from acquisition of non-controlling interests	Accumulated losses	Total	Non-controlling interests	Total equity/ (deficit)
	RMB'000 (note 25)	RMB'000 (note 26(c))	RMB'000 (note 26(b))	RMB'000 (note 26(a))	RMB'000 (note 27(b))	RMB'000	RMB'000	RMB'000	RMB'000
At June 15, 2011	—	—	—	7,636	—	—	7,636	7,215	14,851
Loss and total comprehensive loss for the period	—	—	—	—	—	(4,122)	(4,122)	(263)	(4,385)
Acquisition of non-controlling interests (note 27 (b))	—	—	—	26,000	(19,048)	—	6,952	(6,952)	—
At December 31, 2011 and January 1, 2012	—	—	—*	33,636*	(19,048)*	(4,122)*	10,466	—	10,466
Loss and total comprehensive loss for the year	—	—	—	—	—	(19,421)	(19,421)	—	(19,421)
Issue of shares (note 25(a))	—	—	—	—	—	—	—	—	—
Establishment for safety fund surplus reserve	—	—	94	—	—	(94)	—	—	—
Distribution to the ultimate controlling shareholder (note 26(a))	—	—	—	(7,000)	—	—	(7,000)	—	(7,000)
At December 31, 2012 and January 1, 2013	—	—	94*	26,636*	(19,048)*	(23,637)*	(15,955)	—	(15,955)
Issue of shares (note 25 (b) and 26(c))	—	231,745	—	—	—	—	231,745	—	231,745
Profit and total comprehensive income for the period	—	—	—	—	—	9,321	9,321	—	9,321
Establishment for safety fund surplus reserve	—	—	302	—	—	(302)	—	—	—
At September 30, 2013	—	231,745*	396*	26,636*	(19,048)*	(14,618)*	225,111	—	225,111

	Attributable to owners of the Company								
	Issued capital	Share premium	Safety fund surplus reserve	Contributed surplus	Difference arising from acquisition of non-controlling interests	Accumulated losses	Total	Non-controlling interests	Total equity/ (deficit)
	RMB'000 (note 25)	RMB'000 (note 26(c))	RMB'000 (note 26(b))	RMB'000 (note 26(a))	RMB'000 (note 27(b))	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012	—	—	—	33,636	(19,048)	(4,122)	10,466	—	10,466
Loss and total comprehensive loss for the period (unaudited)	—	—	—	—	—	(11,252)	(11,252)	—	(11,252)
Establishment for safety fund surplus reserve (unaudited)	—	—	39	—	—	(39)	—	—	—
Distribution to the ultimate controlling shareholder (note 26(a)) (unaudited)	—	—	—	(7,000)	—	—	(7,000)	—	(7,000)
At September 30, 2012 (unaudited)	—	—	39	26,636	(19,048)	(15,413)	(7,786)	—	(7,786)

* These reserve accounts comprise the consolidated reserves in the consolidated statements of financial position.

Consolidated statements of cash flows

	Notes	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(4,385)	(19,404)	(11,255)	18,120
Adjustments for:					
Depreciation of items of property, plant and equipment	12	253	1,388	647	2,121
Amortization of intangible assets	13	347	2,951	1,606	554
Loss on disposal of items of property, plant and equipment	7	—	84	24	—
Goodwill written off	27(a)	126	—	—	—
Finance costs	6	142	2,254	1,691	2,765
Foreign exchange loss/(gain), net	7	—	632	10	(2,521)
Bank interest income	5	(3)	(169)	(58)	(1,259)
		(3,520)	(12,264)	(7,335)	19,780
Increase in trade receivables		—	(41)	(205)	(12,110)
Increase in inventories		(4,408)	(21,698)	(9,072)	(26,255)
Decrease/(increase) in prepayments, deposits and other receivables		1,953	(8,220)	(6,815)	(8,695)
Increase in trade payables		156	3,732	97	18,829
Decrease/(increase) in amounts due from related parties		(16,660)	16,260	16,660	400
Increase in amounts due to related parties		—	—	80	—
Increase in other payables and accruals		422	6,522	21,792	16,873
Cash generated from/(used in) operations		(22,057)	(15,709)	15,202	8,822
Income tax paid		—	—	—	(1,527)
Interest paid		(81)	(2,253)	(1,687)	(972)
Interest received		3	108	58	949
Net cash flows from/(used in) operating activities		(22,135)	(17,854)	13,573	7,272
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of items of property, plant and equipment		(3,204)	(11,555)	(5,153)	(25,606)
Purchase of mining rights		—	—	—	(18,640)
Purchase of other intangible asset		—	(25)	—	(2,339)
Expenditure on exploration and evaluation assets		(5,840)	(5,639)	(2,260)	(170)
Proceeds from disposal of items of property, plant and equipment		—	2	—	—
Decrease/(increase) in time deposits with maturity of over three months		—	(48,000)	—	48,000
Increase in pledged deposits		—	—	—	(20,000)
Increase in restricted deposits		—	(1,702)	(1,702)	—
Net cash flows used in investing activities		(9,044)	(66,919)	(9,115)	(18,755)

	Notes	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank loans		26,160	56,000	29,840	30,000
Repayment of bank loans		—	(54,160)	(28,000)	(28,000)
Increase/(decrease) in an amount due to/from the ultimate controlling shareholder		6,442	(8,364)	(35,998)	1,993
Increase/(decrease) in an amount due to the holding company		—	251,467	183,268	(15,873)
Distribution to the ultimate controlling shareholder	26(a)	—	(7,000)	(7,000)	—
Net cash flows from/(used in) financing activities		32,602	237,943	142,110	(11,880)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,423	153,170	146,568	(23,363)
Cash and cash equivalents at beginning of year/period		47	1,470	1,470	153,092
Effect of foreign exchange rate changes, net		—	(1,548)	600	(412)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		1,470	153,092	148,638	129,317
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash on hand and cash at banks		1,470	127,950	148,638	14,617
Non-restricted time deposits	17	—	73,142	—	114,700
Cash and bank balances	17	1,470	201,092	148,638	129,317
Time deposits with original maturity of over three months	17	—	(48,000)	—	—
Cash and cash equivalents		1,470	153,092	148,638	129,317

Statements of financial position

	Notes	December 31, 2011	December 31, 2012	September 30, 2013
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Due from subsidiaries	14	—	126,288	227,908
Investment in a subsidiary	14	—	—	—
Total non-current assets		—	126,288	227,908
CURRENT ASSETS				
Prepayments, deposits and other receivables	15	370	1,136	4,156
Cash at banks		14	12	1
Total current assets		384	1,148	4,157
CURRENT LIABILITIES				
Other payables and accruals		—	—	3,137
Due to subsidiaries	14	1,607	4,670	11,072
Due to related parties	20	16	125,726	16
Total current liabilities		1,623	130,396	14,225
NET CURRENT LIABILITIES		(1,239)	(129,248)	(10,068)
Net assets/(liabilities)		(1,239)	(2,960)	217,840
EQUITY/(DEFICIT)				
Issued capital	25	—	—	—
Reserves	26	(1,239)	(2,960)	217,840
Total equity/(deficit)		(1,239)	(2,960)	217,840

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is PO Box 613 GT, 4th Floor Harbour Centre, George Town, Grand Cayman, KY1-1107, Cayman Islands. The Company's principal place of business in Hong Kong is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were in limited commercial production until February 2013 and commenced large-scale commercial production under the mining permit of 250,000 cubic meters of marble blocks per annum.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Development" in the Prospectus.

In the opinion of the Directors, Liu Investment Development Holdings Group Limited ("Liu's Group"), a company incorporated in the British Virgin Islands ("BVI") is the holding company of the Company and Mr. Liu Chuanjia ("Mr. Liu") is the ultimate controlling shareholder of the Company (the "Ultimate Controlling Shareholder").

As of the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company	Principal activities
			%	
Directly held:				
ArtGo Investment Limited[a] ("ArtGo BVI")	BVI September 26, 2011	US$1	100	Investment holding
Indirectly held:				
ArtGo (HK) Investment Group Limited[b] 雅高(香港)投資集團有限公司 ("ArtGo HK")	Hong Kong October 3, 2011	HK$100	100	Investment holding
Huijin Stone (Xiamen) Co., Ltd.[c] 滙金石(廈門)有限公司 ("Xiamen Huijin Stone")	People's Republic of China (the "PRC") October 19, 2011	US$20,000,000	100	(e)

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company	Principal activities
			%	
Jiangxi Jueshi (Yongfeng) Mining Co., Ltd. [(d)] 江西省珏石(永豐)礦業有限公司	PRC December 28, 2009	RMB60,000,000	100	Mining exploration, processing and sale of marble stones
ArtGo Stone (Jiangxi) Co., Ltd. 雅高石材(江西)有限公司	PRC September 17, 2013	RMB110,143,800	100	Processing and sales of marble stones; and technical service of stone processing

Notes:

(a) No audited financial statements have been prepared for ArtGo BVI (formerly known as Huijin Stone Industrial Investment Limited) since the date of its incorporation as ArtGo BVI was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) The statutory financial statements of ArtGo HK (formerly known as Huijin Stone (HK) Group Limited) for the period from October 3, 2011 (the date of its incorporation) to December 31, 2012 were audited by Ernst & Young, Hong Kong.

(c) Xiamen Huijin Stone is registered as a wholly-foreign-owned enterprise under the PRC law. The statutory financial statements for the period from October 19, 2011 (the date of its incorporation) to December 31, 2011 and the year ended December 31, 2012 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Zhonglei Certified Public Accountants Xiamen Branch (中磊會計師事務所厦門分所), certified public accountants registered in the PRC.

(d) The statutory financial statements of Jueshi Mining for the years ended December 31, 2011 and 2012 prepared under PRC GAAP were audited by Jiangxi Dajinggang Certified Public Accountants (江西大井崗會計師事務所), certified public accountants registered in the PRC.

(e) The principal activities of Xiamen Huijin Stone are research on mining technique and design of mining machine; import and export, retail and wholesale of construction materials, decorating materials, stones spare parts and art work; and decoration design and investment consulting (excluding finance consulting, such as securities and futures).

The English names of certain subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully explained in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Development" in the Prospectus, the Company became the holding company of the companies now comprising the Group on February 7, 2012. The companies now comprising the Group were under the common control of the Ultimate Controlling Shareholder before and after the Reorganization. Accordingly, for the purpose of this report, the Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Ultimate Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as of December 31, 2011 and 2012 and September 30, 2013, have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Ultimate Controlling Shareholder's perspective. No adjustments are made to reflect their fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the Ultimate Controlling Shareholder, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from January 1, 2013, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but were not effective during the Relevant Periods, in the Financial Information.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities* [1]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* [1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments*: *Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting* [1]

IFRIC 21	*Levies*[1]
IFRS 9	*Financial Instruments*[2]

[1] Effective for annual periods beginning on or after January 1, 2014

[2] Effective for annual periods beginning on or after January 1, 2015

Further information about these changes, which are expected to be applicable to the Group, is as follows:

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on January 1, 2014.

The IAS 36 Amendments restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit ("CGU") to periods in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. The amendments are effective from January 1, 2014.

IAS 39 has been amended to provide relief from discontinuing hedge accounting when, as a consequence of laws or regulations or their introduction, an entity changes the immediate counterparty of a hedging instrument to achieve clearing with a central counterparty. Where the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties, this does not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments are effective from January 1, 2014.

IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 and also accounting for a liability to pay a levy whose timing and amount is certain. This interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation includes guidance illustrating how it should be applied. The Group expects to adopt this interpretation from January 1, 2014.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from January 1, 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an investee over which the Group has power such that the Group is able to direct the investee's relevant activities, has exposure or rights to the investee's variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

The combining entities or businesses over which the common control exists are consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and the Group are members of the same group;

 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

 (iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and the principal annual rates of items of property, plant and equipment are as follows:

	Useful lives	Principal annual rates
Buildings	3 - 5 years	19% - 32%
Plant and machinery	5 - 10 years	10% - 19%
Office equipment	5 years	19%
Motor vehicles	7 - 10 years	10% - 14%

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionate to the extraction of the proved and probable mineral reserves. The estimated useful life of the mining infrastructure is 30 years, which is determined in accordance with the production plans of the entities concerned and the proved and probable reserves of mines using the UOP method.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping activity asset

Stripping activity asset shall be recognized if, and only if, all of the following are met: (a) it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Group; (b) the Group can identify the component of the ore body for which access has been improved; and (c) the costs relating to the stripping activity associated with that component can be measured reliably.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on quantities of waste removed in stripping activity and inventory production.

The stripping activity asset shall be depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortization and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortization and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and depreciated/amortized using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 10 years.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in "Other income" in the consolidated statements of comprehensive income. The loss arising from impairment is recognized in the consolidated statements of comprehensive income in "Finance costs" for loans and in "Other expenses" for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to "Other expenses" in the consolidated statements of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

During the Relevant Periods, the Group's financial liabilities included trade and other payables, amounts due to related parties and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing bank loans are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortization is included in "Finance costs" in the consolidated statements of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortization incurred in converting materials into finished goods, based on the normal production capacity. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in the consolidated statements of comprehensive income.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognized within "Finance costs" in the consolidated statements of comprehensive income. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognized as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investment in a subsidiary, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investment in a subsidiary, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods under "bill and hold" arrangements, where the delivery of goods is delayed at the buyer's request, but the buyer takes title and accepts billing, provided (a) it is probable that delivery will be made; (b) the item is on hand, identified and ready for delivery to the buyer at the time the sales is recognized; (c) the buyer specifically acknowledges the delivery instructions; and (d) the usual payment terms apply;

(b) from the sale of goods not under "bill and hold" arrangements, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Foreign currencies

The Financial Information is presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

Employees' benefits

Pension scheme

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. These subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred. The Group's liability in respect of the housing fund is limited to the contribution payable in each period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

(a) *Impairment of receivables*

Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying value of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the Relevant Periods.

(b) *PRC corporate income tax ("PRC CIT")*

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax and tax provision in the period in which the differences realize.

(c) *Useful lives of property, plant and equipment*

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amounts of property, plant and equipment as of December 31, 2011 and 2012 and September 30, 2013 were RMB3,861,000, RMB15,091,000 and RMB40,459,000, respectively.

(d) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) *Mine reserves*

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the amortization rate calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(f) *Exploration and evaluation expenditure*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will result either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of the mine reserve is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. The carrying amounts of exploration and evaluation assets as of December 31, 2011 and 2012 and September 30, 2013 were RMB10,349,000, RMB12,758,000 and nil, respectively.

(g) *Provision for rehabilitation*

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. The carrying amounts of provision for rehabilitation as of December 31, 2012 and September 30, 2013 were RMB176,000 and RMB9,746,000, respectively.

(h) *Net realizable value of inventories*

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. Management reassesses these estimates at the end of each reporting period. The carrying amounts of inventories as of December 31, 2011 and 2012 and September 30, 2013 were RMB6,437,000, RMB28,135,000 and RMB54,390,000, respectively.

4. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of various types of government surcharges.

The Group's revenue and contribution to consolidated results are 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. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the Relevant Periods and the nine months ended September 30, 2012:

	Period from June 15 to December 31,		Year ended December 31,		Nine months ended September 30,			
	2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
One-side-polished slabs	—	—	7,706	94	1,825	79	59,743	65
Cut-to-size slabs.	—	—	—	—	—	—	3,109	3
Marble blocks . .	173	100	504	6	482	21	29,202	32
	173	100	8,210	100	2,307	100	92,054	100

Geographical information

The following table sets out information about the geographical locations of external customers from which the Group's revenue is derived from during the Relevant Periods and the nine months ended September 30, 2012. The geographical locations of customers are determined based on the locations at which the goods were delivered.

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Domestic*:				
Mainland China	173	7,097	1,530	90,549
Overseas	—	1,113	777	1,505
	173	8,210	2,307	92,054

* Place of domicile of the Group's principal subsidiaries, Jueshi Mining and Xiamen Huijin Stone.

The Group's non-current assets are all located in Mainland China.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	*	1,048	471	13,757
Customer B	*	1,177	*	*
Customer C	*	*	662	*
Customer D	*	*	350	*
Customer E	*	*	293	*
Customer F	115	*	*	*
Customer G	42	*	*	*

* Less than 10% of the total revenue

5. OTHER INCOME AND GAIN

An analysis of other income and gain is as follows:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of raw materials	9	—	—	—
Bank interest income	3	169	58	1,259
Foreign exchange gain, net	—	—	—	2,521
Miscellaneous	40	41	—	198
Total other income and gain	52	210	58	3,978

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans	142	2,254	1,691	960
Interest on payables relating to the purchase of mining rights (note 22(b))	—	—	—	1,389
Unwinding of a discount (note 30)	—	—	—	416
	142	2,254	1,691	2,765

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories sold		126	4,505	1,134	35,581
Employee benefit expense (including directors' and chief executive's remuneration as set out in note 8):					
Wages and salaries		629	8,221	4,123	18,857
Welfare and other benefits		76	229	277	1,074
Pension scheme contributions					
- Defined contribution fund Housing fund		111	689	450	1,684
- Defined contribution fund		28	244	167	848
Total employee benefit expense		844	9,383	5,017	22,463
Depreciation of items of property, plant and equipment	12	253	1,388	647	2,121
Amortization of intangible assets	13	347	2,951	1,606	554
Depreciation and amortization expenses		600	4,339	2,253	2,675
Minimum lease payments under operating leases:					
- Office		14	585	395	1,137
- Warehouses		28	481	120	1,987
- Parcels of land located at Shangsheng Village	15(a)	—	34	24	108
Auditors' remuneration		—	6	6	17
Listing fees expensed off		1,111	2,297	2,050	9,413
Foreign exchange loss/(gain), net		—	632	10	(2,521)
Loss on disposal of items of property, plant and equipment		—	84	24	—
Goodwill written off	27(a)	126	—	—	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors and chief executive, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	62	515	328	621
Pension scheme contributions	—	17	12	19
	62	532	340	640

(a) Independent non-executive directors

Messrs. Liu Jianhua, Wang Hengzhong and Jin Sheng were appointed as independent non-executive directors on December 9, 2013.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods and the nine months ended September 30, 2012.

(b) Executive directors, a non-executive director and the chief executive

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Period from June 15 to December 31, 2011				
Executive director				
Mr. Wang Pingyao	—	62	—	62
Year ended December 31, 2012				
Executive directors				
Mr. Liu Chuanjia*	—	116	1	117
Mr. Li Dingcheng	—	212	15	227
Mr. Wang Pingyao	—	121	—	121
Mr. Fan Huiming	—	66	1	67
	—	515	17	532
Non-executive director				
Mr. Wu Yun	—	—	—	—
	—	515	17	532

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended September 30, 2013				
Executive directors				
Mr. Liu Chuanjia*	—	198	2	200
Mr. Li Dingcheng	—	190	14	204
Mr. Wang Pingyao	—	93	1	94
Mr. Fan Huiming	—	140	2	142
	—	621	19	640
Non-executive director				
Mr. Wu Yun	—	—	—	—
	—	621	19	640
Nine months ended September 30, 2012 (Unaudited)				
Executive directors				
Mr. Liu Chuanjia*	—	53	1	54
Mr. Li Dingcheng	—	153	11	164
Mr. Wang Pingyao	—	90	—	90
Mr. Fan Huiming	—	32	—	32
	—	328	12	340
Non-executive director				
Mr. Wu Yun	—	—	—	—
	—	328	12	340

* Mr. Liu Chuanjia was also the chief executive officer of the Company during the Relevant Periods and the nine months ended September 30, 2012.

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended September 30, 2012.

(c) **Five highest paid employees**

The five highest paid employees during the Relevant Periods and the nine months ended September 30, 2012 fall into the following categories:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
			(Unaudited)	
Directors and the chief executive	1	1	2	1
Non-director	4	4	3	4
	5	5	5	5

Details of directors' and chief executive's remuneration are set out in note 8(b) above.

Details of the remuneration during the Relevant Periods and the nine months ended September 30, 2012 of the remaining highest paid employees who are neither a director or chief executive of the Company are as follows:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	192	669	392	820
Pension scheme contributions	7	22	2	43
	199	691	394	863

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees			
	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
			(Unaudited)	
Nil to HK$1,000,000	4	4	3	4

During the Relevant Periods and the nine months ended September 30, 2012, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods and the nine months ended September 30, 2012.

Pursuant to the income tax rules and regulations in the PRC, the subsidiaries located in Mainland China are liable to PRC corporate income tax at a rate of 25% on the assessable profits generated during the Relevant Periods and the nine months ended September 30, 2012.

The components of income tax expense/(credit) for the Relevant Periods are as follows:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current - Mainland China				
Charge for the year/period	—	20	—	8,705
Deferred (note 24)	—	(3)	(3)	94
	—	17	(3)	8,799

A reconciliation of the income tax expense/(credit) and loss before tax at the applicable tax rate is as follows:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before tax	(4,385)	(19,404)	(11,255)	18,120
Tax at the applicable tax rate of 25%	(1,096)	(4,851)	(2,814)	4,530
Non-deductible expenses	1,096	1,290	944	3,014
Deferred tax assets not recognized:				
- Deductible temporary differences	—	529	—	3,941
- Unused tax losses	—	3,029	1,867	—
Income not subject to tax	—	—	—	(1,107)
Utilized tax losses not recognized in previous periods	—	—	—	(1,678)
Withholding income tax of 10% on interest paid by a PRC subsidiary to the Hong Kong subsidiary	—	20	—	99
Income tax expense/(credit)	—	17	(3)	8,799

10. COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated comprehensive income/(loss) attributable to owners of the Company for the period from September 23, 2011 (date of incorporation of the Company) to December 31, 2011, the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013 includes a comprehensive loss of RMB1,239,000, RMB1,721,000, RMB2,052,000 (unaudited) and RMB10,945,000, respectively, which has been dealt with in the financial statements of the Company (note 26).

11. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

No profit/(loss) per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results for the Relevant Periods as disclosed in note 2.1 above.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At June 15, 2011	—	992	13	34	—	—	1,039
Additions	584	1,133	121	1,366	—	—	3,204
At December 31, 2011 and January 1, 2012	584	2,125	134	1,400	—	—	4,243
Additions	127	8,364	1,173	1,608	176	1,256	12,704
Transferred	99	840	—	—	—	(939)	—
Disposal	—	(76)	(13)	(31)	—	—	(120)
At December 31, 2012 and January 1, 2013	810	11,253	1,294	2,977	176	317	16,827
Additions	205	12,526	1,693	1,097	9,154	2,814	27,489
Transferred	—	405	—	—	—	(405)	—
At September 30, 2013	1,015	24,184	2,987	4,074	9,330	2,726	44,316
Accumulated depreciation:							
At June 15, 2011	—	125	4	—	—	—	129
Provided for the period	45	137	12	59	—	—	253
At December 31, 2011 and January 1, 2012	45	262	16	59	—	—	382
Provided for the year	210	780	142	256	—	—	1,388
Disposal	—	(18)	(3)	(13)	—	—	(34)
At December 31, 2012 and January 1, 2013	255	1,024	155	302	—	—	1,736
Provided for the period	208	1,376	335	163	39	—	2,121
At September 30, 2013	463	2,400	490	465	39	—	3,857
Net carrying amount:							
At June 15, 2011 (note 27(a))	—	867	9	34	—	—	910
At December 31, 2011	539	1,863	118	1,341	—	—	3,861
At December 31, 2012	555	10,229	1,139	2,675	176	317	15,091
At September 30, 2013	552	21,784	2,497	3,609	9,291	2,726	40,459

13. INTANGIBLE ASSETS

Group

	Mining rights	Exploration and evaluation assets	Software	Total
	RMB'000 note (a)	RMB'000 note (b)	RMB'000	RMB'000
Cost:				
At June 15, 2011	12,369	—	—	12,369
Additions	—	10,349	—	10,349
At December 31, 2011 and January 1, 2012	12,369	10,349	—	22,718
Additions	—	2,409	25	2,434
At December 31, 2012 and January 1, 2013	12,369	12,758	25	25,152
Additions	55,840	170	115	56,125
Transferred to mining rights	12,928	(12,928)	—	—
At September 30, 2013	81,137	—	140	81,277
Accumulated amortization:				
At June 15, 2011	16	—	—	16
Provided for the period	347	—	—	347
At December 31, 2011 and January 1, 2012	363	—	—	363
Provided for the year	2,950	—	1	2,951
At December 31, 2012 and January 1, 2013	3,313	—	1	3,314
Provided for the period	538	—	16	554
At September 30, 2013	3,851	—	17	3,868
Net carrying amount:				
At June 15, 2011(note 27(a))	12,353	—	—	12,353
At December 31, 2011	12,006	10,349	—	22,355
At December 31, 2012	9,056	12,758	24	21,838
At September 30, 2013	77,286	—	123	77,409

Notes:

(a) The mining rights represent the right for the mining of marble reserves in the Yongfeng Mine, which is located in Yongfeng County, Jiangxi Province, the PRC. The Yongfeng Mine is operated by Jueshi Mining with a mining permit for a term of five years from March 25, 2010 to March 25, 2015.

On September 3, 2012, the local government granted a new mining permit to Jueshi Mining for a term of one year from September 3, 2012 to September 3, 2013 with a production capacity of 250,000 cubic meters per annum for nil consideration.

On February 5, 2013, Jueshi Mining obtained a new mining permit regarding the Yongfeng Mine for a term of 30 years from February 5, 2013 to February 5, 2043 with an annual production capacity of 250,000 cubic meters per annum for an additional consideration of RMB55,840,000.

(b) The exploration and evaluation assets comprise costs which are directly attributable to the research and analysis of existing exploration data, conducted topographical and geological surveys; exploratory drilling and sampling and trenching; and activities in relation to commercial and technical feasibility studies. The cost of exploration and evaluation assets incurred in 2011 and 2012 represents the cost incurred for the exploration and evaluation works undertaken by an independent technical advisors for the purpose of acquiring mining rights with a longer term for the Yongfeng Mine. The total exploration and evaluation assets were transferred to mining rights when Jueshi Mining obtained a new mining permit regarding the Yongfeng Mine on February 5, 2013.

14. INVESTMENT IN A SUBSIDIARY AND AMOUNT DUE TO/FROM SUBSIDIARIES

Company

	December 31, 2011	December 31, 2012	September 30, 2013
	RMB'000	RMB'000	RMB'000
Unlisted investment, at cost:			
- ArtGo BVI *	—	—	—

* The cost of investment in ArtGo BVI is US$1.00.

As of December 31, 2011 and 2012, and September 30, 2013, the amounts due to/from subsidiaries are unsecured and interest-free. The amounts due to subsidiaries are repayable on demand and the amounts due from subsidiaries are not expected to be repaid within 12 months from the end of Relevant Periods.

As of December 31, 2012 and September 30, 2013, all amounts due from subsidiaries are denominated in US$ (2011: Nil).

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Notes	December 31, 2011	December 31, 2012	September 30, 2013
		RMB'000	RMB'000	RMB'000
Current portion:				
Prepayments in respect of:				
- Office rental		22	126	219
- Warehouse rental		—	961	1,070
- Lease of parcels of land located at Shangsheng Village	(a)	—	142	355
- Purchase of materials and supplies		3	331	2,549
Deferred listing fees	(b)	370	1,136	4,156
Deposits		—	881	2,353
Interest income receivables		—	61	371
Deductible input value-added tax		—	2,346	105
Other receivables		105	839	1,820
		500	6,823	12,998
Non-current portion:				
Prepayment in respect of the lease of parcels of land located at Shangsheng Village	(a)	—	1,958	4,788
		500	8,781	17,786

Notes:

(a) The balances represent prepayments made to villagers for the use of parcels of land in Shangsheng Village for mining activities at the Yongfeng Mine. Based on the agreements entered into among Jueshi Mining, the Shangsheng Village Committee and the villagers on September 1, 2012 and September 23, 2013, Jueshi Mining prepaid RMB2,134,000 and RMB3,192,000 for a right to use the said land for a period of 15 years since September 1, 2012 and September 23, 2013, respectively.

(b) Deferred listing fees represent legal and other professional fees relating to the initial public offering of the Company's shares and they will be deducted from equity when the Company completes the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing").

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

Company

As of December 31, 2011 and 2012, and September 30, 2013, prepayments represented deferred listing fees incurred for the Listing as further explained in (b) above.

16. PAYMENTS IN ADVANCE

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
In respect of:			
Purchase of property, plant and equipment	—	1,520	8,602
Purchase of software	—	—	2,224
	—	1,520	10,826

17. RESTRICTED DEPOSITS, PLEDGED DEPOSITS AND CASH AND BANK BALANCES

Group

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cash on hand and cash at banks	1,470	129,652	16,319
Time deposits with original maturity of:			
- less than three months	—	25,142	134,700
- over three months	—	48,000	—
	1,470	202,794	151,019
Less: Restricted deposits for:			
Environmental rehabilitation deposits	—	(1,702)	(1,702)
Less: Pledged deposits:			
Pledged for bank loan (note 23)	—	—	(20,000)
	1,470	201,092	129,317

At the end of the reporting period, the Group's cash and bank balances are denominated in the following currencies:

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
RMB	1,417	171,825	147,006
HK$	53	35	17
US$	—	30,934	3,996
	1,470	202,794	151,019

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and six months, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

18. INVENTORIES

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At cost:			
Marble blocks:			
- Finished goods	4,726	10,857	17,121
- Work-in-progress	296	4,855	6,868
One-side-polished slabs:			
- Finished goods	1,415	12,109	25,528
- Work-in-progress	—	—	253
Cut-to-size slabs			
- Finished goods	—	—	4,082
Materials and supplies	—	314	538
	6,437	28,135	54,390

As of December 31, 2011 and 2012, the Group's marble blocks with carrying amounts of RMB5,022,000 and RMB3,244,000, respectively were pledged as security for the Group's bank loans (note 23).

19. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 month	—	—	10,314
1 to 3 months	—	41	1,837
	—	41	12,151

The Group's trading terms with its customers are mainly on credit, except for the new and minor customers, where payment in advance is normally required. The credit period is generally one month to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to limited number of major customers, there is a concentration of credit risk. The Group maintains strict control over the settlements of its outstanding receivables and has a credit control department to minimize credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Based on the invoice date, all trade receivables of the Group at the end of each of the Relevant Periods were neither past due nor impaired.

20. BALANCES WITH RELATED PARTIES

Group

	Notes	December 31, 2011	December 31, 2012	September 30, 2013
		RMB'000	RMB'000	RMB'000
Due from related parties:				
Non-trade in nature:				
- Mr. Liu		—	1,922	—
- Xiamen Global	(a)	16,660	—	—
		16,660	1,922	—
Trade in nature				
- Xiamen Zhonglianjian	(b)	—	400	—
		16,660	2,322	—
Due to related parties:				
Non-trade in nature				
- Mr. Liu		6,442	—	71
- Liu's Group	(c)	—	250,551	—
		6,442	250,551	71

Company

	Note	December 31, 2011	December 31, 2012	September 30, 2013
		RMB'000	RMB'000	RMB'000
Due to related parties:				
Non-trade in nature:				
- Mr. Liu		16	16	16
- Liu's Group	(c)	—	125,710	—
		16	125,726	16

Notes:

(a) Xiamen Global Power Import and Export Co., Ltd. ("Xiamen Global") was a company controlled by the Ultimate Controlling Shareholder's brother. The share interests of Xiamen Global Power Import and Export Co., Ltd. have been transferred to a third party in August 2012.

(b) Xiamen Zhonglianjian Decoration Engineering Co., Ltd. ("Xiamen Zhonglianjian") is a company controlled by Mr. Liu.

(c) As of December 31, 2012, amounts due to Liu's Group denominated in US$ and RMB amounted to RMB172,811,000 and RMB77,740,000, respectively. The amounts due to Liu's Group are non-trade, interest-free, unsecured and have no fixed terms of repayments.

During the nine months ended September 30, 2013, the Company settled the amounts due to Liu's Group via cash repayment (note 32(a)(iii)) and issue of two ordinary shares. As of June 29, 2013, the Company issued two ordinary shares to Liu's Group, and the difference between the balance due to Liu's Group as of June 29, 2013 and the nominal value of the two ordinary shares issued to Liu's Group was credited to the Company's share premium account.

21. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the Relevant Periods, based on the invoice date, is as follows:

	December 31, 2011	December 31, 2012	September 30, 2013
	RMB'000	RMB'000	RMB'000
Within 1 month	156	3,543	9,762
1 to 2 months	—	345	6,264
2 to 3 months	—	—	1,727
Over 3 months	—	—	4,964
	156	3,888	22,717

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

22. OTHER PAYABLES AND ACCRUALS

Group

	Notes	December 31, 2011	December 31, 2012	September 30, 2013
		RMB'000	RMB'000	RMB'000
Current portion:				
Advances from customers		7	2,900	3,164
Payables relating to:				
Exploration and evaluation assets		4,509	1,279	1,279
Purchase of property, plant and equipment	(a)	—	1,476	2,204
Distributors' earnest monies		—	560	930
Transportation fee		—	320	—
Taxes other than income tax		13	28	3,291
Payroll and welfare		286	2,120	5,658
Listing fees		—	—	7,355
Mineral resources compensation fees		—	—	1,223
Purchase of mining rights	(b)	—	—	9,300
Advertisement fees		—	—	1,800
Rental fees		—	—	120
Interest payables relating to:				
Bank loan		61	62	50
Purchase of mining rights	(b)	—	—	1,389
Others		215	1,115	375
		5,091	9,860	38,138
Non-current portion:				
Payables relating to:				
Purchase of mining rights	(b)	—	—	27,900
Purchase of property, plant and equipment	(a)	—	1,017	100
		—	1,017	28,000
		5,091	10,877	66,138

Notes:

(a) The balances mainly represent payables in connection with the purchase of mining excavators, of which RMB1,532,000 will be settled within the next twelve months and the remaining balance of RMB100,000 will be settled in the second year from September 30, 2013.

(b) The balances represent payables in connection with the purchase of mining rights to the Yongfeng Mine. Pursuant to documents issued by Jiangxi Province Bureau of Land Resource ("JLR"), the total consideration was RMB55,840,000, of which Jueshi Mining settled RMB18,640,000 in January 2013, and will pay the balance by annual installments of RMB9,300,000 within the next four years from March 1, 2014 to March 1, 2017. The payables to JLR are unsecured and bear interest at a rate with reference to the prevailing interest rate with the similar repayment term promulgated by the People's Bank of China i.e., 6.4% per annum.

Except for the payables as described in (a) and (b) above, all other payables of the Group and the Company are non-interest-bearing and are normally settled on 30-day terms.

23. INTEREST-BEARING BANK LOANS

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Secured and guaranteed bank loans:			
Repayable within one year	26,160	28,000	30,000
Effective interest rate per annum	7.93%	7.28%	6.60%

The above bank loans were secured and guaranteed by:

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Guaranteed by:			
Mr. Liu (note 32(a)(iv))	26,160	—	—
Secured by (cost of inventories and time deposits pledged):			
Marble blocks (note 18)	5,022	3,244	—
Time deposits (note 17)	—	—	20,000

24. DEFERRED TAX

The movements in deferred tax liabilities are as follows:

Deferred tax liabilities

	Fair value adjustment arising from business combination	Excess book value of mining rights over tax amortization	Total
	RMB'000	RMB'000	RMB'000
At June 15, 2011 (note 27(a)), December 31, 2011 and January 1, 2012	2,968	—	2,968
Deferred tax credited to profit or loss during the year (note 9)	(3)	—	(3)
Gross deferred tax liabilities at December 31, 2012 and January 1, 2013	2,965	—	2,965
Deferred tax charged/(credited) to profit or loss during the period (note 9)	(212)	306	94
Gross deferred tax liabilities at September 30, 2013	2,753	306	3,059

Deferred tax liabilities related to the PRC subsidiaries have been provided at the enacted corporate income tax rate of 25%.

During the period from June 15, 2011 to December 31, 2011, Jueshi Mining was approved to pay income tax based on a verification and collection basis, and hence, there were no unused tax losses available as of June 15, 2011 and December 31, 2011, which could be carried forward to offset against future taxable profits.

As of December 31, 2012 and September 30, 2013, the Group had accumulated tax losses arising in Mainland China of RMB12,116,000 and RMB5,404,000, respectively, that will expire in five years for offsetting against future taxable profits. As of December 31, 2012 and September 30, 2013, the Group had other temporary differences of RMB2,117,000 and RMB17,883,000 that will be available for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these tax losses and other temporary differences as they have arisen in subsidiaries with loss-making history and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

25. SHARE CAPITAL

(a) The Company was incorporated in the Cayman Islands on September 23, 2011, with authorized share capital of HK$50,000 divided into 5,000,000 ordinary shares of HK$0.01 each. At the date of incorporation, two ordinary shares were allotted and issued for cash at par to each of N.D. Nominees Ltd. and N.S. Nominees Ltd., and subsequently transferred to Liu's Group. In addition, on the same day, 98 ordinary shares of HK$0.01 each were issued for cash at par value to Liu's Group.

Other than the issue of the above shares, there was no movement in the Company's ordinary share capital from the date of incorporation of the Company to December 31, 2012.

(b) On June 29, 2013, Liu's Group subscribed for two ordinary shares for a total consideration of RMB231,745,000 (note 26(c)).

As of September 30, 2013, 102 ordinary shares were in issue, at HK$0.01 each.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) ***Contributed surplus***

The contributed surplus resulted from the preparation of the Financial Information on the basis of presentation set out in note 2.1.

The contributed surplus as of September 30, 2013 represents (i) the aggregate amount of the considerations of RMB7,636,000 (note 27 (a)) and RMB26,000,000 (note 27 (b)) paid to the former owners and the remaining non-controlling shareholder of Jueshi Mining, respectively, by the Ultimate Controlling Shareholder to obtain control over Jueshi Mining and the acquisition of non-controlling interests, respectively, (ii) after netting off the distribution to the Ultimate Controlling Shareholder by the Group on the acquisition of the entire equity interest in Jueshi Mining as part of the Reorganization.

The distribution to the Ultimate Controlling Shareholder during the year ended December 31, 2012 represented an amount paid to the then equity holder of Jueshi Mining amounting to RMB7,000,000 for the acquisition of its 100% equity interests in Jueshi Mining by the Group pursuant to the Reorganization. Since then, the entire equity interests in Jueshi Mining were ultimately owned by the Ultimate Controlling Shareholder, both before and after the transfer of the entire equity interests in Jueshi Mining to the Group, the transfer was accounted for as a distribution to the owner of the Company and accounted as an equity transaction.

(b) ***Safety fund surplus reserve***

Pursuant to a Notice regarding Safety Production Expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012, the Group is required to establish a safety fund surplus reserve based on the volume of marble blocks extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment improvement and maintenance as well as safety production inspection, appraisal, consultation and training.

(c) ***Share premium***

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

As described in note 25(b) above, Liu's Group subscribed two new ordinary shares in the Company by way of share premium in the amount of RMB231,745,000 on June 29, 2013. The difference between the balance due to Liu's Group of RMB231,745,000 and the nominal value of the two shares issued to Liu's Group was credited to the Company's share premium account.

Company

The amounts of the Company's reserves and the movements therein are as follows:

	Share premium	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At September 23, 2011(date of incorporation)	—	—	—
Total comprehensive loss for the period	—	(1,239)	(1,239)
At December 31, 2011 and January 1, 2012	—	(1,239)	(1,239)
Total comprehensive loss for the year	—	(1,721)	(1,721)
At December 31, 2012 and January 1, 2013	—	(2,960)	(2,960)
Issue of new shares (note 25(b))	231,745	—	231,745
Total comprehensive loss for the period	—	(10,945)	(10,945)
At September 30, 2013	231,745	(13,905)	217,840

27. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTERESTS

(a) Business combination

On June 15, 2011, the Ultimate Controlling Shareholder completed the acquisition of 51% equity shares in Jueshi Mining from independent third parties and Jueshi Mining was since then under the control of the Ultimate Controlling Shareholder. The total consideration for the acquisition was in the form of cash of RMB7,636,000 based on the fair value of the identifiable assets and liabilities of Jueshi Mining at the date of acquisition.

The Group has elected to measure the non-controlling interest in Jueshi Mining at the non-controlling interests' proportionate share of Jueshi Mining's identifiable net assets.

The fair values of the identifiable assets and liabilities of Jueshi Mining as of the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		RMB'000
Plant and equipment	12	910
Mining rights	13	12,353
Cash and bank balances		47
Prepayments and other receivables		2,453
Inventories		2,029
Advances from a customer		(40)
Other payables and accruals		(59)
Deferred tax liability	24	(2,968)
Net assets		14,725
Net assets attributable to non-controlling interests		(7,215)
Goodwill on acquisition*		126
Satisfied by cash — by Mr. Liu		7,636

* Goodwill arising on acquisition was written off to profit or loss immediately after the completion of the acquisition as the amount was immaterial.

(b) Acquisition of non-controlling interests

Pursuant to an equity transfer agreement between the Ultimate Controlling Shareholder and the then non-controlling shareholder, an independent third party, on August 22, 2011, the Ultimate Controlling Shareholder has agreed to purchase the remaining 49% of equity interest in Jueshi Mining from the then non-controlling shareholder for a consideration of RMB26,000,000. The difference between the purchase consideration of RMB26,000,000 and the book value of the share of net assets acquired of RMB6,952,000 has been recognized in equity as the acquisition of the non-controlling interest was an equity transaction.

28. OPERATING LEASE ARRANGEMENTS — The Group as a lessee

The Group leases certain of its office and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as the follows:

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within one year	—	1,573	3,845
In the second to fifth years, inclusive	—	6,730	8,450
	—	8,303	12,295

29. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
- Plant and equipment	—	2,133	9,284
- Intangible assets	—	—	1,560
	—	2,133	10,844

30. PROVISION FOR REHABILITATION

	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At the beginning of year/period	—	—	176
Additions	—	176	9,154
Unwinding of a discount (note 6)	—	—	416
At the end of year/period	—	176	9,746

A provision for rehabilitation is mainly recognized for the present value of estimated costs to be incurred for the restoration of tailing ponds and the removal of the processing plants in complying with the Group's obligations for the closure and environmental restoration and clean-up on completion of the Group's mining activities. These costs are expected to be incurred on mine closure, based on the estimated rehabilitation expenditures at the mine when the mining permit expires, and are discounted at a discount rate of 6.55%. Changes in assumptions could significantly affect theseestimates. Over the time, the discounted provision is increased for the change in present value based on the discount rate that reflect current market assessments and risks specific to the provision. The periodic unwinding of the discount is recognized in profit or loss as part of interest expenses.

31. CONTINGENT LIABILITIES

On July 10, 2012, Carlyle Asia Growth Partners IV, L.P. ("Carlyle Asia") and CAGP IV Co-Investment, L.P. ("CAGP") (collectively, the "Investors") entered into a note deed with the Company, Liu's Group, ArtGo BVI, ArtGo HK, Xiamen Huijin Stone, Jueshi Mining and Mr. Liu, pursuant to which the Investors agreed to purchase exchangeable notes ("Exchangeable Notes") in an aggregate principal amount of US$40 million issued by Liu's Group (the "Note Purchase Agreement").

On July 26, 2012, each of Carlyle Asia and CAGP entered into two separate subscription agreements with the Company, Liu's Group, ArtGo BVI, ArtGo HK, Xiamen Huijin Stone, Jueshi Mining and Mr. Liu, pursuant to which Carlyle Asia and CAGP subscribed for secured Exchangeable Notes issued by Liu's Group in the aggregate principal amounts of US$3,268,000 and US$36,732,000, respectively. The Exchangeable Notes can be exchanged into the Company's shares owned and held by Liu's Group at the Investors' option, at any time prior to the maturity date or, exchanged with the Company's shares immediately prior to the commencement of dealings of the Company's shares on the Stock Exchange on the date of the Listing.

On July 26, 2012, Liu's Group, Carlyle Asia, CAGP, and the Company entered into an Investors' Rights Agreement (the "Rights Agreement"). On August 1, 2013, Carlyle Asia and CAGP assigned all of their rights and benefits under the Rights Agreement to China Marble Investment Holdings Limited ("Carlyle Holdco"), and Carlyle Holdco assumed all accrued and ongoing obligations of Carlyle Asia and CAGP under the Rights Agreement. Pursuant to the Rights Agreement, the Company shall indemnify Carlyle Holdco to the maximum extent permitted by applicable laws for any claims brought against Carlyle Holdco by any third party (including any other shareholder of the Company) as a result of Carlyle Holdco' investment in the Company, except to the extent that such claims are attributable to any breach of any Note Purchase Agreement or willful misconduct or fraud on the part of Carlyle Holdco; provided, further, except in the case of willful misconduct or fraud, the Company shall not be obligated to indemnify Carlyle Holdco for any losses due to such claims unless and until the aggregate amount of those losses exceeds US$40,000, whereupon the full amount of such losses shall be recoverable by Carlyle Holdco and the aggregate indemnity liability of the Company shall not in any event exceed US$40 million. Pursuant to the Rights Agreement, the indemnification right of the Carlyle Holdco shall terminate upon the Listing.

In addition, the Exchangeable Notes are secured by a share charge on 50% of the issued capital of the Company held by Liu's Group, which terminates upon the Listing.

32. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods and nine months ended September 30, 2013, the Group had the following material transactions with related parties:

Name of related parties	Notes	Period from June 15 to December 31, 2011	Year ended December 31, 2012	Nine months ended September 30, 2012	Nine months ended September 30, 2013
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of goods:					
Xiamen Zhonglianjian . . .	(i)	—	342	—	374
Xiamen Global	(i)	—	8	8	—
		—	350	8	374
Office rental:					
Xiamen Zhonglianjian . . .	(ii)	—	246	111	407
Loan provided by/ (repayment of loan to) Liu's Group (note 20)	(iii)	—	250,551	—	(15,873)
Bank loans guaranteed by:					
Mr. Liu (note 23)	(iv)	26,160	—	28,000	—

(i) The Directors consider that sales to related parties were undertaken on commercial terms similar to those offered to unrelated customers in the ordinary course of business.

(ii) The Directors consider that the office rental expenses paid by the Group to Xiamen Zhonglianjian as determined under the tenancy agreement are based on market rates for similar premises in similar locations.

(iii) The Directors consider that the interest-free loan provided by Liu's Group was conducted based on terms more favorable than terms available from an independent third party. The aforesaid loan was partially settled during the nine months ended September 30, 2013, and the remaining balance was capitalized via two new ordinary shares issued by the Company to Liu's Group on June 29, 2013.

(iv) The bank loans were guaranteed by Mr. Liu for nil consideration. The Directors consider that bank loans guaranteed by Mr. Liu were conducted based on terms more favorable than terms available from independent third parties. The Directors confirmed that the guarantee provided by Mr. Liu had been fully released on November 24, 2012.

(b) Outstanding balances with related parties

Details of the Group and the Company's balances with its related parties as of December 31, 2011 and 2012, and September 30, 2013 are disclosed in note 20 to the Financial Information. Balances with the related parties are interest-free, unsecured and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Basic salaries and other benefits	124	1,241	802	1,738
Pension scheme contributions	—	38	24	58
	124	1,279	826	1,796

Further details of directors and chief executive's emoluments are included in note 8 to the Financial Information.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash at banks, trade and other receivables, and amounts due from related parties, which arise directly from its operations. Financial liabilities of the Group mainly include trade and other payables, amounts due to related parties and interest-bearing bank loans.

Risk management is carried out by the finance department which is led by the Group's senior management. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, liquidity risk and interest rate risk.

Credit risk

The carrying amounts of cash and bank balances and time deposits, trade and other receivables and amounts due from related parties represent the Group's maximum exposure to credit risk in relation to financial assets.

Substantial amounts of the Group's cash and bank balances and time deposits are held in major reputable financial institutions located in Mainland China and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade and other receivables and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

Since the Group trade only with recognized and creditworthy third parties, there is no requirement for collateral. As of September 30, 2013, the Group had a concentration of credit risk as 86% of the Group's trade receivables of approximately RMB10,484,000 were derived from five customers. Concentrations of credit risk are managed by customer and by geographical region, and all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the financial department and sales department confirm the balance of trade receivables every month with customers. In respect of the credit quality of customers, the Group has adopted and will continue to implement a customer appraisal program to review its receivables, assess each customer's credibility and ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that credit risk is significantly reduced.

Foreign currency risk

The Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB, except for an amount due to the holding company and certain cash at banks which are denominated in HK$ and US$.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US$. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each of the Relevant Periods have been determined based on the adjustment of translation of the monetary assets and liabilities at the end of each of the Relevant Periods for a 5.0% change in RMB against US$, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of cash and bank balances and an amount due to the holding company denominated in US$).

	Period from June 15 to December 31,	Year ended December 31,	Nine months ended September 30,	
	2011	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Increase/(decrease) in profit before tax:				
If RMB weakens against US$	—	(7,094)	(2,006)	202
If RMB strengthens against US$	—	7,094	2,006	(202)

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and funding from the holding company.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	December 31, 2011				
	On demand	Less than 3 months	3 to less than 12 months	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	457	26,609	—	27,066
Trade payables	156	—	—	—	156
Other payables and accruals	4,791	—	—	—	4,791
Due to related parties	6,442	—	—	—	6,442
	11,389	457	26,609	—	38,455

	December 31, 2012				
	On demand	Less than 3 months	3 to less than 12 months	1 to 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	2,284	26,485	—	28,769
Trade payables	3,888	—	—	—	3,888
Other payables and accruals	6,260	369	1,107	1,017	8,753
Due to related parties	250,551	—	—	—	250,551
	260,699	2,653	27,592	1,017	291,961

	September 30, 2013				
	On demand	Less than 3 months	3 to less than 12 months	1 to 4 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	451	31,447	—	31,898
Trade payables	22,717	—	—	—	22,717
Other payables and accruals	17,065	396	12,721	31,571	61,753
Due to related parties	71	—	—	—	71
	39,853	847	44,168	31,571	116,439

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing loans are disclosed in note 23.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. During the start-up stage of the Group, the investor of the Company contributed capital based on the needs of the Group's subsidiaries. The dividend policy will be established when the Group starts to generate revenues from its activities.

No changes were made in the objectives, policies or processes for managing financial risks during the Relevant Periods.

34. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's financial instruments and their fair value measurement hierarchy are as follows:

Financial assets

	Carrying amounts		
	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Restricted deposits	—	1,702	1,702
Pledged deposits	—	—	20,000
Cash and bank balances	1,470	201,092	129,317
Trade receivables	—	41	12,151
Financial assets included in prepayments, deposits and other receivables	105	1,781	4,544
Due from related parties	16,660	2,322	—
	18,235	206,938	167,714

	Fair values		
	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Restricted deposits	—	1,702	1,702
Pledged deposits	—	—	20,000
Cash and bank balances	1,470	201,092	129,317
Trade receivables	—	41	12,151
Financial assets included in prepayments, deposits and other receivables	105	1,781	4,544
Due from related parties	16,660	2,322	—
	18,235	206,938	167,714

Financial liabilities

	Carrying amounts		
	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables	156	3,888	22,717
Financial liabilities included in other payables and accruals	4,792	8,729	57,189
Due to related parties	6,442	250,551	71
Interest-bearing loans	26,160	28,000	30,000
	37,550	291,168	109,977

	Fair values		
	December 31,		September 30,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payables	156	3,888	22,717
Financial liabilities included in other payables and accruals	4,792	8,729	57,189
Due to related parties	6,442	250,551	71
Interest-bearing loans	26,160	28,000	30,000
	37,550	291,168	109,977

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

The fair value of cash and bank balances, restricted and pledged deposits, trade receivables, trade payables, due from/to related parties, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short maturities of these instruments.

The interest-bearing bank loans and other payables relating to the purchase of mining rights have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar term, credit risk and remaining maturities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

At the end of each Relevant Periods, there were no financial assets and liabilities carried at fair value in the consolidated statements of financial position of the Group.

Financial liabilities related to the non-current portion of other payables relating to the purchase of mining rights were categorized within level 3.

35. EVENTS AFTER THE RELEVANT PERIODS

On December 9, 2013, written shareholders' resolutions were passed to approve matters described in the paragraph headed "Statutory and General Information — Further Information about Our Group — Resolutions in Writing of the Shareholders of our Company passed on December 9, 2013" included as Appendix V to the Prospectus.

III. SUPPLEMENTARY FINANCIAL INFORMATION OF JUESHI MINING

Financial information of Jueshi Mining for the year ended December 31, 2010 and the period ended June 15, 2011 (the date prior to the date of acquisition of Jueshi Mining) (the "Pre-acquisition Periods") has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as the "Financial Information of Jueshi Mining".

Jueshi Mining was established in the PRC on December 28, 2009 as a limited liability company. Jueshi Mining was in its preliminary development stage during the Pre-acquisition Periods.

1. FINANCIAL INFORMATION

Statements of comprehensive income

	Notes	Year ended December 31, 2010	Period from January 1 to June 15, 2011
		RMB'000	RMB'000
REVENUE	2.2	190	27
Cost of sales		(205)	(29)
Gross loss		(15)	(2)
Administrative expenses		(806)	(321)
Other expense		(1)	(32)
LOSS BEFORE TAX	2.3	(822)	(355)
Income tax expense		—	—
LOSS FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(822)	(355)

Statements of financial position

	Notes	December 31, 2010	June 15, 2011
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Plant and equipment	2.4	893	846
Mining rights	2.5	552	547
Total non-current assets		1,445	1,393
CURRENT ASSETS			
Cash and bank balances		1,772	47
Trade receivables		28	—
Other receivables and deposits	2.6	2,061	2,453
Inventories	2.7	1,419	2,029
Total current assets		5,280	4,529
CURRENT LIABILITIES			
Other payables and accruals	2.8	6,147	99
NET CURRENT ASSETS/(LIABILITIES)		(867)	4,430
TOTAL ASSETS LESS CURRENT LIABILITIES		578	5,823
Net assets		578	5,823
EQUITY			
Paid-in capital		1,400	7,000
Accumulated losses		(822)	(1,177)
Total equity		578	5,823

Statements of changes in equity

	Paid-in capital	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000
At January 1, 2010	1,400	—	1,400
Loss and total comprehensive loss for the year	—	(822)	(822)
At December 31, 2010 and January 1, 2011	1,400	(822)	578
Capital injection	5,600	—	5,600
Loss and total comprehensive loss for the period	—	(355)	(355)
At June 15, 2011	7,000	(1,177)	5,823

Statements of cash flows

	Notes	Year ended December 31, 2010	Period from January 1 to June 15, 2011
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(822)	(355)
Adjustments for:			
Depreciation of items of plant and Equipment	2.4	51	78
Amortization of mining rights	2.5	11	5
		(760)	(272)
Decrease/(increase) in trade receivables		(28)	28
Increase in inventories		(1,419)	(610)
Increase in other receivables and deposits		(1,790)	(223)
Increase in other payables and accruals		52	47
Net cash flows used in operating activities		(3,945)	(1,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of plant and equipment		(944)	(31)
Purchase of mining rights		(263)	(300)
Net cash flows used in investing activities		(1,207)	(331)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital injection		—	5,600
Increase in amounts due from shareholders		(271)	(169)
Increase/(decrease) in amounts due to shareholders		5,795	(5,795)
Net cash flows from/(used in) financing activities		5,524	(364)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		372	(1,725)
Cash and cash equivalents at beginning of year/period		1,400	1,772
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		1,772	47
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,772	47

2. NOTES TO THE FINANCIAL INFORMATION OF JUESHI MINING

2.1 Principal accounting policies

The Financial Information of Jueshi Mining has been prepared in accordance with the accounting policies set out in Section II, note 3.2 of this report: Summary of significant accounting policies.

2.2 Revenue

Revenue represents the net invoiced value of goods sold, net of various types of government surcharges.

2.3 Loss before tax

Jueshi Mining's loss before tax is arrived at after charging:

	Year ended December 31, 2010	Period from January 1 to June 15, 2011
	RMB'000	RMB'000
Cost of inventories sold	205	29
Employee benefit expense	348	549
Depreciation of items of plant and equipment (note 2.4)	51	78
Amortization of mining rights (note 2.5)	11	5

2.4 Plant and equipment

	RMB'000
Cost:	
At January 1, 2010	—
Additions	944
At December 31, 2010 and January 1, 2011	944
Additions	31
At June 15, 2011	975
Accumulated depreciation:	
At January 1, 2010	—
Provided for the year	51
At December 31, 2010 and January 1, 2011	51
Provided for the period	78
At June 15, 2011	129
Net carrying amount:	
At January 1, 2010	—
At December 31, 2010 and January 1, 2011	893
At June 15, 2011	846

2.5 **Mining rights**

	RMB'000
Cost:	
At January 1, 2010	—
Additions	563
At December 31, 2010 and January 1, 2011 and June 15, 2011	563
Accumulated amortization:	
At January 1, 2010	—
Provided for the year	11
At December 31, 2010 and January 1, 2011	11
Provided for the period	5
At June 15, 2011	16
Net book amount:	
At January 1, 2010	—
At December 31, 2010 and January 1, 2011	552
At June 15, 2011	547

The mining rights represent the mining rights to the Yongfeng Mine which is located in Yongfeng County, Jiangxi Province, the PRC. The mining rights are owned by Jueshi Mining for a term of five years from March 25, 2010 to March 25, 2015.

2.6 **Other receivables and deposits**

	December 31, 2010	June 15, 2011
	RMB'000	RMB'000
Due from shareholders	271	440
Deposits	50	50
Other receivables	1,740	1,963
	2,061	2,453

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

2.7 **Inventories**

	December 31, 2010	June 15, 2011
	RMB'000	RMB'000
At cost:		
Marble blocks	1,419	2,029

2.8 **Other payables and accruals**

	December 31, 2010	June 15, 2011
	RMB'000	RMB'000
Due to shareholders	5,795	—
Payable relating to acquisition of mining rights	300	—
Payroll and welfare	39	53
Others	13	46
	6,147	99

Other payables are non-interest-bearing and have an average payment term within one year.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of the companies now comprising the Group in respect of any period subsequent to September 30, 2013.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with "Financial Information" and "Appendix I — Accountants' Report".

The following unaudited pro forma financial information is prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to provide the investors with further information about how the proposed listing might have affected the consolidated net tangible assets of the Group as if the Global Offering had occurred on September 30, 2013.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared based on the consolidated net tangible assets as of September 30, 2013 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and is adjusted as described below.

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared to show the effect on the consolidated net tangible assets as of September 30, 2013 as if the Global Offering had occurred on September 30, 2013. The unaudited pro forma net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of our financial position had the Global Offering been completed as of September 30, 2013 or any future dates.

	Audited consolidated net tangible assets attributable to owners of our Company as of September 30, 2013(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on Offer Price of HK$2.43 per Share	147,702	572,603	720,305	0.54	0.68
Based on Offer Price of HK$3.03 per Share	147,702	721,668	869,370	0.65	0.82

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of September 30, 2013 extracted from the Accountants' Report as set out in Appendix I to this prospectus, which is equal to the audited net assets attributable to owners of our Company of RMB225.1 million as of September 30, 2013 less intangible assets of RMB77.4 million as of the same date.

(2) The estimated net proceeds from the Global Offering are based on hypothetical Offer Prices of HK$2.43 and HK$3.03, respectively, per Share assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by us.

(3) The unaudited pro forma adjusted net tangible assets per Share is based on a total of 1,333,334,000 Shares expected to be in issue immediately following the completion of the Global Offering. No account has been taken of (i) any Shares which may be allotted and issued upon exercise of the Over-allotment Option, (ii) any Shares which may be issued upon exercise of options that have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme.

(4) The Renminbi amount has been translated into Hong Kong dollar amount at HK$1.00: RMB0.7929.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.

EY安永

Ernst & Young
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

December 16, 2013

The Directors
ArtGo Mining Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of **ArtGo Mining Holdings Limited** (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as of September 30, 2013 and related notes as set out on pages II-1 and II-2 of the Prospectus issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note A of Appendix II of the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as of September 30, 2013 as if the transaction had taken place at September 30, 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended September 30, 2013, on which an accountant's report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

BEHRE DOLBEAR
founded 1911 MINERALS INDUSTRY ADVISORS

ARTGO MINING HOLDINGS LIMITED

COMPETENT PERSON'S REPORT FOR THE SHANGSHENG MARBLE DIMENSION STONE MINE IN YONGFENG COUNTY, JIANGXI PROVINCE, THE PEOPLE'S REPUBLIC OF CHINA

(BEHRE DOLBEAR PROJECT 12-067)

DECEMBER 2013

PREPARED BY:

BEHRE DOLBEAR ASIA, INC.
LEVEL 18 WHEELOCK HOUSE, 20 PEDDER STREET
CENTRAL HONG KONG
852 2993-2358

A Member of the Behre Dolbear Group Inc.

www.dolbear.com

BEHRE DOLBEAR

founded 1911 MINERALS INDUSTRY ADVISORS
BEHRE DOLBEAR ASIA, INC.

December 16, 2013

The Directors
ArtGo Mining Holdings Limited
PO Box 613
4th Floor Harbour Centre
George Town, Grand Cayman KY1-1107
Cayman Islands

RE: Behre Dolbear Project 12-067 — Competent Person's Report for the Shangsheng Marble Dimension Stone Mine in Yongfeng County, Jiangxi Province, the People's Republic of China

Gentlemen,

Behre Dolbear Asia, Inc. (Behre Dolbear), a wholly owned subsidiary of Behre Dolbear Group Inc., is pleased to submit a Competent Person's Report (CPR) for the Shangsheng Marble Dimension Stone Mine (Shangsheng Mine) in Yongfeng County, Jiangxi Province, the People's Republic of China (China). The address for Behre Dolbear Asia, Inc. is noted at the bottom of the letterhead. This letter of transmittal is part of the CPR.

This CPR covers the Shangsheng Mine in Yongfeng County, Jiangxi Province in China that is 100% owned and operated by Jiangxi Jueshi (Yongfeng) Mining Industry Company Limited (Jiangxi Jueshi), a wholly owned subsidiary of ArtGo Mining Holdings Limited (Company). This mining property constitutes the primary mining asset of the Company. The Shangsheng Mine is a marble dimension stone mine. It currently has significant production and is also being developed for additional mining capacity and the construction of a slab plant in three phases. Behre Dolbear's project team visited the Shangsheng Mine in December 2011, March 2012, April 2013, and October 2013.

The purpose of this CPR is to provide an independent technical assessment of the Company's Shangsheng Mine to be included in the prospectus for the Company's Initial Public Offering (IPO) on the main board of The Stock Exchange of Hong Kong Limited (SEHK). This CPR has been prepared in accordance with the Rules Governing the Listing of Securities on the SEHK (Listing Rules). The reporting standard adopted by this CPR is the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports, as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005.

The marble resources and marble dimension stone reserves defined for the property have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (JORC Code) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Minerals Council of Australia in 1999 and revised in 2012.

The evidence upon which the estimated marble resources and marble dimension stone reserves are based includes the deposit geology, drilling and sampling information, and project economics. Behre Dolbear formed its view of the marble resource and marble dimension stone reserve estimates based on the site visits of Behre Dolbear's professionals to the subject mining property, interviews with the Jiangxi Jueshi's management, interviews with site personnel and outside consultants, analysis of the drilling and sampling database and the procedures and parameters used for the estimates by Jiangxi Jueshi's outside consultants.

The Behre Dolbear project team consisted of senior-level mining professionals from Behre Dolbear's Denver and New York offices in the United States and the Sydney office in Australia. The scope of work conducted by Behre Dolbear included site visits to the reviewed mining property, technical analysis of the project geology, marble resource and marble dimension stone reserve estimates, and review of marble dimension stone mining, marble slab production, operating costs, capital costs, environmental and social management, and occupational health and safety.

Behre Dolbear's CPR comprises an introduction, followed by reviews of the technical aspects of geology, marble resources and marble dimension stone reserves, dimension stone mining, marble slab processing, operating and capital costs, environmental and social management, occupational health and safety, and a risk analysis of the Shangsheng Mine. Behre Dolbear believes that the CPR adequately and appropriately describes the technical aspects of the mining project and addresses issues of significance and risk.

Behre Dolbear is independent of the Company, Jiangxi Jueshi, and the Shangsheng Mine. Neither Behre Dolbear nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in the Company, Jiangxi Jueshi, or the Shangsheng Mine. Behre Dolbear is to receive a fee for its services (the work product of which includes this CPR) at its normal commercial rate and customary payment schedules. The payment of Behre Dolbear's professional fee is not contingent on the outcome of this CPR.

The effective date of this CPR is October 31, 2013 and the Jiangxi Jueshi has advised Behre Dolbear that there is no material change for the Shangsheng Mine since the effective date other than the on-going project construction and production. The sole purpose of this CPR is for the use of the Directors of the Company and its sponsor and advisors in connection with the Company's IPO prospectus and should not be used or relied upon for any other purpose. Neither the whole nor any part of this CPR, nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without Behre Dolbear's written consent to the form and context in which it appears. Behre Dolbear consents to the inclusion of this CPR in the Company's IPO prospectus for the purpose of the IPO on the SEHK.

Yours faithfully,

BEHRE DOLBEAR ASIA, INC.

Reinis N. Sipols P.E.
Senior Associate

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1.0 INTRODUCTION

Jiangxi Jueshi (Yongfeng) Mining Industry Company Limited (Jiangxi Jueshi) is a company established for the development of marble resources in Yongfeng County, Jiangxi Province, the People's Republic of China (China). It was acquired by and became a wholly owned subsidiary of ArtGo Mining Holdings Limited (Company), a company registered in Cayman Islands with limited liability, in June 2011. Jiangxi Jueshi currently holds a mining license (ML) for the marble resources in the Shangsheng mining area of Yongfeng County, as shown in Figure 1.1.

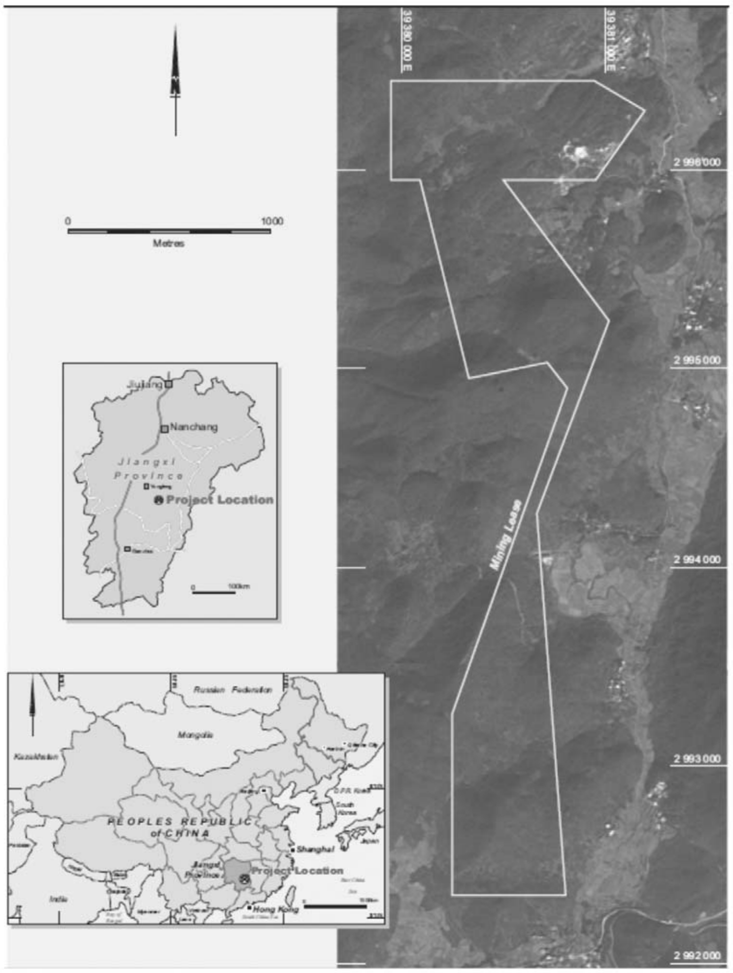

Figure 1.1. Location map of the Shangsheng Mine

The marble resources and marble dimension stone reserves discussed in this CPR refer to dolomite and limestone that is commercially classified as marble in the dimension stone industry. Geologically, dolomite is a rock of sedimentary origin primarily composed of calcium magnesium carbonate; limestone is rock of sedimentary origin primarily composed of calcium carbonate without or with limited magnesium; marble is defined as metamorphosed limestone or dolomite that is thoroughly recrystallized and much or all of the sedimentary and biologic textures may be obliterated. However, commercially in the stone industry, marble also includes un-metamorphosed limestone and dolomite that is capable of being polished.

Jiangxi Jueshi's Shangsheng Marble Dimension Stone Mine (Shangsheng Mine) is a dolomite and limestone dimension stone mine. It currently has significant production and is also being developed for additional mining capacity and the construction of a slab plant in three phases. A detailed exploration program for the Shangsheng Mine has been carried out by SINOMA Geological Engineering Exploration Academy in Beijing, China (Beijing SINOMA). Beijing SINOMA is a state-owned industrial mineral exploration entity with a Class A exploration license for solid minerals issued by the Ministry of Land and Resources of China. From July 2011 to January 2012, a draft geological report with marble resource estimates was prepared and submitted by Beijing SINOMA to Jiangxi Jueshi. After discussion with Jiangxi Jueshi and Behre Dolbear, the exploration report was finalized in February 2013. Based on Beijing SINOMA's geological report and marble resource estimates, Suzhou SINOMA Design and Research Institute of Non-Metallic Minerals Industry Co. Ltd. (Suzhou SINOMA) completed a feasibility study with marble dimension stone reserve estimates for the Shangsheng Mine for Jiangxi Jueshi in February 2012. Suzhou SINOMA is a state-owned engineering entity with a Class A engineering license for the stone industry issued by National Development and Reform Commission of China.

The Shangsheng Mine is planned to have a designed production capacity of 250,000 cubic meters per annum (m^3pa) of marble blocks by 2017. The mine currently has significant production of large and small marble blocks as well as contract-made marble slabs. In addition, development of an expanded mine is ongoing. A slab plant is planned to be built in three phases in the Yongfeng County seat from 2015 to 2020 with a total capacity 9.0 million square meters per annum (m^2pa) of slabs of various sizes and dimensions. Some of the waste rock from the mine will be sold locally as fill material, construction aggregate, cement plant feed stock, and raw material for calcium powder production. During the first 10 years of the mine production (2012 to 2021), blocks will be totally or partially transported to contract slab production facilities in Shuitou, Fujian Province and other locations in China for slab fabrication until Jiangxi Jueshi's own facility is brought fully on line in 2022.

The Shangsheng Mine is using a combination of the diamond-wire block cutting techniques, diamond belt saws and diamond disc saws to produce the dimension stone blocks. Preliminary mine construction and production for the Shangsheng Mine started in early 2010, but large-scale mine construction and production did not start until March 2011. The mine is expected to be fully developed and operating at full capacity by the end of 2016. It produced a total of 13,456 cubic meters (m^3) of marble blocks and 113,586 square meters (m^2) of 2-cemtimeter (cm)-thick, one-side-polished marble slabs in 2012. Production for the first 9 months of 2013 totals 27,612 m^3 of marble blocks, 443,269 m^2 of 2-cm-thick, one-side-polished marble slabs and 14,040 m of cut-to-size slabs. The mine is currently scheduled to produce 40,000 m^3 of marble blocks in 2013, 100,000 m^3 in 2014, 150,000 m^3 in 2015, 200,000 m^3 in 2016, and 250,000 m^3 in 2017. Slab production will be ramped up using contract facilities and then Jiangxi Jueshi's own plant at a corresponding rate until it reaches a capacity of 9.0 million m^2pa in 2022.

Based on the latest information provided by the Company, the Shangsheng Mine produced 7,589 m^3 of marble blocks in October 2013. Production of slabs in October 2013 was 38,738 m^2 and 9,431 m^2 for the 2-cm-thick, one-side polished marble slabs and the cut-to-size marble slabs, respectively. The Company sold 320 m^3 of marble blocks, 36,151 m^2 of 2-cm-thick, one-side polished marble slabs and 8,472 m^2 of cut-to-size marble slabs in October 2013. The unit total cash operating costs for the October 2013 production were RMB1,415.76/m^3 (US$230.20/$m^3$) for direct-sale marble blocks, RMB131.00/m^2 (US$21.30/$m^2$) for the 2-cm-thick, one-side-polished marble slabs and RMB206.55/m^2 (US$33.59/$m^2$) for the cut-to-size marble slabs.

The Company proposes to prepare a prospectus to be issued in support of an Initial Public Offering (IPO) for a listing on the main board of The Stock Exchange of Hong Kong Limited (SEHK) and to raise capital for project development and expansion.

The Company engaged Behre Dolbear Asia, Inc. (Behre Dolbear), a wholly owned subsidiary of Behre Dolbear Group Inc., as their independent technical advisor to undertake an independent technical review of the Company's Shangsheng Mine and to prepare a Competent Person's Report (CPR) in connection with the Company's IPO. This Behre Dolbear CPR is intended to be included in the Company's IPO prospectus.

Behre Dolbear's project team for this technical review consists of senior-level professionals from Behre Dolbear's offices in Denver, Colorado and New York, New York in the United States and Sydney in Australia. Behre Dolbear's personnel contributing to the study and to this CPR include:

Mr. Reinis Sipols (B.S.) P.E., a Senior Associate of Behre Dolbear's New York office, is the Project Manager and Mining Engineer for this review. Mr. Sipols is a mining engineer with over 20 years of operational experience in the mining and construction materials industry, including marble dimension stone mining, with most of those managing urban mining operations. Responsibilities included mine planning, operations management, budgeting, capital-improvement project management, environmental compliance, safety, and public relations. He was Operations Manager for Tilcon New York Inc. with responsibility for integrating and consolidating several acquired companies with a transaction value of over US$200 million. Since moving into the consulting industry, he was a Vice President of Spectra Environmental Group responsible for the 30-person Poughkeepsie, New York office from 2002 to 2006; he was a Business Development Manager for Behre Dolbear & Company, Inc., then the President and CEO for Behre Dolbear & Company (USA), Inc. from 2006 to 2010. Mr. Sipols holds Professional Engineer licenses in New York, New Jersey, and Pennsylvania. He is a Qualified Professional (QP) Member of Mining and Metallurgical Society of American (MMSA) and meets all the requirements for the "Competent Person" as defined in the JORC Code. He is a licensed blaster in the State of New York, a member of Society of Mining, Metallurgy and Exploration and Society of Explosive Engineers.

Mr. Sergio Matteoli (B.S. and M.S.), a Senior Consultant of Behre Dolbear's Denver, Colorado office, is the Project Geologist and marble dimension stone mining and processing specialist for this review. Mr. Matteoli is a dimension stone and industrial minerals specialist, based in San Miniato, Italy, with more than 28 years of professional experience in the field of geology and processing of ornamental stones and industrial minerals. He has extensive worldwide experience in the evaluation of deposits for ornamental stone production, and in the establishment of ornamental stone quarries. Mr. Matteoli is a founder and technical director of Geofield, an internationally recognized Italy based firm of geological, geo-mechanical, and market consultants specializing in the dimension stone and industrial minerals industries. He has published extensively on the geology, production, and marketing of ornamental stones and industrial minerals and he instructs at workshops and seminars at the Universities of Pisa and Florence. Mr. Matteoli is a member of the Italian Professional Geologist Association (www.geologitoscana.it) and a QP member of MMSA and meets all the requirements for the "Competent Person" as defined by the JORC Code. Mr. Matteoli is the Competent Person for the marble dimension stone resource and reserve estimates in this CPR.

Ms. Janet Epps (B.S. and M.S.), a Senior Associate of Behre Dolbear's Sydney, Australia office, is the Project environmental, social, and occupational health and safety specialist. She has over 30 years of experience in environmental and community issues management, sustainability, policy development and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, government and the United Nations, the World Bank, the IFC, and the Multilateral Investment Guarantee Agency (MIGA), as well as with the mining industry. She has provided policy advice to governments of developing countries on designated projects and contributed toward sustainable development and environmental management strategies. She has completed assignments in Australasia, the Pacific, Asia, the Middle East, the CIS countries, Africa, Eastern Europe, South America, and the Caribbean. Ms. Epps is a Fellow of the Australasian Institute of Mining and Metallurgy. She meets all the requirements for "Competent Person" under the JORC Code.

Mr. David Abbott, Jr. (A.B. and M.S.), a Senior Associate of Behre Dolbear's Denver, Colorado office, is the Project Advisor for this study. His expertise is in reserve and resource definition and classification, securities disclosure requirements, and professional ethics and practices. He spent 21 years as a geologist with the U.S. Securities and Exchange Commission (SEC) prior to joining Behre Dolbear in 1996. Since joining Behre Dolbear, Mr. Abbott has worked on a number of ore reserve audits for financial institutions and/or for filings to be made with the SEC, on due diligence inquiries, and mineral property valuations. His experience includes examination of a variety of industrial minerals projects including dimension stone. Mr. Abbott is a Certified Professional Geologist by the American Institute of Professional Geologists, and is a Fellow of and a Chartered Professional (Geology) by the Australasian Institute of Mining and Metallurgy. He meets all the requirements for "Competent Person" under the JORC Code.

Behre Dolbear's project team, with the exception of Mr. Abbott, travelled to China to visit the Shangsheng Mine in Yongfeng that is reviewed in this CPR. Messrs Sipols and Matteoli visited the Shangsheng Mine from December 9 to 11, 2011. Messrs Sipols and Matteoli and Ms. Epps visited the Shangsheng Mine from March 28, 2012 to April 1, 2012. Mr. Sipols visited the Shangsheng Mine from April 2, 2013 to April 4, 2013. Mr. Sipols visited the Shangsheng Mine, the outsourced slab processing plant and the Company's sales office in Shuitou, Fujian from October 16, 2013 to October 19, 2013. During Behre Dolbear's visits, discussions were held with technical and management personnel of Jiangxi Jueshi as well as with Jiangxi Jueshi's outside consultants. Historical production and costs as well as budgets and forecasts from 2013 to 2022 were reviewed, together with longer-term development plans.

This Behre Dolbear CPR contains forecasts and projections prepared by Behre Dolbear, based on information provided by Jiangxi Jueshi. Behre Dolbear's assessment of the projected production schedules and capital and operating costs is based on technical reviews of project data and project site visits.

The metric system is used throughout this CPR. The currency used is the Chinese Yuan (RMB) and/or the United States dollar (US$). The exchange rate used in the CPR is RMB6.15 for US$1.00, the rate of the People's Bank of China prevailing on September 30, 2013.

2.0 QUALIFICATIONS OF BEHRE DOLBEAR

Behre Dolbear Group Inc. is an international minerals industry advisory group, which has operated continuously in North America and worldwide since 1911. Currently, Behre Dolbear Group Inc. has offices in Beijing, Chicago, Denver, Guadalajara, Hong Kong, London, New York, Santiago, Sydney, Toronto, Ulaanbaatar, and Vancouver.

The firm specializes in performing mineral industry studies for mining companies, financial institutions, and natural resource firms, including mineral resource/ore reserve compilations and audits, mineral property evaluations and valuations, due diligence studies, independent expert reviews for acquisition and financing purposes, project feasibility studies, assistance in negotiating mineral agreements, and market analyses. The firm has worked with a broad spectrum of commodities, including base and precious metals, coal, ferrous metals, and industrial minerals on a worldwide basis. Behre Dolbear has acted on behalf of numerous international banks, financial institutions, and mining clients and is well regarded worldwide as an independent expert engineering consultant in the minerals industry. Behre Dolbear has prepared numerous CPRs for mining projects worldwide to support securities exchange filings of mining companies in Hong Kong, China, the United States, Canada, Australia, the United Kingdom, and other countries.

Most of Behre Dolbear's associates and consultants have occupied senior corporate management and operational roles and are thus well experienced from an operational viewpoint as well as being independent expert consultants.

Behre Dolbear Asia, Inc. is a wholly owned subsidiary of Behre Dolbear Group Inc. established in 2004 to manage Behre Dolbear's projects in China and other Asian countries. Project teams of Behre Dolbear commonly consist of senior-level professionals from Behre Dolbear's offices in Denver, Colorado, USA; Sydney, Australia; London, United Kingdom; and other worldwide offices. Since its establishment, Behre Dolbear Asia has conducted over 80 technical studies for mining projects in China or mining projects located outside of China to be acquired by SEHK-listed Chinese companies.

3.0 DISCLAIMER

Behre Dolbear has conducted an independent technical review of the Company's Shangsheng Mine and holdings. Site visits were made to the project site by Behre Dolbear professionals involved in this study. Behre Dolbear has exercised all due care in reviewing the supplied information and believes the basic assumptions are factual and correct and the interpretations are reasonable. Behre Dolbear has independently analysed the Company's data, but Behre Dolbear did not perform an audit on the Company's data. Behre Dolbear has relied on the data provided by the Company, and the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. The Company has guaranteed that the data provided for Behre Dolbear's review is true, accurate, and complete.

4.0 PROPERTY DESCRIPTION

Jiangxi Jueshi is developing a marble dimension stone mine approximately 260 km south of Nanchang, the capital city of Jiangxi Province in China. The Shangsheng Mine site is located approximately 72 km southeast of the Yongfeng County seat and is west of the village of Shangsheng in Shima Town. The current access to the Shangsheng Mine is from the south. A new access road from the north will be constructed in the second half of 2013 and the first half of 2014. This new road will reduce the distance between the Shangsheng Mine and the Yongfeng County seat to approximately 62 km.

The topography of the area is karst and rolling hills with grades of 10% to 35%, interspersed with flat areas used for intensive agriculture, with elevation ranging from about 270 to 510 meters above sea level (masl). The region is criss-crossed with a large number of rivers that feed into two main river systems, the Wujiang (Enjiang) and Gujiang, with the Wujiang eventually flowing into the Gujiang, which eventually flows into the Yangtze River via the Ganjiang River.

The mining area is approximately 80% covered by evergreens, broad leaf forest, and plantations of economic trees and shrubs, such as the tea-oil tree (its seeds are used for tea tree oil production). The flat areas in the district are farmed for rice and vegetables, animal husbandry, and aquaculture while the county also produces around 40 commercial minerals, including coal, limestone, iron, copper, lead, zinc, tungsten, fluorite, dolomite, talc, calcite, and kaolin. Manufacturing industries in the county include cement, paper, farm machinery, fertilizers, packaging, pharmaceuticals, and food processing equipment.

The Yanggushan Electric Power Station located within Yongfeng County has an installed capacity of 4,800 kilowatts (kW), which connects with the power grid for Eastern China, providing adequate power supply for the marble mine and slab plant operations of the Shangsheng Mine.

The region experiences a humid, subtropical monsoon climate with four distinct seasons: a wet spring, hot and wet summer, dry autumn, and mild winter with occasional snow. The annual rainfall ranges from around 1,000 millimeters (mm) to 2,400 mm with an annual average evaporation of 1,840 mm. The temperature ranges from 6°C to over 40°C.

The Shangsheng Mine ML covers an area of 1.9702 square kilometers (km^2), which is currently accessible by a concrete road branching off the main county road; a newly constructed expressway passes within 60 km of the mine site and also passes right by the Yongfeng Industrial Estate, where the Jiangxi Jueshi's slab plant site will be located. The Jing-Jiu railway also runs through the area.

The mining license (ML) (No C3608002009067120020235) was issued to Jiangxi Jueshi on February 5, 2013 by the Department of Land and Resources of Jiangxi Province and is valid for 5 years (extendable thereafter) at a permitted production rate of 250,000 m^3pa. This ML replaces an earlier ML with the same license number, covering the same area but with a smaller permitted production rate of 15,000 m^3pa, and issued by the Jian City Bureau of Land and Resources on March 25, 2010. The boundaries of the ML are defined by 15 corner points (Figure 4.1) and have an elevation range of 280 to 508 masl. The ML area is situated in the west of Shangsheng Village, Shima Town, Yongfeng County. The geographic coordinates of the ML center are 115°47'01"E and 27°03'55"N, and it is under the administrative jurisdiction of Shangsheng Village, Shima Town of Yongfeng County. A mining license purchase price of RMB55,839,800 (approximately US$9.08 million) was assessed by the government for the issued ML. A first payment of RMB18,639,800 (approximately US$3.03 million) was made in 2013 and the remaining will be paid in four annual instalments of RMB9,300,000 (approximately US$1.51 million) each. Relevant interest at the prevailing interest rate for similar loans from the People's Bank of China will be added to the required payments to be made from 2014 to 2017.

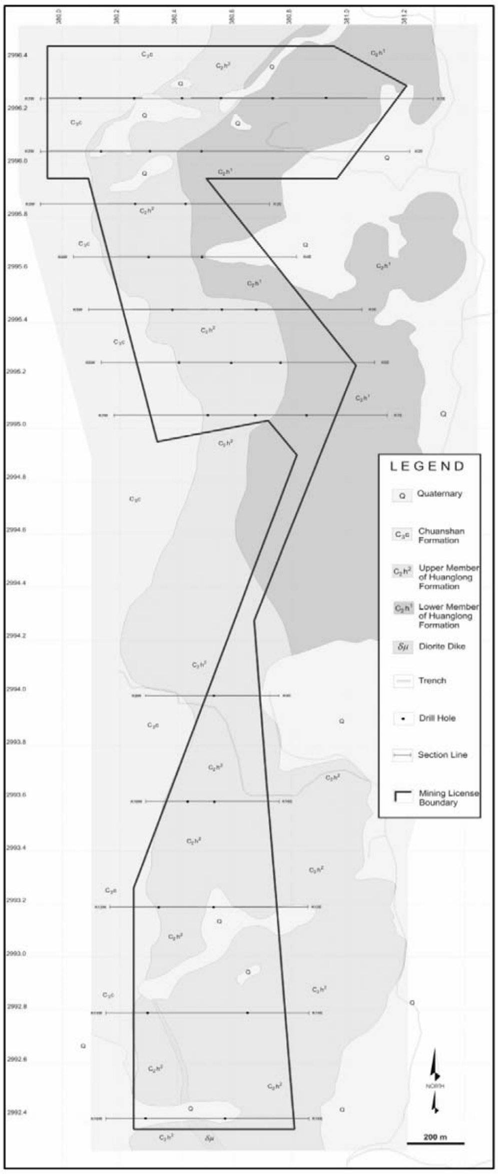

Figure 4.1. Shangsheng Mine geology map and the ML boundary

According to information provided by Jiangxi Jueshi, marble block production from the Shangsheng Mine is subject to a resource tax of RMB5.00/m^3 (US$0.81/$m^3$), and a resource compensation levy of 2% of the marble block sales revenue (for marble blocks used for slab production, the resource compensation levy will also be based on the block sales price). A value added tax (VAT) of 17% is included in the sale price of marble blocks and various marble slabs from the Shangsheng Mine, and there is also a city-maintenance-and-construction levy of 5% of the VAT and an education levy of 5% of the VAT. The corporate income tax rate for Jiangxi Jueshi is 25%. A mine closure and reclamation plan has been prepared for the current mining license application. The reclamation cost for the mine after a 30-year operation was estimated as RMB25.4 million (US$4.13 million) at current cash value and RMB101.7 million (US$16.54 million) at the inflation-adjusted future cash value using an average annual inflation rate of 4.889% (average of the three middle annual PPI from 2007 to 2011).

5.0 GEOLOGY AND DATABASE

5.1 GEOLOGY

The Shangsheng Mine dolomite and limestone deposit is a marine sedimentary carbonate deposit formed primarily during the Middle Carboniferous Period. The outcrop strata in the area include the Sinian Series of metamorphosed clastic sedimentary rocks, Upper Paleozoic clastic and carbonate rocks, and Quaternary sediments.

5.1.1 Regional Geology

Jiangxi Province physically covers two major tectonic regions, which are roughly separated by the east-west Zhe-Gan Railway. The southeast margin of Yangtze Para Platform occurs in the north of Jiangxi Province and the center and south of Jiangxi Province contains the northeast portion of the Southern China fold system. The Southern China fold system is a compound of the east-west-trending Nanling tectonic zone and north-northeast trending Wuyishan tectonic zone. Within the region, ranges and basins develop roughly from east to west in an alternating manner. The terrain rises in elevation in the east, south, and west and forms a depression in north. Sediments from various geological ages were deposited in the basin creating a very thick carbonate sedimentary sequence. The mining area is tectonically situated on the northeast margin of the Southern China fold system.

5.1.2 Deposit Geology

The Shangsheng Mine ML area runs from north to south with distinct northern and southern mining areas. The ML area contains several large hills with steep terrain and has a total length of 4,100 meters (m) and a width from 400 m to 1,000 m, generally forming an hourglass shaped area. Total area of the ML is approximately 1.9702 km^2.

The geological structure of the ML area is influenced by regional faults and folds. No large-scale faults that negatively influence the marble deposit occur within the ML area. Small-scale fracture features were noted on the open faces available for inspection during the site visits. The marble deposit is mainly composed of off-white and grey, thickly bedded dolomite, limy dolomite, dolomitic limestone, and limestone.

The deposit occurs as a monocline in the ML area, trending north to south, dipping to the west at angles of 25° to 35°. The attitude of deposit is identical to the stratum as they are the same geological body. The deposit is open at depth as its lower limit was generally not intersected by exploration holes. The lower portion of the deposit is composed of massive and thickly bedded Middle Carboniferous Huanglong Formation off-white dolomite, limy dolomite, dolomitic limestone, and limestone, and the upper portion of the deposit is composed of thickly bedded Upper Carboniferous Chuanshan Formation grey to off-white limestone and dolomitic limestone. Lower Carboniferous Datang Formation sandstone and shale occur below the Huanglong strata.

The deposit will be mined down to an elevation of 280 masl, the lower limit of the current ML, along the dip of the deposit.

5.1.3 **Dimension Stone Deposit**

The ore body to be mined as marble dimension stone is mostly in the Middle Carboniferous Huanglong Formation with a small lower portion of the Upper Carboniferous Chuanshan Formation. Based on ore body stratigraphic position, ore horizon spatial distribution, ore natural type, color, and pattern, the ore body is divided into three different horizons, numbered 1, 2, and 3 from bottom to top. The north section of the ore body contains all three horizons. As the ore body dips to the west, all 3 horizons outcrop on the surface. The southern section of the ore body contains Horizons #2 and #3 only as Horizon #1 occurs below the ML's lower elevation limit of 280 m.

The geology of the Shangsheng Mine area is shown in Figure 4.1 and the spatial distribution of the three different horizons is shown in the two geological sections (Figure 5.1 and Figure 5.2).

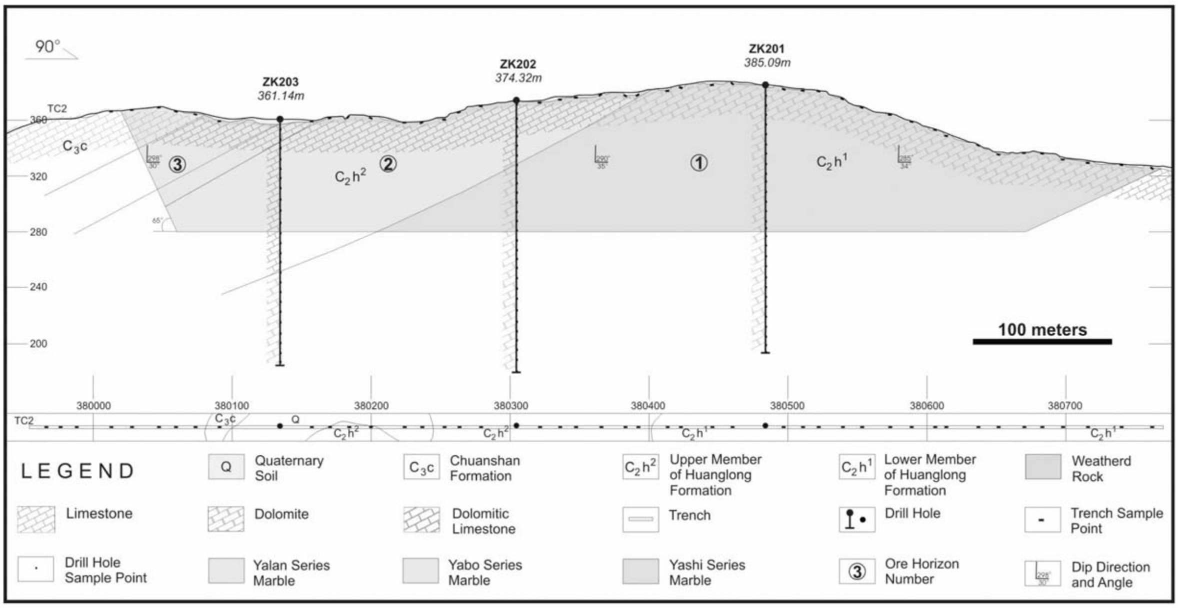

Figure 5.1. A cross section in the northern section of the Shangsheng ML area, showing the presence of three ore horizons

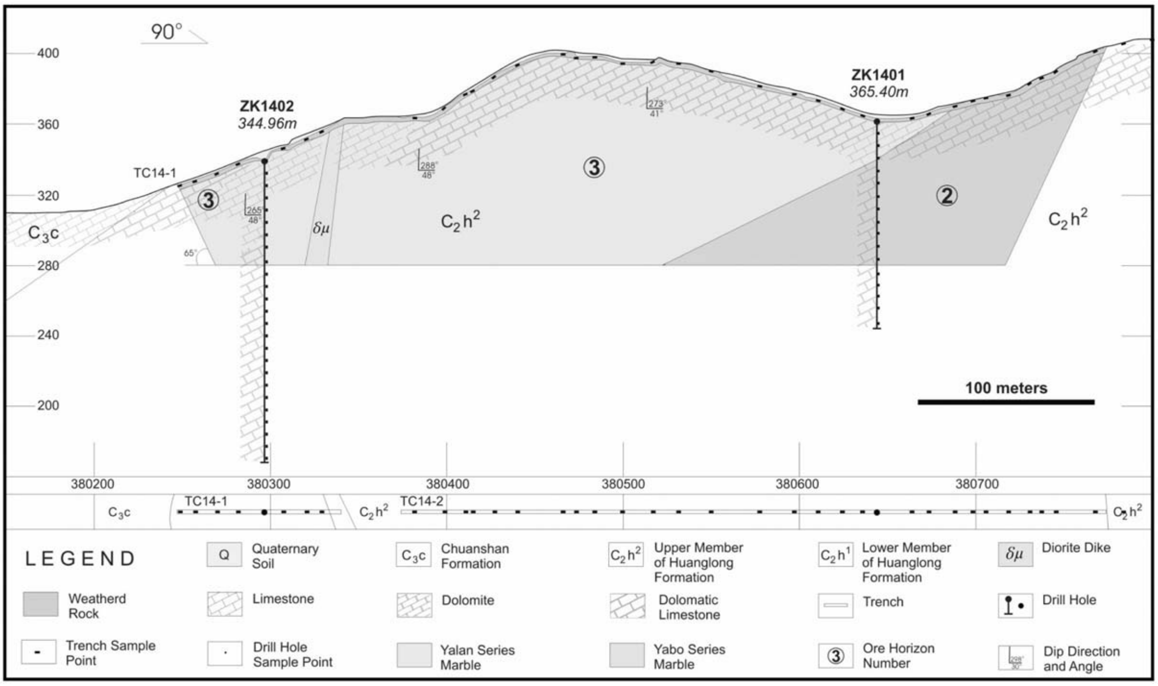

Figure 5.2. A cross section in the southern section of the Shangsheng ML area, showing the presence of two horizons only

The characteristics of the three ore horizons occurring in the ML area are as follows.

Horizon #1 is composed of white and off-white dolomite, limy dolomite, and dolomitic limestone of the lower section of the Huanglong Formation. The horizon also contains small amounts of limestone, a 3-m-thick layer of red crystallized limestone and some interbedded black siliceous dolomite lenses. The horizon has an outcropping elevation of 320 to 445 masl within the ML area. The horizon dips at 252° to 289° at dip angles of 24° to 34°. The intersected strike length for Horizon #1 is 1,319 m with an average thickness of 121 m. It has a regular distribution, has good continuity in color and pattern variation, and is consistent in thickness. A larger portion of the marble produced from this horizon are commercially named by Jiangxi Juishi as the Aris series (including the White Jade and Van Gogh types) and a smaller portion of the marble produced from this horizon are named as the Abba series (including the Polar White and Violet types).

Horizon #2 is generally composed of grey, massive to thickly bedded limy dolomite and some dolomitic limestone of the lower portion of the upper section of the Huanglong Formation. The horizon generally dips to 264° to 289° at dips angles of 25° to 38°. In the north section of the ML area, the outcropping elevation of Horizon #2 ranges from 345 to 508 masl; the horizon has an intersected strike length of 1,319 m and an average thickness of 98 m. In the south section of the ML area, the outcropping elevation of Horizon #2 ranges from 276 to 392 masl; the horizon has an intersected strike length of 1,690 m and an average thickness of 97 m. The horizon has good continuity in color and pattern and varies little in thickness. A larger portion of the marble produced from this horizon are commercially named by Jiangxi Juishi as the Abba series (including the Polar White and Violet types) and a smaller portion of the marble produced from this horizon are named as the Aris series (including the White Jade and Van Gogh types).

Horizon #3 is composed of grey limy dolomite, dolomitic limestone, and limestone of the upper portion of the upper section of the Huanglong Formation. The horizon dips to 258° to 292° at dip angles of 25° to 35°. In the north section of the ML area, it outcrops at an elevation from 350 to 470 masl, has an intersected strike length of 1,319 m, and has an average thickness of 51 m. In the south section of the ML area, it outcrops at an elevation from 305 to 445 masl and has an intersected strike length of 1,690 m and an average thickness of 99 m. It has good continuity in color, pattern, and thickness. A larger portion of the marble produced from this horizon are commercially named by Jiangxi Juishi as the Ally series (including the Blue Ribbon and London Night View types) and a smaller portion of the marble produced from this horizon are named as the Abba series (including the Polar White and Violet types) and the Aris series (including the White Jade and Van Gogh types).

A relatively small amount of fine crystalline limestone of the Chuanshan Formation occurs in the western portions of exploration lines K1, K5, K6, and K7 in the north section of the ML area. This fine crystalline limestone meets the quality requirements for the dimension stone products and is therefore included in the marble resource and marble dimension stone reserve estimates for Horizon #3.

Beijing SINOMA has estimated that the total marble resources of the Shangsheng Mine are divided by percentage by horizon as follows:

- Horizon #1 31%
- Horizon #2 40%
- Horizon #3 29%

5.1.4 **Karst Features**

Karst features are well developed in the Shangsheng Mine area (but largely outside the ML boundary). They consist of sinkholes (dolines), karst caves, karst depressions, funnels, karst springs, and underground rivers. These features were generally developed in the low-lying areas of the lower part of the Huanglong Formation, usually located below the mining elevation and/or outside the ML boundary. Therefore, these karst features are expected to have a relatively small influence for the marble dimension stone operation for the Shangsheng Mine.

The surface mapping for karst features by Beijing SINOMA found 3 caves, 8 sinkholes (dolines), a funnel, and 12 karst depressions on the surface. The funnel opening has a diameter of approximately 12 m, is nearly round, with a depth of around 8 m. The karst depression size is from 5 × 20 m to 70 × 130 m with an oval, oblong, and irregular shape. The height difference of these karst features with the surrounding terrain is from 0.8 m to 25 m. All caves, sinkholes, funnels, and karst depressions are partially filled with argillaceous material and rock fragments.

The karst caves (and other karst features) are secondary voids formed by dissolution, mechanical erosion, and rock collapse of the surface water and groundwater along the plane or cracks of the stratum that expand the gap of the soluble rock's pores, cracks, and joints. There is no obvious rule of distribution and size of the karst caves developed within the mining area and exploration data indicates that they are irregularly distributed in different sections and elevations.

Surface mapping, geophysical survey, and core drilling data analysis indicate that the joint fissures and karst caves found in the mining area are generally small. Exceptions are noted in the valleys and other low-lying areas along the eastern border (but generally outside the ML boundary) of the mining area at elevations below 300 masl where larger sinkholes and karst caves have developed. These karst features generally are peripheral to the mining area and will not significantly affect the mining operation of the Shangsheng Mine. This conclusion is supported by observations by Behre Dolbear of the current mining operations in the North #1 and North #4 mining areas.

5.1.4.1 Ground Water

Field surveys indicate that the ground water in the mining area occurs in underground rivers and as karst fissure water. No pollution source has been identified in the area and water quality is good. One water sample analysis indicates a pH value of 7.49, a salinity of 0.17 grams per liter (g/l), and a water quality type of HCO3-Ca-Mg type.

Two major springs connected to the underground rivers are noted in the mining area. Data for the spring is as follows.

- **Karst Spring S1:** The spring is about 10 m west of the concrete road at the eastern end of exploration line K8. The spring is exposed at an elevation of 274 masl. It is approximately 350 m away from the eastern ML boundary. The water is uncontaminated and flows at approximately 2.13 m^3/s (November 19, 2011) during the dry season. The spring water is being partially used by local residents for domestic purpose and for irrigation; the extra spring water flows to another underground river system. This karst spring will not affect the mining operation of the Shangsheng Mine. As the flow rate is relatively high, it can be used as a water source for the Shangsheng Mine.

- **Karst Spring S2:** This spring is located at the eastern end of K4 line; it flows at a rate of approximately 0.8 m^3/s (November 19, 2011) in the dry season. It currently provides the irrigation and domestic use water for local residents as well as production and domestic use water for the Shangsheng Mine. The spring is charged mainly from karst fissures with a distant supply source. It is close to the mining area and has adequate flow to supply both the mine and local residents.

5.1.5 Color and Pattern of the Marble Resource

Color and pattern are the two most important parameters for evaluating the dolomite and limestone quality for marble dimension stone production. Geological exploration and testing identifies three different ore horizons showing different chemical composition and consequently different color and pattern in the Shangsheng Mine.

Beijing SINOMA's field investigations, consisting of mapping, sampling, and core drilling, indicate the main colors in different ore horizons are as follows.

Color of the lowest portion of the ore body (Horizon #1) is predominantly white and off-white, mixed with a small amount of grey; color of the middle portion of the ore body (Horizon #2) is predominantly light grey, mixed with small amount of off-white and flesh red; color of the upper portion of the ore body (Horizon #3) is grey, mixed with some flesh red.

During Behre Dolbear's field visits, the operating quarries at the northern part of the ML area is mining Horizon #1 and Horizon #2. The color and pattern of the mined blocks is consistent with observed core samples.

Jiangxi Jueshi has produced commercial names for dimension stones produced from the three marble series in the Shangsheng Mine.

- Van Gogh (Aris series, largely in Horizon #1, but also in Horizon #2 and Horizon #3)
- White Jade (Aris series, largely in Horizon #1, but also in Horizon #2 and Horizon #3)
- Polar White (Abba series, largely in Horizon #2, but also in Horizon #1 and Horizon #3)
- Violet (Abba series, largely in Horizon #2, but also in Horizon #1 and Horizon #3)
- Blue Ribbon (Ally series, mostly in Horizon #3)
- London Night View (Ally series, mostly in Horizon #3)

Based on stone quality, Behre Dolbear considers that the Van Gogh and White Jade of the Aris series will demand the highest sale prices, followed by the Polar White and Violet of the Abba series then Blue Ribbon and London Night View of the Ally series.

The chemical composition of each of these varieties is similar, but their chromatic characteristics as well as their pattern are quite different. This is illustrated in Figure 5.3 to Figure 5.8 for White Jade and Van Gogh of the Aris series, Polar White and Violet in the Abba series, and Blue Ribbon and London Night View of the Ally series.

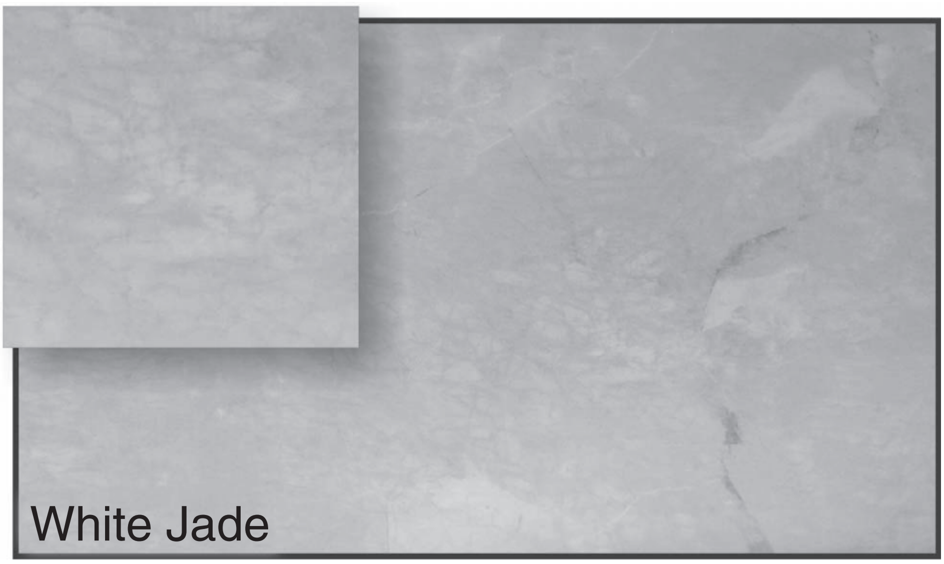

Figure 5.3. White Jade

Figure 5.4. Van Gogh

Figure 5.5. Polar White

Figure 5.6. Violet

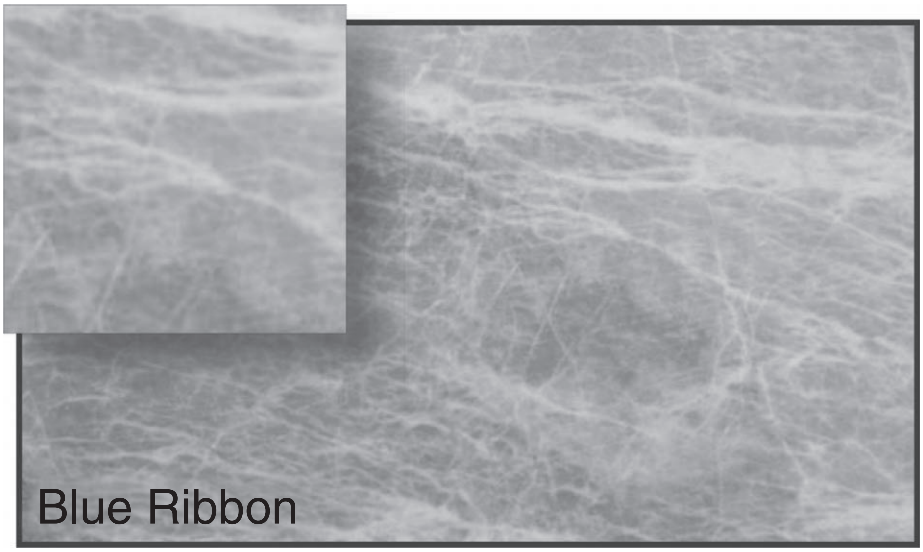

Figure 5.7. Blue Ribbon

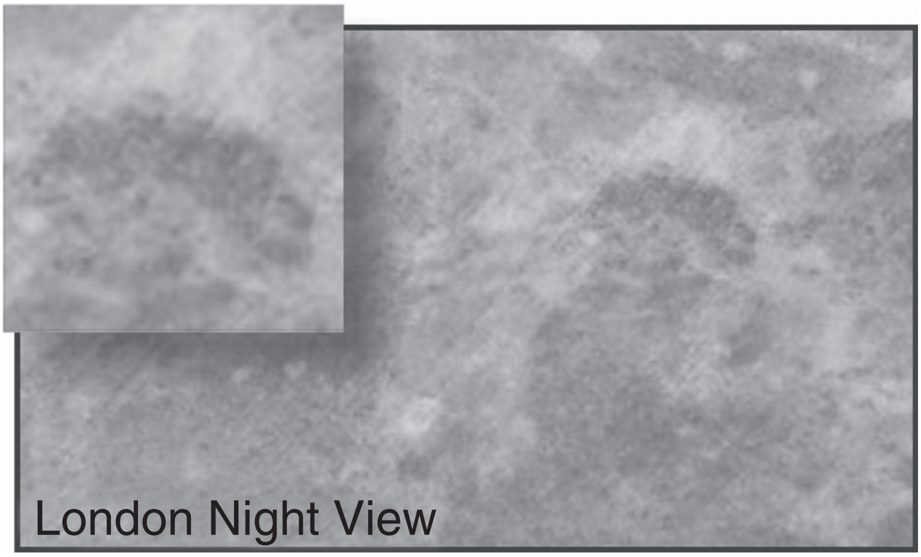

Figure 5.8. London Night View

5.1.6 **Mineralogical and Chemical Composition of the Marble Resource**

The mineralogical composition of the marble resource in the Shangsheng Mine area varies between the three horizons from which the blocks will be mined. The three horizons vary in general composition from dolomite to limy dolomite, dolomitic limestone, and limestone. Mineralogically, all of these horizons contain mostly dolomite and calcite but include small quantities of argillaceous and siliceous minerals.

Table 5.1 shows the chemical analytical results of the limestone and dolomite ore in the Shangsheng Mine ML area. Twenty samples per ore type were collected by Beijing SINOMA and were chemically analysed.

TABLE 5.1
AVERAGE CHEMICAL COMPOSITION OF THE MAIN ORE HORIZONS

Stone Type	Dolomite	Limy Dolomite	Dolomitic Limestone, Limestone
Stone Color / Oxide	White, Off-white	Off-white, Light Grey	Grey, Dark Grey
CaO	31.10	34.31	53.23
MgO	21.14	18.21	2.04
K_2O	0.01	0.03	0.012
Na_2O	0.03	0.02	0.002
Fe_2O_3	0.04	0.05	0.040
FeO	0.02	0.03	0.009
SiO_2	0.10	0.20	0.110
Al_2O_3	0.15	0.24	0.094
SO_3	0.01	0.01	0.014
Cl	0.01	0.01	0.002
LOI	46.87	46.64	44.018

Note: For comparison, the chemical composition of pure calcite is 56% CaO and 44% CO_2, and chemical composition of pure dolomite is 30.4% CaO, 21.9% MgO, and 47.7% CO_2.

These analytic results also indicate that the limestone has a very high CaO content and very minor other components. The dolomite contains a high content of MgO and a lower CaO content than the limestone. The concentration of other components is very low in both dolomite and limestone.

The appearance of the dolomite is very similar to that of the limestone. They are both commercially referred to as marble in the dimension stone industry. Beijing SINOMA believes that the difference in chemical composition should not affect its use as a dimension stone. Behre Dolbear agrees that both rock types are suitable for use in dimension stone product manufacture.

5.1.7 **Physical and Mechanical Properties of the Marble Resource**

Beijing SINOMA carried out physical and mechanical tests on 75 samples from different commercial stone types.

During the field visit, Behre Dolbear was provided with the physical and mechanical property test results, carried out by SGS in Xiamen, Fujian Province in China, of samples for four commercial marble slab types (Van Gogh, White Jade, Polar White, and Violet). Behre Dolbear believes this test data to be reliable.

Table 5.2 shows the result of the physical and mechanical tests carried out by Beijing SINOMA and the SGS test results for four commercial stone types; in the same table these value are compared with a hard, grey limestone exploited in Italy (Noisette Fleury), a dolomitic marble (Venato Gioia), and a marble (Calacata Carrara) both coming from the Carrara area in Italy.

TABLE 5.2
SUMMARY OF THE PHYSICAL AND MECHANICAL CHARACTERISTICS OF THE STONE TYPES

Physical and Mechanical Test	SINOMA Tests	SINOMA Test Average	Van Gogh	White Jade	Polar White	Violet	Noisette Fleury	Venato Gioia	Calacata Carrara
Bulk Density (t/m^3)	Min 2.61 Max 2.85	2.73	2.71	2.70	2.76	2.75	2.68	2.71	2.72
Compressive Strength (MPa)	Min 35.6 Max 123.7	86.12	136.0	103.0	151.6	88.3	122.1	101.4	94.6
Flexural Strength (MPa)	Min 7.1 Max 22.1	14.18	14.8	10.8	11.0	15.1	17.0	11.6	13.0
Water Absorption (%)	Min 0.06 Max 0.38	0.18	0.07	0.05	0.22	0.10	0.26	0.12	0.07
Abrasion Resistance (mm)			15.3	18.5	16.6	17.3		4.13	14.8
Open Porosity (%)			0.19	0.22	0.66	0.40			0.22
Mohs Hardness			3.5	3.5	4.5	4.5			3.5

5.1.8 **Structural Analysis of the Marble Resource**

A comprehensive structural geological survey consists of ductile and fragile structural studies, stratigraphic, and tectonic analyses. The data developed from these analyses are used to develop a complete geologic model of the deposit. The geological model illustrates the three-dimensional geometry of the spatial relationships between lithologies, faults, bedding surfaces, joints, etc. This model is critical in designing dimension stone operations as it defines the discontinuities in the rock mass allowing the block recovery rate to be estimated. The model greatly assists the design and implementation of drilling campaigns and geophysical surveys to areas where additional data is required. Field data are entered into geo-spatial software and documented as maps and geo-statistical diagrams.

A structural analysis was completed for the entire license area to locate the main structural elements (main faults, thrusts, and highly fractured zones) and smaller fractures that could negatively affect the marble resource. No major structural element was found by the structural field survey carried out by Beijing SINOMA, but presence of three joint groups with different trends was identified. These joint groups are:

5.1.8.1 **East-West-Trending Joint Group**

This jointing group is mainly tension joints. The joint strike is generally perpendicular to the stratum strike. Most of joints are not straight and have a rough surface and a variable joint width. Some of the joints do not extend far along strike and dip before disappearing.

Near-surface joints that develop up to a few meters below surface are generally filled with brownish red soil. These joints do not extend deep into the deposit and disappear quickly to depth. Deeper joints are filled with purple, yellow, and green argillaceous materials. The two main sets of joints identified in this joint group have the following attitudes.

- The northwest- and northeast-dipping joints have a dip direction of 320°-46° and a dip angle of 40°-86°.
- The southeast- and southwest-dipping joints have a dip direction of 93°-225° and a dip angle of 42°-88°.

5.1.8.2 **North-South-Trending Joint Group**

The north-south-trending joint group is affected by the northeast trending faults; they consist mainly of shear joints that occur in clusters. The joint plane is usually flat, smooth, compact, and closed. The shear joint plane appears as a brownish red membrane on the surface and is filled with calcareous membrane or calcite veins in drill holes.

The two main sets of joints identified in this joint group have the following attitudes.

- The northeast- and southeast-dipping joints have a dip direction of 71°-150° and a dip angle of 54°-76°.
- The northwest- and southwest-dipping joints have a dip direction of 305°-225° and a dip angle of 54°-84°.

5.1.8.3 **Northeast-Trending Joint Group**

This joint group is also affected by the north-eastern faults and forms a parallel or irregular shear joint group; its genesis is similar to that of the north-south-trending joint group. The joint plane is straight, smooth, compact, and closed; the joint extends along strike and dip. These joints dip to 212°-318° with a dip of 45°-78°.

Figure 5.9 is a dip direction rose diagram of the joint fractures measured in the ore body. Behre Dolbear recommends that the mining benches be arranged, wherever possible, in the northeast direction, parallel to the strike of the best-developed joint fractures.

Joint Dip Diagram — Rose Diagram
The Radius = 7 Joints

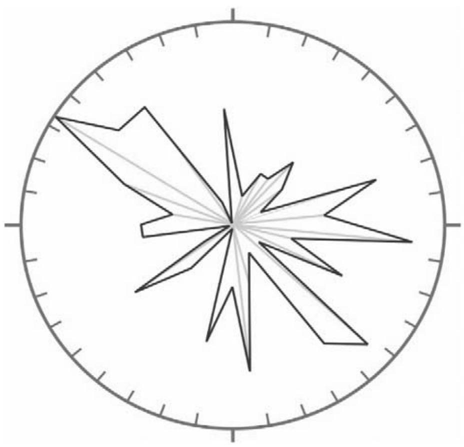

Figure 5.9. Dip direction rose diagram of joints

5.1.9 **Radioactivity of the Marble Resource**

A radioactivity survey was not carried out by Beijing SINOMA. Limestone and dolomite are generally not radioactive and the local geology shows no evidence of radioactive anomalies in the area; therefore, a study is not required.

5.1.10 **Block Recovery Rate Estimation**

The block recovery rate (the produced block yield) evaluation represents fundamental data required to evaluate and estimate the Shangsheng Mine's marble dimension stone reserves as well as for the detailed evaluation of the Shangsheng Mine's production costs and waste management.

Beijing SINOMA utilized the following two techniques for the evaluation of the block recovery rate:

- graphic block recovery rate.
- actual mining block recovery rate.

5.1.10.1 **Graphic Block Recovery Rate**

This estimation method involves mapping the various ore body joints, fractures, bedding surfaces, and faults. These fracture traces on two overlapping horizontal planes are plotted on paper and an attempt is made to mine the volume between the two planes to produce marble blocks of various sizes that meet the block size requirement in order to determine the graphic block recovery rate.

Beijing SINOMA used nine observation points for the graphic block recovery rate analysis, yielding an average graphic block recovery rate of 49.43%.

5.1.10.2 **Actual Mining Block Recovery Rate**

The actual mine block production data before December 2010 and from March 2011 to September 2013 is provided by Jiangxi Jueshi and is summarized in Table 5.3. The actual production data shows an average actual mining block recovery rate of 46.7% for this period.

TABLE 5.3
ACTUAL RECORD OF THE BLOCK RECOVERY RATE

Date	Volume of Resource Exploited (m^3)	Volume of Blocks Produced (m^3)	Block Recovery Rate (%)
Before December 2010	2,780.1	1,235.7	44.5
March 2011	359.8	161.1	44.8
April 2011	358.2	152.7	42.6
May 2011	298.6	127.3	42.6
June 2011	538.2	240.3	44.6
July 2011	869.0	436.2	50.2
August 2011	654.3	286.7	43.8
September 2011	638.2	280.4	43.9
October 2011	159.5	75.4	47.3
November 2011	280.6	116.4	41.5
December 2011	328.2	152.5	46.5
January 2012	96.5	41.0	42.5
February 2012	388.8	172.5	44.4
March 2012	1,100.2	497.3	45.2
April 2012	1,898.7	865.6	45.6
May 2012	2,986.2	1,378.0	46.2
June 2012	1,245.4	563.7	45.3
July 2012	1,757.9	815.3	46.4
August 2012	2,873.5	1,334.5	46.4
September 2012	3,139.6	1,534.1	48.9
October 2012	3,213.1	1,532.4	47.7
November 2012	3,969.1	1,907.8	48.1
December 2012	6,003.8	2,814.0	46.9
January 2013	1,834.6	874.0	47.6
February 2013	0.0	0.0	—
March 2013	3,555.9	1,670.9	47.0
April 2013	5,707.6	2,606.2	45.7
May 2013	6,428.3	3,009.5	46.8
June 2013	8,923.6	4,151.6	46.5
July 2013	6,248.1	2,954.1	47.3
August 2013	12,601.1	5,920.7	47.0
September 2013	13,890.3	6,424.8	46.3
Total	88,396.2	41,305.8	46.7

It appears to be reasonable to apply this actual mining block recovery rate to the entire deposit as drilling and testing generally shows structural consistency throughout.

Behre Dolbear considers the graphic block recovery rate exercise interesting but too theoretical. It can provide an indicative block recovery rate but it should not be used as a realistic block recovery rate for the mine.

Behre Dolbear considers that the block recovery rate estimation based on actual mine production is reliable. Behre Dolbear is assuming that the minimum acceptable block size (based on study data) is 1,000 × 500 × 400 mm. This minimum block size is considered by industry standards to be small and production costs would be quite high if the mine yielded large quantities of blocks of this size.

Taking into consideration the different studies carried out by Beijing SINOMA to define a realistic block recovery rate and field observations by Behre Dolbear professionals during the site visits, Behre Dolbear can state the block recovery rate of the existing mine is approximately 45% and this block recovery rate can be used for the entire deposit.

5.2 GEOLOGICAL DATABASE

5.2.1 **Database Used for the Shangsheng Mine Marble Resource Estimates**

The databases used for the mineral resource estimation are generated by licensed exploration entities and/or by the mining companies themselves in China. Guidelines specifying the appropriate sampling, sample preparation, assaying techniques, and procedures for different types of mineral deposits are issued by the relevant government authorities. The databases used for mineral resource estimation are generally produced following these set guidelines.

In the Shangsheng Mine area, the ore formation is characterized by a monoclinal structure with a simple geometry and three different ore horizons. Therefore, the chosen exploration and marble resource estimation method is the cross section method. According to the general occurrence of the strata in the mining area, the direction for the exploration lines was arranged as east to west, perpendicular to the strike of the ore horizons. A total of 12 exploration lines were designed by Beijing SINOMA for the Shangsheng Mine. Seven of the exploration lines are in the north section of the ML area at a line interval of 200 m and numbered from north to south as K1, K2, K3, K4, K5, K6, and K7. Five of the exploration lines are in the south section of the ML area at a line interval of 400 m and numbered from north to south as K8, K10, K12, K14, and K16.

All of the surface trenches and core drill holes were arranged on the exploration lines. A surface trench was dug on each exploration line to reveal the near-surface characteristics of the dolomite and limestone deposit. Core drill holes were used to determine the subsurface characteristics of the deposit. Geophysical surveys were carried out on each line and between the exploration lines to collect supplemental information for the deposit.

The principal exploration work included in the geological database for the Shangsheng Mine reviewed in this report are:

- topographic surveys.
- geological mapping and geophysical surveys.

- surface trenching.
- core drilling.
- sampling for physical and mechanical tests and chemical analyses.

A summary of the database used for the Shangsheng Mine marble resource estimation is presented in Table 5.4.

TABLE 5.4
SUMMARY OF THE DATABASE USED FOR MARBLE RESOURCES EVALUATION

Item	Unit	Quantity	Remarks
1:2,000 Topographical Map Survey	km^2	8.33	
1:2,000 High-Density Resistivity Survey	km^2	2.5	
Point High-Density Resistivity Survey Measurements	point	6,240	62 lines
Geological Mapping	km^2	5.78	
Surface Trenches	m^3	5,062.5	12 trenches
Core Hole Drilling	m	5,432.25	31 holes
Sampling For Chemical, Physical, and Mechanical Tests	pcs	1,381	

5.2.2 Geological Mapping and Geophysical Survey

Geological mapping at a scale of 1:2,000 for the ML and the surrounding areas was carried out by Beijing SINOMA according to the requirements of the geological and mineral industry standard "Guidelines on geological exploration of glass-making siliceous rock, decorative stone, gypsum, chrysotile, wollastonite, talc, and graphite" (DZ/T0207-2002).

Beijing SINOMA also undertook the geophysical survey for the Shangsheng Mine, with the following objectives.

- Generate a preliminary delineation of the surface covering layer thickness, weathered layer thickness, and bedrock surface features in the mining area.
- Infer the integrity of the rock mass, identify geological structures such as faults, fracture zones and fissure, and magmatic rocks within 50 m of the ground surface.

The geophysical survey was conducted using the high-density resistivity method on 62 geophysical survey lines.

5.2.3 Surface Trenching

All surface trenches are located on the exploration lines and have the following characteristics.

- The bottom width of the trench is ≥0.8 m; the top width >1 m; the trench slope is 80°; and trenches were dug until they reveal fresh bedrock suitable for sampling.
- Twelve trenches were completed along the exploration lines from north to south to expose the surface of the marble deposit.
- The north section of the ML area has 7 trenches numbered from north to south as TC1, TC2, TC3, TC4, TC5, TC6, and TC7.

- The south section of the ML area has 5 trenches numbered from north to south as TC8, TC10, TC12, TC14, and TC16.
- Total trenching length is 7,169 m.

5.2.4 Core Drilling

Core drilling is one of the main methods used in this exploration program to define the characteristics of the ore body including the ore quality as well as ore and rock formation thickness. A summary of the core drilling campaign is as follows.

- Beijing SINOMA drilled 31 vertical core holes, numbered according to the order of exploration lines as: ZK101, ZK201, ZK301, etc.
- Core holes have a maximum depth of 276 m and a minimum depth of 110 m.
- Total drilling depth is 5,432 m.
- Drill hole spacing is generally 200 × 200 m for the north section and 400 × 400 m for the south section.
- Average drill hole core recovery is 83.3% to 99.8% with an overall average of 90.6%.
- The drill cores taken from the deposit are generally competent with core breaks being caused by mechanical damage in drilling and some losses due to karst caves and fissures.
- Core is stored in wooden core boxes, separated by drill runs and numbered for all core pierces longer than 10 centimeters (cm).
- Core logging, photographing, and sampling were conducted by Beijing SINOMA geologists, and the core was turned over to Jiangxi Jueshi for permanent storage.

There are 30 Class A drill holes in the mining area that account for 97% of the drilling. The drilling quality meets the requirements in "Geological Core Drilling Regulations" issued by the former Ministry of Geology and Mineral Resources of the People's Republic of China in 1982.

The analysis of the core shows that some of the stone is quite broken even at the depth. The record of the rock core integrity carried out by Beijing SINOMA geologists shows that drill core with lengths between 0.51 m and 1.0 m represents only approximately 1% in 15 holes and approximately 7% in 2 holes; in the remaining 14 holes dimension of sound core is never longer than 50 cm.

This data appears inconsistent with the block recovery rates estimated by Beijing SINOMA using the graphic method and determined by Jiangxi Jueshi by actual mining as discussed previously in this CPR. Behre Dolbear considers that the core breaks are due to the following reasons.

- The diameter of the core is limited.
- The dolomite and limestone in the deposit have a relatively high hardness and are easy to break.
- The drill rigs used by Beijing SINOMA are relatively old and generally do not have the wire line core recovery system. Therefore, core breaks can be easily caused by mechanical damage from vibration of the drill rig and during the core recovery process.

5.2.5 **Sampling for Physical and Mechanical Tests and Chemical Analyses**

Samples of various stone types for different purposes were collected from surface trenches, drill hole core, outcrops, and the marble mine. The surface sampling method involved using rock drills to drill into the outcrops to collect stone blocks and the drill hole core samples were generally collected as whole core.

Type samples for the six commercial types of marble stone of the Shangsheng Mine were collected from fresh rock formations on the surface to represent the characteristics of color and texture (including the existing defects) of the various types of marble stone. The polished type sample is generally sized at 30 × 30 cm and the unpolished type sample is generally sized at 10 × 5 cm.

Basic samples were collected from surface and drill core to compare with the type samples. The sample size for the surface basic samples was generally 10 × 20 × 20 cm. The core sample is collected at a true thickness interval of 5 m to 8 m with a sample length of generally 10 cm to 20 cm.

Approximately 10% of the basic samples collected from the mining area were polished to check the quality of the rock type classification based on comparison of the unpolished basic samples with the unpolished type samples.

A total of 1,172 basic samples were collected from the surface and the drill core for the Beijing SINOMA exploration program for the Shangsheng Mine.

5.2.5.1 **Collection of Samples for the Physical and Mechanical Tests**

Typical samples were collected from the ground surface and drill holes for each commercial type of the marble stone in the mining area. These samples were then tested to determine their compressive strength and flexural strength. Five samples for each commercial stone type were collected and tested.

The dimension of the compressive strength test samples was 50 × 50 × 50 mm, and the dimension of the flexural strength test samples was 160 × 40 × 20 mm. A total of 150 sample pieces in 30 sample groups (5 pieces per group) were collected as the representative samples of the deposit to measure compressive and flexural strength.

Samples for wear-resistance test were collected for each ore type. The sample was a 25 × 60 mm cylinder; 3 samples for each stone type were collected with a total of 15 samples for the Shangsheng Mine.

To determine the bulk density and water absorption of the ore types, 60 samples were collected and tested in the ML area.

A total of 35 samples were collected from surface and drill holes for microscopic study of the marble stone in the deposit. These samples were used to determine the geological names for the stone types and their textures and mineral composition.

5.2.5.2 **Collection of the Samples for Chemical Analysis**

Twenty samples representing the various rock types were collected in the mining area and an analysis was run for the following elements: CaO, MgO, K_2O, Na_2O, Fe_2O_3, Al_2O_3, SiO_2, SO_3, FeO, Cl, and loss upon ignition (LOI).

6.0 MARBLE RESOURCES AND MARBLE DIMENSION STONE RESERVES

6.1 MARBLE RESOURCE AND MARBLE DIMENSION STONE RESERVE CLASSIFICATION

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code), was prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in 2012. The JORC Code is a mineral resource/ore reserve classification system that has been widely used and is internationally recognized. It has also been used previously in CPRs for mineral resource and ore reserve statements for other Chinese companies reporting to the SEHK.

The JORC Code is used by Behre Dolbear to report the marble resources and marble dimension stone reserves of the Shangsheng Mine in this CPR.

A mineral resource is defined in the JORC Code as an identified in situ mineral occurrence from which valuable or useful minerals may be recovered. Mineral resources are classified as Measured, Indicated, or Inferred according to the degree of confidence in the estimate.

- Measured Resource is one that has been intersected and tested by drill holes or other sampling procedures at locations that are close enough to confirm continuity and where geoscientific data are reliably known.

- Indicated Resource is one that has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability.

- Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An ore reserve is defined in the JORC Code as that part of a Measured or Indicated resources, which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting in a pre-feasibility study or feasibility study.

Ore reserve figures incorporate mining dilution and allow for mining losses and are based on an appropriate level of mine planning, mine design, and scheduling.

Proved and Probable ore reserves are based on Measured and Indicated mineral resources, respectively.

Under the JORC Code, Inferred mineral resources are deemed to be too poorly delineated to be transferred into an ore reserve category; therefore, no equivalent Possible ore reserve category is recognized or used.

The general relationships between exploration results, mineral resources, and ore reserves, under the JORC Code, are summarized in Figure 6.1.

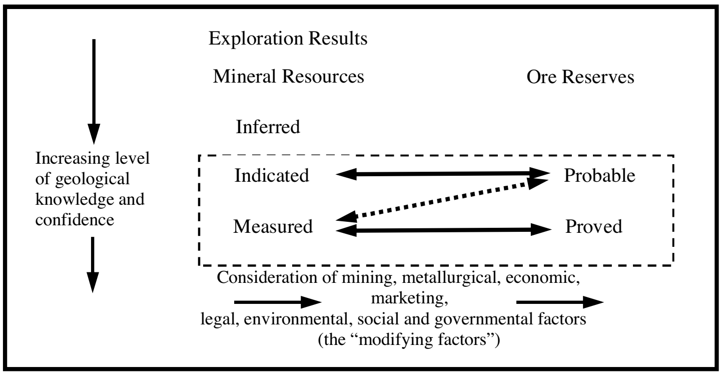

Figure 6.1. The JORC Code schematic mineral resources and their conversion to ore reserves

Generally, ore reserves are quoted as comprising part of the total mineral resource rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this Behre Dolbear CPR, all of the ore reserves are included within the mineral resource statements.

The dolomite and limestone deposit at the Shangsheng Mine is an industrial mineral used primarily for marble dimension stone production. Physical properties, such as color and pattern, are the most important parameters for marble dimension stone quality. Basic samples of color and pattern at a 5 m to 8 m true thickness interval were collected from drill core and surface trenches for the Shangsheng Mine.

The analytical results for chemical composition are generally not a critical criterion for the dolomite and limestone quality. The deposit is a marine sedimentary deposit with good continuity and homogenous chemical composition and physical properties.

Only selective samples were collected to determine the chemical composition and various physical properties of the deposit.

The marble resource will be reported as its volume in unit of cubic meters (m^3) in this CPR, as it is the unit of measure as to how dimension stone blocks are sold.

For the marble dimension stone reserve, mining dilution factor is not relevant, but mining recovery factor (or block recovery rate for a dimension stone deposit) is very important and is sometimes difficult to determine accurately, especially at the early stage of the project. Marble dimension stone reserves will also be reported as its volume in unit of m^3.

6.2 GENERAL PROCEDURES AND PARAMETERS FOR THE MARBLE RESOURCE ESTIMATION

The methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant PRC government authorities in China. The mineral resource estimates are based on strictly defined parameters, which include minimum grades and minimum thicknesses. The mineral resources for a deposit are generally estimated by an independent engineering entity with a government-issued license.

The 2011 and 2012 exploration work as well as the marble resource estimation for the Shangsheng Mine were conducted by Beijing SINOMA, which holds a Class A exploration license for solid minerals issued by the Ministry of Land and Resources of China.

The drill hole and channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the mineralized body size and complexity, a deposit is classified into a certain exploration type before mineral resource estimation. As the dolomite and limestone deposit at the Shangsheng Mine area comprises large, stratiform mineralized bodies of hundreds to thousands of meters in dimension with good continuity in both chemical composition and thickness, the deposit was categorized as exploration Type I under the Chinese classification system for industrial mineral deposits.

Cross sections and plans with drilling and sampling information for marble resource estimation were produced in AutoCAD® by Beijing SINOMA.

The parallel section method, a polygonal method based on projected cross sections, were used for the marble resource estimation of the Shangsheng Mine by Beijing SINOMA.

Based on the marble resource estimation report provided by Beijing SINOMA and discussions with the Beijing SINOMA technical personnel, the general procedures and parameters used in the marble resource estimation are described below.

6.2.1 Determination of Marble Resource Industrial Requirements

The carbonate deposit in the Shangsheng Mine area is mainly composed of dolomite, limy dolomite, dolomitic limestone, and limestone. After polishing, it generally shows many different colors varying from milky-whitish to a dark grey. The color, pattern, and gloss of the different commercial varieties of the marble stone make them a good quality decorative stone.

The dolomite and limestone are amenable to mining and processing and they are not easy to break during the mining and cutting process. They can be polished easily even if the pure dolomite will not shine as brightly as the pure limestone. This does not represent a limit to the stone's application as there are many other finishing treatments that can be utilized, such as honing, sand blasting, bush hammering, etc.

Based on detailed exploration work by Beijing SINOMA and actual mining operation at the Shangsheng Mine by Jiangxi Jueshi, the commercial marble stone to be produced from the mine is divided into three series and six types.

- Van Gogh (Aris series, largely in Horizon #1, but also in Horizon #2 and Horizon #3)

- White Jade (Aris series, largely in Horizon #1, but also in Horizon #2 and Horizon #3)
- Polar White (Abba series, largely in Horizon #2, but also in Horizon #1 and Horizon #3)
- Violet (Abba series, largely in Horizon #2, but also in Horizon #1 and Horizon #3)
- Blue Ribbon (Ally series, mostly in Horizon #3)
- London Night View (Ally series, mostly in Horizon #3)

In addition to the use as a marble dimension stone, both limestone and dolomite are used extensively in other industries. Some of the uses are:

- Limestone is a very good source material for calcium carbonate powder, aggregates, and cement production.
- Dolomite is a very good source material for iron and steel industry, the chemical, plastic, rubber, and glass industries, as well as for aggregates.

Therefore, the marble resources at the Shangsheng Mine meet the industrial requirements for dimension stone as well as for other industrial uses.

6.2.2 **Determination of Block Boundaries and Confidence Levels**

In the parallel section marble resource estimation, a marble body on a cross section was separated into a number of blocks, with each block assigned a resource confidence level based on the type, density, and quality of available geological data.

A Measured resource block (The equivalent Chinese resource code is 331 according to the Chinese "Solid Mineral Resource/Reserve Classification GB/T17766-1999 standard") was defined by core drilling and surface trenching with a data spacing of approximately 200 m in both the strike and the dip directions.

An Indicated resource block (The equivalent Chinese resource code is 332) was defined by core drilling and surface trenching with a data spacing of approximately 400 m.

An Inferred resource block (The equivalent Chinese resource code is 333) was defined by limited extrapolation (generally less than 200 m) from the drill holes that define the Measured and Indicated resource blocks.

The north section of the ML area is planned to be the initial mining area for the Shangsheng Mine. It was generally drilled at a closer drill hole spacing of 200 m with trenches developed on exploration lines at a 200 m interval. Therefore, most of the marble resource in the north section is classified in the Measured category with small amount of Indicated and Inferred resources in the peripheral zones of the Measured resource blocks. The south section of the ML area was drilled at a spacing of 400 m with trenches developed on exploration lines at a 400 m interval. Therefore, the marble resource in the south section is classified as Indicated with a small amount of Inferred resource to the west.

Figure 6.2 shows the three ore horizons and the marble resource classification for the Shangsheng Mine on a projected plan map.

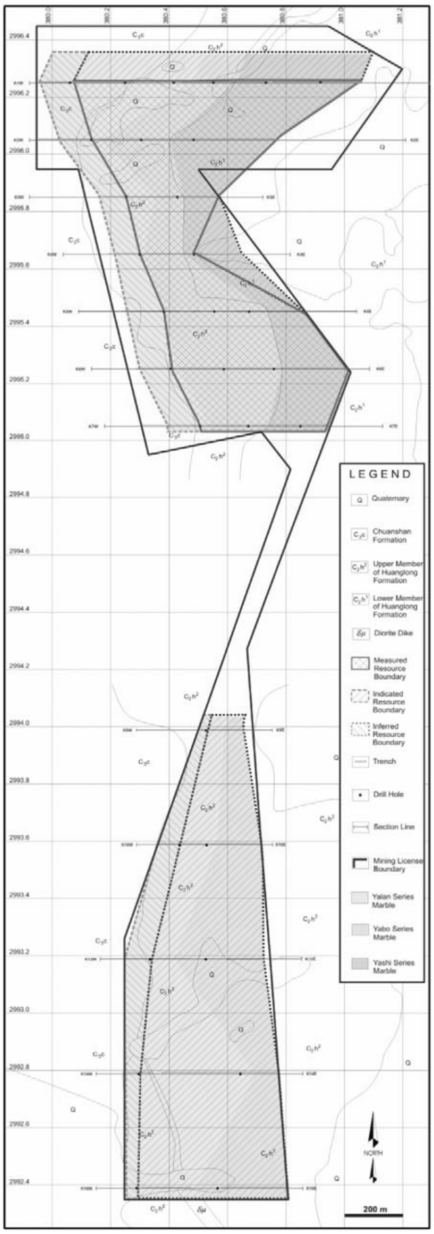

Figure 6.2. Marble resource classification on the projected plan map for the Shangsheng Mine

The marble resource estimation was limited to an elevation of 280 masl, which is the lower limit of the current ML for the Shangsheng Mine. Surface topography of the Shangsheng Mine ML area was surveyed by Beijing SINOMA and this data was used as the topographic control of the current marble resource estimation. A maximum overall pit slope angle of 65° was also used to limit the boundary for the marble resource estimate.

Behre Dolbear believes that the geological interpretation for the Shangsheng Mine deposit is reasonable and appropriate, which provides a solid basis for marble resource and marble dimension stone reserve estimation and mine planning.

6.2.3 **Marble Resource Estimation**

In the marble resource estimation process, the corresponding two-dimensional blocks on two neighbouring parallel cross sections were used to define a three-dimensional block. The area of the three-dimensional block (*S*) was calculated from the areas of the two-dimensional blocks on cross sections (*S1* and *S2*), which were measured by computer from AutoCAD® drawings. When the area difference for the two blocks on cross sections was less than 40%, the following trapezoid formula was used for the three-dimensional block sectional area calculation:

$$S = \frac{S_1 + S_2}{2}$$

When the area difference for the two blocks on cross sections was more than 40%, the following frustum formula was used for the three-dimensional block sectional area calculation:

$$S = \frac{S_1 + S_2 + \sqrt{S_1 \text{ x } S_2}}{3}$$

When a block on a cross section pinches out, the three-dimensional block sectional area was half the two-dimensional block area if the block pinches out to a line or one third of the two-dimensional block area if the block pinches out to a point.

The volume of the three-dimensional block was determined by multiplying the sectional area (S) by the distance (L) between the two sections. The volume of the mineralized body and deposit were based on the sum of the block volumes.

The drilling data from Beijing SINOMA indicates that the average karst cave percentage is only 1.68% in the 31 existing drill holes. As this is less than 3%, and no volume correction for the karst caves was conducted for the marble resource estimation.

6.2.4 **Discussion**

Based on Behre Dolbear's review, Behre Dolbear considers the geological interpretation and the marble resource estimation procedures and parameters applied by Beijing SINOMA to the Shangsheng Mine to be generally reasonable and appropriate.

The deposit is a marine sedimentary deposit with good spatial, chemical composition, and physical property continuity. The Measured category blocks were defined by drill holes and surface trenches at a data spacing of 200 m in both strike and dip directions and have good geological control. The Indicated category blocks were defined by a data spacing of 400 m and have a reasonable level of geological control.

The Inferred blocks are defined by limited extrapolation (generally less than 200 m) from existing drill holes that define the Measured and/or Indicated resource blocks and also have a reasonable level of geological control.

Based on Behre Dolbear's review of the deposit geology, core drill and sampling data, testing results, and parameters used for the estimation of the marble resources, Behre Dolbear concludes that the Measured, Indicated, and Inferred marble resources estimated under the Chinese standard mineral resource system (GB/T17766-1999) for the Shangsheng Mine by Beijing SINOMA conform to the equivalent JORC mineral resource categories. Therefore, Behre Dolbear has converted the 331, 332, and 333 resources under the Chinese resource classification system to the Measured, Indicated, and Inferred resources under the JORC Code, respectively.

The economic portion of the Measured and Indicated marble resources can accordingly be used to estimate Proved and Probable marble dimension stone reserves.

6.3 MARBLE RESOURCE STATEMENT

The marble resource estimates under the JORC Code as of September 30, 2013 for the Shangsheng Mine are summarized in Table 6.1. The marble resources for the mine were estimated by Beijing SINOMA under the Chinese resource classification system and was dated November 9, 2011. Behre Dolbear has reviewed Beijing SINOMA's marble resource estimates and has accepted and adopted them for the marble resource estimates under the JORC Code. Behre Dolbear notes that there was significant production at the Shangsheng Mine from November 9, 2011 to September 30, 2013; marble resource consumed by the mine production in the period was provided by Jiangxi Jueshi and was subtracted from the November 9, 2011 marble resource estimates by Beijing SINOMA to derive the marble resource estimates as of September 30, 2013. The marble resource estimates are inclusive of marble mineralization comprising the marble dimension stone reserves.

TABLE 6.1
GLOBAL MARBLE RESOURCES FOR THE SHANGSHENG MINE
(AS OF SEPTEMBER 30, 2013)

JORC Resource Class	Marble Resource (millions m^3)
Measured	55.359
Indicated	50.157
Subtotal	**105.516**
Inferred	9.484
Total	**115.000**

The Measured and Indicated marble resources can be used for marble dimension stone reserve estimation and mine planning.

It should be noted that marble resources that are not marble dimension stone reserves do not have demonstrated economic viability. Investors should be cautioned that the marble resources may not ultimately be extracted at a profit.

6.4 MARBLE DIMENSION STONE RESERVE ESTIMATION

Under the JORC Code, marble dimension stone reserves comprise that portion of the Measured and Indicated marble resources that are planned to be mined economically as dimension stones and delivered to the fabrication plant for processing or sold in a dimension stone market based on a pre-feasibility study or feasibility study.

Marble dimension stone reserves and the mine plan for the Shangsheng Mine were developed by Suzhou SINOMA in a feasibility study report dated February 2012 based on the exploration report and marble resource estimates developed by Beijing SINOMA.

Only the Measured and Indicated marble resources were considered as potential ore in the Suzhou SINOMA's marble dimension stone reserve estimation and mine planning.

Based on the Suzhou SINOMA feasibility study, the deposit will be mined in open pit quarries by a combination of the diamond wire cutting technique and the diamond disc saw and diamond belt saw cutting technique, which will cut the marble deposit into rectangular marble dimension stone blocks of different sizes.

Blocks are generally classified into three size classes in China.

- Class I, or large, blocks have a block volume of more than 3 m^3
- Class II, or medium, blocks have a block volume from 1 m^3 to 3 m^3
- Class III, or small, blocks have a block volume from 0.5 m^3 to 1 m^3

The sale price of the marble blocks is generally related to the block size, and the larger blocks can generally sell for a higher price. Therefore, the Shangsheng Mine will try to produce Class I, large marble blocks as much as possible, but some smaller blocks will have to be produced because of the presence of fractures (including joints) and karst caves in the marble deposit.

Because of the hourglass shape of the ML area, two separated open pits were developed for the northern section and the southern section of the ML area, respectively, by Suzhou SINOMA based on Beijing SINOMA's marble resource model and a maximum overall pit slope angle of approximately 65°. Other parameters used for the pit design include a bench height of 14 m, a safety berm of 5 m and a cleaning platform of 8 m on every other bench, and a bench face angle of 90° (reducing to 45° for the weathered zone). The designed final north pit is approximately 1,500 m long in the north-south direction and 1,200 m wide in the east-west direction at the surface; the designed final south pit is approximately 1,700 m long in the north-south direction and 500 m wide in the east-west direction at the surface. The pit bottom was set at 280 masl, which is the lower limit of the current ML.

Marble resources within the designed final pits are approximately 106.944 million m^3 (Table 6.2) as of September 30, 2013, of which 51.477 million m^3 is the Measured resource and 46.646 million m^3 is the Indicated resource. There is also a conspicuous volume of overburden (consisting of Quaternary soils and weathered rock with numerous open weathering joints) above the marble deposit of approximately 7.168 million m^3.

TABLE 6.2
STATEMENT OF MARBLE RESOURCES INSIDE THE DESIGNED OPEN PITS
(AS OF SEPTEMBER 30, 2013)

JORC Resource Class	Marble Resource (million m^3)	Waste (million m^3)
Measured	51.477	
Indicated	46.646	
Subtotal	98.123	
Inferred	8.820	
Total	106.944	7.168

Suzhou SINOMA's mine plan shows that the marble resource inside the designed final pits consists of approximately 31% of Horizon #1, 40% of Horizon #2, and 29% of Horizon #3.

If the Inferred resource in the designed pits is considered as waste, the waste-ore strip ratio is approximately 0.16. If the Inferred resource in the designed pits is considered as ore (the Inferred resource will be very likely converted to the Measured and/or Indicated resources when further exploration and/or mining operation is conducted), the waste-ore strip ratio will be reduced to approximately 0.07.

Mining dilution factor is not applicable for marble dimension stone block mining, but mining recovery factor or the block recovery rate is. The block recovery rate is defined as the percentage of the marble resources that can be mined out as marble dimension stone blocks. It is a very important parameter to convert the marble resources in the designed open pit into marble dimension stone reserves. Accurately determining the block recovery rate is not an easy task, especially at the early stage of a mine operation.

The block recovery rate was estimated for the Shangsheng Mine by Beijing SINOMA using the graphic methods as well as using the actual production results.

As already discussed previously in Section 5.1.10 of the CPR, Behre Dolbear considers that the appropriate block recovery rate for the Measured and Indicated marble resources of the Shangsheng Mine is 45% at this stage. This block recovery rate may vary in different locations of the deposit or at depth. It is recommended that the actual block recovery rate developed from production figures be monitored and a long-term average rate be developed. The marble dimension stone reserves and marble resources can then be adjusted as needed.

The current operating mine is located on the top of one of the hills in the deposit at the northeast portion of the ML area and only the upper portion of the deposit is being mined. Behre Dolbear believes that the deposit should generally become more cohesive and sound at depth.

Behre Dolbear would note that the Shangsheng Mine has a marble resource sufficient for over 170 years of production at the designed production rate of 250,000 m^3pa. Any negative variation in the block recovery rate will not have a significant impact on scheduled mine production for the first 25 to 30 years of the mine life.

Based on information from Jiangxi Jueshi, there have been some commercial sales of marble blocks produced from the Shangsheng Mine since 2011. The average selling price for the various types of marble dimension stone blocks in 2012 and in the first nine months of 2013 is RMB4,893/m^3 (US$796/$m^3$) and RMB5,931/$m^3$ (US$964/$m^3$), respectively, excluding the value-added-tax (VAT) (It is noted that city-maintenance-and-construction levy, education levy and other sales related taxes are considered as operating cost and are included as part of the Non-income Taxes, Royalties, and Other Governmental Charges in this report). The Company believes that the marble block sales price should increase in the following years when the production from the mine increases and the products from the Shangsheng Mine penetrate the market in China as well as internationally, for which Behre Dolbear concurs.

Forecast direct sale marble block total operating costs for the Shangsheng mine based on the February 2012 Suzhou SINOMA feasibility study report and adjustments made by the Company based on recent actual production cost data generally ranges from RMB1,400/m^3 (US$228/$m^3$) to RMB1,570/$m^3$ (US$255/$m^3$). These costs include mining costs, G&A costs, and other cash costs. The forecast marble block total production cost generally ranges from RMB1,485/m^3 (US$241/$m^3$) to RMB1,650/$m^3$ (US$268/$m^3$) (total operation costs plus depreciation and amortization costs) for marble dimension stone block to be produced from the Shangsheng Mine.

The actual operating cost in the first nine months of 2013 averaged RMB2,190/m^3 (US$356/$m^3$) and the actual total production cost in the first nine months of 2013 averaged RMB2,287/m^3 (US$372/$m^3$). Based on the average sales price indicated above, there is a good profit margin for the mining operation and the marble deposit is economically viable. Therefore, the Measured and Indicated marble resources inside the designed final pits can be used for a marble dimension stone reserve estimation under the JORC Code.

6.5 MARBLE DIMENSION STONE RESERVE STATEMENT

Marble dimension stone reserves under the JORC Code as of September 30, 2013 for Shangsheng Mine, as estimated by Suzhou SINOMA and reviewed and adopted by Behre Dolbear for this CPR, are summarized in Table 6.3. The marble dimension stone reserve estimates include both Proved and Probable reserves, which were converted from Measured and Indicated marble resources, respectively, using a block recovery rate of 45%.

TABLE 6.3
STATEMENT OF THE MARBLE DIMENSION STONE RESERVES FOR THE SHANGSHENG MINE (AS OF SEPTEMBER 30, 2013)

JORC Reserve Class	Marble Dimension Stone Reserve (million m^3)
Proved	23.165
Probable	20.991
Total	**44.155**

In addition to the marble dimension stone reserves summarized in Table 6.3, some of the waste produced from mining the marble dimension stone blocks can be sold locally for fill, aggregate, calcium powder and cement production. This will reduce the requirement for waste management and bring some additional income to the mine.

6.6 MINE LIFE ANALYSIS

The marble dimension stone reserve mine life of the Shangsheng Mine, reviewed in this study based on the September 30, 2013 marble dimension stone reserve estimates of 44.155 million m^3 and the planned long-term production rate of 250,000 m^3pa, is approximately 177 years. Considering there is a ramp-up period in the beginning and a ramp-down period at the end, the actual mine life could be several years longer.

However, as there is a production ramp-up process in the beginning and a production ramp-down process at the end, the actual mine life of the Shangsheng Mine will be several years longer. Additionally the mine life may change significantly in the future due to the following reasons.

- Acquiring additional ML areas and conducting an appropriate level of exploration work can increase the marble resources and marble dimension stone reserves of the Shangsheng Mine. With a currently estimated mine life of 177 years, this is obviously not a priority.

- There is an Inferred resource of 8.82 million m^3 in the designed final pits for the Shangsheng Mine. Additional drilling and/or actual mining operation can bring part or all of the Inferred resource to the Measured and Indicated categories. This Inferred resource can potentially increase the mine life for 15 years.

- The actual mining recovery factor, or the block recovery rate, may be different from that used for the marble dimension stone reserve estimation. The marble dimension stone reserve mine life will be reduced, if the actual mining recovery factor is lower than the planned mining recovery rate, and the reserve mine life will be increased, if the actual mining recovery factor is higher than the planned mining recovery rate.

- Changes in the production rate would also change the mine life. The mine life will be shortened, if the production rate is increased to a level higher than the anticipated long-term production level.

7.0 POTENTIAL FOR DEFINING ADDITIONAL MARBLE RESOURCES

The marble resources within the Shangsheng Mine ML area have been well defined by Beijing SINOMA; therefore, there is no additional exploration potential for marble resources within the current ML area.

The dolomite and limestone deposit that constitutes the marble resources and marble dimension stone reserves is continuous along strike, in the dip direction, and to depth outside the current Shangsheng Mine ML area. Therefore, acquiring additional mining licenses or exploration licenses in the surrounding area of the current Shangsheng Mine ML area then conducting appropriate exploration and evaluation work can significantly increase the marble resources and marble dimension stone reserves for the Shangsheng Mine.

8.0 MINING

8.1 MINE DESIGN

The Shangsheng Mine is a marble dimension stone mine designed to extract 250,000 m^3pa of marble dimension stone annually when it is fully developed in 2017. The marble blocks will then be used primarily as a raw material for a processing plant, where slabs of various size and type will be produced.

The ML has a total north-south length of about 4,100 m, a width from 400 m to 1,000 m, and an area of 1.9702 km^2.

The outcrop formations in the ML area are described from bottom to top as follows.

8.1.1 Huanglong Formation of the Middle Carboniferous Series

The Huanglong Formation consists of thickly bedded to massive crystalline dolomite, limy dolomite, dolomitic limestone and limestone. These rocks mainly have grey-white and greyish colors, and locally have deep grey and flesh red colors. The formation occurs as a monocline dipping to the west at angles from 20° to 35°. It outcrops on the eastern portion of the ML area and constitutes the primary marble resources for the Shangsheng Mine. The formation is locally covered by Quaternary soil and the surface rock of the formation is generally weathered.

8.1.2 Chuanshan Formation of the Upper Carboniferous Series

The Chuanshan Formation outcrops in the western portion of the ML area. It is mainly distributed outside of the western boundary of the ML area but there is a small amount of Chuanshan Formation rocks on the top of the ore body in the ML area. It consists of grey, dark grey, and greyish-white thickly bedded limestone, crystalline limestone, and dolomitic limestone. This group is characterized by the development of a large amount of lumpy, globular, and stripped chert nodules.

8.1.3 Quaternary System

The Quaternary System is mainly distributed on the ground surface of the hillside, depression, or flat section in the ML area. The lithology includes brownish red clay and gravelly clay, and black brown muck. The control thickness is from 0.64 m to 29.95 m but is generally less than 5 m. It is missing in many places inside the ML area.

8.1.4 Mine Design

The open pit design completed by Suzhou SINOMA has an ultimate bench height of 14 m (as a combination of two 7 m benches), a safety berm width of 5 m, and a transport platform width of 8 m (the safety berm and transport platform are alternating on every other bench). Working benches are between 6 m and 7 m in height to maximize the production of large blocks. This is beneficial particularly in areas that are heavily fractured and containing significant karst caves. Working bench faces are vertical, but because of the use of safety berms and transport platforms, the overall pit slope is at an angle of less than 65°. Behre Dolbear considers that this is a reasonable final pit slope for a mine of this type.

Jiangxi Jueshi has had significant mine production in the northern section of the ML area. Virtually all vegetation has been removed in the active mining area and overburden is limited. Some weathered limestone with abundant weathering fractures were noted in the top benches of the mine. This material is being actively stripped off. The stripped overburden, along with the in-pit waste produced from marble block mining, is stockpiled along the side slope of the mine and is currently being used as fill material for staging area preparation.

Wide haul roads have been developed from the current, temporary office building up to the North #1 mining area and the North #4 mining area. The roads are adequate for both haulage of equipment and supplies and for moving mined blocks to the staging area at the base of the mountain.

A large staging area for mined blocks has been constructed at the base of the existing mine and Jiangxi Juishi has also established a staging area near the Tangge village, approximately 22 km from the mine on leased land. Blocks are transported to the staging area near the Tangge village by smaller contract trucks and then transported from the staging area to other destinations by larger contract highway trucks. Adequate water and electrical power resources are available to sustain the mining and support activities on site.

According to the feasibility study report completed by Suzhou SINOMA, the development of the mine anticipates the development of six mining areas located on the tops of several hills in the northern section of the ML area as well as six additional mining areas in the southern section of the ML area (Figure 8.1). The North #1 and North #4 mining areas have been developed and are currently in commercial production. The North #5 mining area will also be developed in order to ramp-up the production to the designed 250,000 m^3pa production capacity. Other mining areas in the northern section will be developed in the following years and all the six mining areas in the north section of the ML area will eventually merge into one big open pit. Similarly, the six mining areas in the southern section of the ML area will be developed starting from 2020 and they will eventually merge into another large open pit.

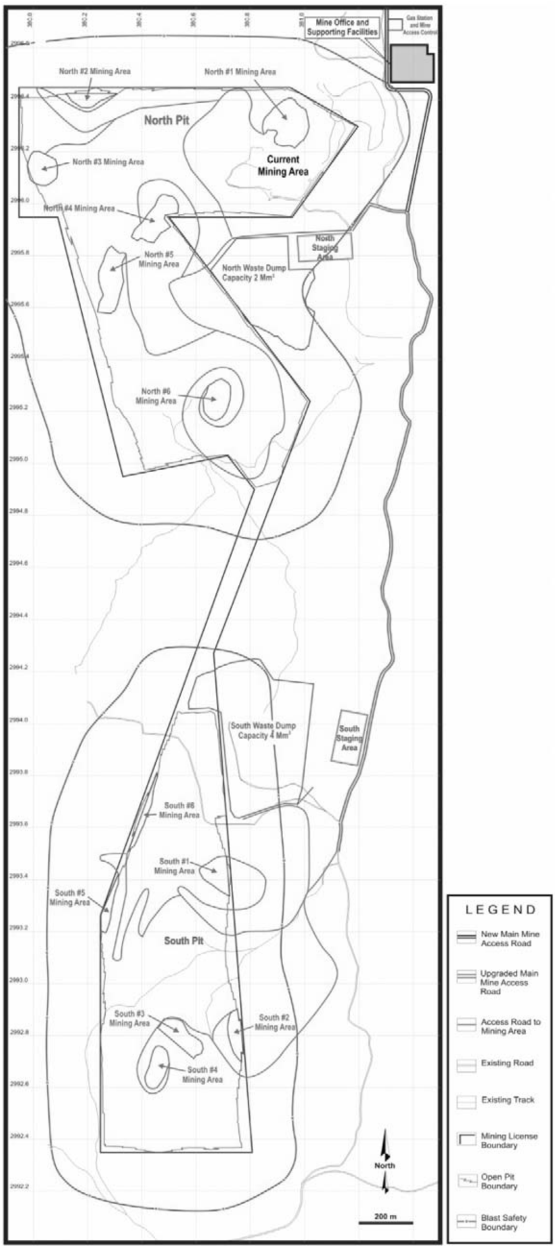

Figure 8.1. Development plan for the Shangsheng Mine area

A road system will be developed to connect the various mining areas with the internal staging areas (one in the north and one in the south) and waste rock dumps (one in the north and one in the south) and mine office and supporting facilities located to the northeast of the north section of the ML area.

According to the mine plan, the marble dimension stone reserve volume, within the designed final pits, is approximately 44.155 million m^3 as of September 30, 2013. Waste rock will be used for construction of internal roads, construction of the new entrance road, aggregate for company construction purposes, as land fill in the ML area or stockpiled in waste rock dumps. Some of the waste rock will be sold locally as raw material for fill, aggregate, feedstock for calcium powder production, and cement plant feedstock, if possible.

Limited preliminary mining and site development commenced in early 2010 with full-scale mining and development beginning in March 2011. The mine will progressively ramp up to the planned production rate over the next four years reaching the designed capacity by 2017.

The mine's production scale increased significantly in 2012 and 2013. Jiangxi Jueshi's records show that the actual marble block volume produced from the mine was 3,265 m^3 in 2011 and 13,456 m^3 in 2012 with a highest monthly production of 2,814 m^3 in December 2012. Marble production for the first nine months of 2013 totals 27,612 m^3 with a highest monthly production of 6,425 m^3 in September.

Marble block production is budgeted to reach 40,000 m^3 in 2013, 100,000 m^3 in 2014, 150,000 m^3 in 2015 and 200,000 m^3 in 2016. Full production of 250,000 m^3 of blocks is expected to be reached in 2017 (Table 8.1) when the North #1, North #4, and North #5 mining areas will be fully developed and put in operation. A larger portion of the blocks produced from the mine will be used to produce marble slabs of various sizes and types by either Jiangxi Jueshi's own slab processing plant or contract processing plants with the remainder being sold directly to customers.

TABLE 8.1
ACTUAL AND FORECAST MARBLE BLOCK PRODUCTION SCHEDULE — 2011-2022

Year		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Total	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Total Block Production	m^3	1,588	13,456	27,612	12,388	40,000	100,000	150,000	200,000	250,000	250,000	250,000	250,000	250,000	250,000
Aris Series	m^3	1,397	5,573	15,202	6,813	22,015	50,000	67,500	80,000	87,500	75,000	75,000	75,000	75,000	75,000
Abba Series	m^3	191	7,884	12,410	5,575	17,985	45,000	67,500	85,000	106,250	102,500	102,500	102,500	102,500	102,500
Ally Series	m^3	0	0	0	0	0	5,000	15,000	35,000	56,250	72,500	72,500	72,500	72,500	72,500
Year-End Production Capacity	m^3pa	2,500	20,000	—	60,000	60,000	120,000	180,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Blocks Used for Slab Production	m^3	245	2,521	10,204	3,356	13,560	58,409	97,500	147,067	195,947	208,523	218,879	220,723	224,493	225,000
Direct Sale Blocks	m^3	97	103	4,951	1,278	6,230	53,211	52,500	52,933	54,053	41,477	31,121	29,278	25,508	25,000
Year-End Inventory	m^3	2,900	13,731	26,188	33,942	33,942	22,321	22,321	22,321	22,321	22,321	22,321	22,321	22,321	22,321
Product Series Break Down															
Aris Series	%	88	41	55	55	55	50	45	40	35	30	30	30	30	30
Abba Series	%	12	59	45	45	45	45	45	42.5	42.5	41	41	41	41	41
Ally Series	%	0	0	0	0	0	5	10	17.5	22.5	29	29	29	29	29

Note: Annual block production after 2022 is forecast to be the same as that in 2022. There was a block inventory of 1,654 m^3 at the end of May 2011.

Mining operations are scheduled for 290 to 300 days per annum (taking into account holidays, weather, downtime, and equipment maintenance) with sawing taking place in two 8-hour shifts per day.

Once mine development is completed, haul roads finalized, mining equipment installed, and the work force trained, Behre Dolbear believes that the mine should be able to meet its production targets from this deposit.

8.2 DESCRIPTION OF THE CURRENT MINING OPERATION

As of September 30, 2013, seven production benches have been developed at the North #1 mining area in the northern section of the deposit and all mining is in Horizon #1. The bench elevations are 376 m, 370 m, 364 m, 357 m, 349 m, 342 m, and 335 m, respectively. The near surface portion of the deposit is affected by karst features and weathering fractures. The karst features disappear rapidly at depth while the number of fractures appears to decrease at depth. Block mining is currently carried out by a combination of diamond belt saws and diamond wire cutting machines using a high-bench (6 m to 7 m) method. Figure 8.2 shows the North #1 mining area of the Shangsheng Mine in early October 2013.

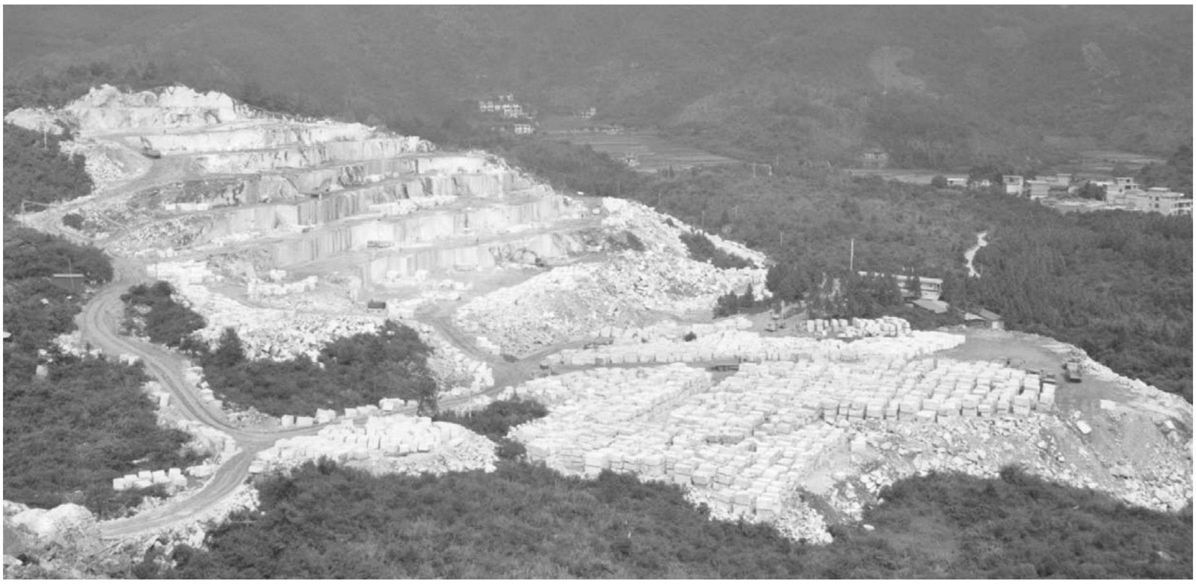

Figure 8.2. General view of the North #1 mining area of the Shangsheng Mine

Development of the North #4 mining area has progressed well and block production began in July 2013. Mining will be mostly in Horizons #1 and #2 with a small portion in Horizon #3. Top soil and weathered rock stripping above 400 masl has been completed with a total volume of 20,408 m^3 of waste rock and soil being stripped off. Block mining is currently carried out by a combination of diamond disc saws and diamond wire cutting machines mining a 1.7-m high bench. This is referred to as a low bench mining method. Two 1.7-m benches have been developed and are in production as of the end of September 2013. A total of 3,109 m^3 of marble blocks has been produced from July thru September from the North #4 mining area. Figure 8.3 shows the North #4 mining area of the Shangsheng Mine in early October 2013.

Figure 8.3. General view of the North #4 mining area of the Shangsheng Mine

In the North #1 mining area, mining is currently carried out by means of diamond belt saws and diamond wire cutting machines for the horizontal cuts and diamond wire cutting machines for the vertical cuts. General procedures for the mining operation are descripted as follows.

- Stripping off the top soil and weathered rock. In the Suzhou SINOMA's mine planning, the top 5 m of the deposit is considered as top soil and weathered rock, which will be stripped off before block mining can be initiated. Observation at the mine shows that the top soil and weathered zone is less than 5 m thick in many places, and competent rock with sufficient quality for block production is encountered very close to the surface (Figure 8.4).

- Drilling holes for the cutting wires passing through the rock with drills for the vertical holes (Figure 8.5). Horizontal holes will also be drilled by core drills if the horizontal cuts are made by diamond wire cutting machines.

- Cutting the 6 m to 7 m tall large rectangular stones horizontally by a diamond belt saw then vertically by diamond wire cutting machines (Figure 8.6 and Figure 8.7). Some of the horizontal cuts are currently carried out by diamond wire cutting machines.

- Preparing a cushion layer made of rock fragments and soil for the large rectangular stone overturning (Figure 8.8).

- Overturning the large rectangular stones by inflating the rubber pillows and using an excavator arm (Figure 8.9, Figure 8.10, and Figure 8.11).

- Separating the overturned large rectangular stone into appropriate sized and shaped blocks and trimming the blocks for commercial sale or slab production (Figure 8.12 and Figure 8.13) by light diamond wire cutting machines after a detailed analysis of a large rectangular stone to avoid the presence of cracks in the blocks and to maximize block recovery.

- Transporting the blocks to staging areas by forklifts, front-end loaders, and trucks (Figure 8.14 and Figure 8.15) for shipment to the slab plant or the customers.

- Cleaning the rock fragments on the mining benches and hauling them to areas needing ground levelling or to the waste dump. Some of the rock fragments can be sold locally as fill material or raw material for aggregate, calcium powder and cement production if possible.

Figure 8.4. Top soil and weathered rock zone of the North #1 mining area

Figure 8.5. Vertical hole drilling using a jackleg drill

Figure 8.6. Horizontal cutting by a diamond belt saw

Figure 8.7. Vertical cutting by a diamond wire cutting machine

Figure 8.8. Prepare the cushion layer for large rectangular stone overturning

Figure 8.9. Set inflation air bag for large rectangular stone overturning

Figure 8.10. Excavator pushing for large rectangular stone overturning

Figure 8.11. An overturned large rectangular stone

Figure 8.12. Separation of overturned large rectangular stone into smaller commercial blocks

Figure 8.13. Block trimming after separation

Figure 8.14. Block transport

Figure 8.15. Loading block onto a truck for shipment

Mining in the North #4 mining area is currently carried out by means of diamond disc saws for the vertical cuts and diamond wire cutting machines for the horizontal cuts. The low-bench (1.7-m high bench) mining method is used in this area. The diamond disc saw produces the horizontal cuts of generally 1.75 m deep with a 3 m interval along the strike direction and a 1.5 m interval in the dip direction of the rock (Figure 8.7); the diamond wire cutting machine then produces the horizontal cuts with a block height of 1.70 m. Commercial sized blocks are produced directly without producing the large rectangular stone first. The low-bench mining method requires developing a large flat area for mining operation. It is more appropriate for the North #4 mining area because of the physical configuration and topography of the area. In addition, this mining method will improve overall productivity and block yield, reduce mining cost and is safer compared with the high-bench mining method. This is due to the working benches being much lower and the produced blocks do not need to be overturned to remove them from the mining face thus reducing the possibility of damaging the blocks.

8.3 PLANNED MINING DEVELOPMENT AND OPERATION

The project feasibility study illustrates that the permitted deposit is large enough and of suitable quality to support the conclusion that the annual production goals can be achieved. Behre Dolbear agrees with Suzhou SINOMA's assessment.

The critical element to achieve the desired annual production of 250,000 m^3 of marble blocks is the proper development of the multiple independent working faces in different benches and working areas. This will allow for adequate production volumes despite the hardness of the stone that slows cutting.

The currently active mining areas and the future mining areas are designed to be operated in a descending multi-bench architecture that takes into account the morphological and geologic conditions within the deposit. Behre Dolbear considers this type of architecture the most productive for this type of deposit.

The Suzhou SINOMA Feasibility Study indicates the areas where multiple independent mining operations are to be located to achieve the desired block production rates (Figure 8.1). Each mining area will be equipped with adequate saws, diamond wire cutting machines, horizontal and vertical hole drills, forklifts, front-end loaders and excavators to guarantee that production goals will be achieved.

Jiangxi Juishi has prepared a detailed initial mining area development plan for the Shangsheng Mine. Table 8.2 lists the bench elevations and working face lengths for the North #1, North #4, and North #5 mining areas that are planned to be developed for the initial production. Behre Dolbear notes that the mining method for the North #4 mining area has been changed from high-bench (6 m) mining to low-bench (1.7 m) mining using diamond disc saws and diamond wire cutting machines as described previously.

TABLE 8.2
PLANNED INITIAL PRODUCTION AREAS FOR THE SHANGSHENG MINE

Mining Area	Bench Elevation (m)	Bench Height (m)	Working Face Length (m)
North #1	376	6	178
	370	7	200
	363	7	250
	356	7	280
	349	7	400
	342	7	400
	335	7	396
	328	7	396
North #4	394	6	
	388	6	220
	382	6	350
	376	6	480
	370	6	620
	364	6	420
	358	6	320
	352	6	160
North #5	403	7	205
	396	7	255
	389	7	265
	433	7	55
	426	7	95
	419	7	125

Mining is difficult in the upper portion of the deposit, due to it being extremely cracked and crossed by karst caves. This will limit the production of blocks (especially large higher value blocks). Therefore, these benches must be expeditiously mined or stripped off to open up deeper levels of the deposit and develop adequate, high-quality working faces. Stripping off the top soil and the near-surface weathered/cracked rock is the primary task of mine development and is budgeted as a capital cost item at the mine development stage.

The fracturing pattern of the deposit indicates that a recommended minimum working bench height is 6 m to 7 m at a length of 60 m to 80 m be maintained wherever possible to allow for the maximization of large block production. As mining progresses, bench widths will be increased to allow the application of additional equipment to expand production. Faces will be oriented 90° from the layering dip (this direction is also marked by the color veins general direction).

The mine was previously operated using diamond wire cutting machines for all the horizontal cuts. Based on Behre Dolbear's recommendation, Jiangxi Juishi has decided to use diamond belt saws for the horizontal cuts on the benches in order to improve productivity. Diamond belt saws are used in very hard or broken material and cutting speeds in a very similar material (Teak Wood Dolomite, Canada) of 3.5 m^2/h have been achieved. Three Super Jet Belt 950 diamond belt saws have been purchased from Italy in April 2013 and have been put into production. Jiangxi Juishi plans to order two additional identical diamond belt saws in 2014 and six more in 2015 and 2016, when the total number of the diamond belt saws will reach 11. Each diamond belt saw, as well as the other mining and support equipment, can be shared by two to three active working faces on the same bench or adjacent benches.

In addition to the 11 diamond belt saws, other major equipment to be used by the Shangsheng Mine when it is in full operation includes:

- 91 diamond wire cutting machines of various sizes (10 110-KW, 20 75-KW, 30 55-KW, 30 37-KW and 1 20-KW), of which 38 diamond wire cutting machines (3 110-KW, 7 75-KW, 16 55-KW, 11 37-KW and 1 20-KW) have been purchased and are in operation at the end of September 2013.

- 2 diamond disc saws with a cutting disc of 4.2 m diameter, both in operation at the end of September.

- 12 Hitachi excavators (mostly model 450 and 480 with a bucket size of 2.1-m^3 and 2.3-m^3 respectively) and four 450, one 230 (1.2 m^3 bucket) and one 210 (0.91 m^3 bucket) machines are in operation currently.

- 15 forklifts (23-t, 25-t, 30-t, and 38-t) of which seven (one 23-t, one 25-t, and five 30-t) are currently in use.

- Eight ZL50 front-end loaders with a bucket size of 3.0-m^3 with two currently in use.

- 13 HD750 (15kw) horizontal hole drills with all currently in use.

- 15 DTH hammer drills for drilling of vertical holes with four currently in use (currently, the vertical holes are also drilled by jackleg drills).

- 14 air compressors (eight 20-m^3/sec, four 10-m^3/sec, and two 4.5-m^3/sec units) with one 20-m^3/sec, two 10-m^3/sec and two 4.5-m^3/sec currently in use.

- 65 Jackleg drills with 41 currently in use.

- Nine block trimmers. (None have been purchased to date. Currently the light diamond wire cutting machines are used for block trimming.)

- Four 50-t crawler cranes with one currently in use.

- 14 25-t waste rock hauling trucks with six currently in use.

- 14 25-t block transporting trucks with one currently in use.

Based on our review and site visits, Behre Dolbear considers the equipment selected by Jiangxi Juishi to be generally appropriate and sufficient for the planned production rate.

The mine is scheduled to be developed in 4 years starting from the beginning of 2013. For 2013, mine development and production will be carried out in the North #1 and North #4 mining areas. Seven benches with a total working face length of 655 m will be in production for the North #1 mining area. The scheduled block production from the North #1 area is 30,000 m^3 with a soil and weathered rock stripping volume of 59,200 m^3. Mining in the North #4 mining area is carried out by the low-bench method from the top down and the scheduled block production is 10,000 m^3. The top soil and weathered rock stripping volume from this area is 131,900 m^3. Total block production for 2013 is budgeted at 40,000 m^3 and the mine is expected to have a production capacity of approximately 60,000 m^3pa at the end of year.

Total mine production for 2014 is scheduled to be 100,000 m^3 of blocks and total stripping of soil and waste rock is estimated to be 118,400 m^3. Mining will take place in the North #1 and North #4 mining areas. The working face length of the 7 benches in the North #1 mining area will be increased to 1,310 m with a scheduled block production of 60,000 m^3 with a soil and waste stripping volume of 67,800 m^3. The total mining area in the North #4 mining area will be increased as mining expands with a scheduled block production of 40,000 m^3 and a stripping volume of 50,600 m^3. The total block production for the year is budgeted at 100,000 m^3 and the mine is expected to have a production capacity of approximately 120,000 m^3pa at the end of year.

The total block production for 2015 is budgeted at 150,000 m^3 and the mine is expected to have a production capacity of approximately 180,000 m^3pa at the end of the year. During 2015, mine development and production will expand to the North #5 mining area and the North #1 mining area will be expanded to 8 benches with a total working face length of approximately 1,550 m. The scheduled block production from the North #1 area is 70,000 m^3 with a waste stripping volume of 70,900 m^3. The North #4 mining area will is scheduled to produce 66,000 m^3 of blocks and waste stripping is estimated to be 66,700 m^3. Two benches with a total working face length of 305 m will be developed in the North #5 mining area. Scheduled block production is 14,000 m^3 and waste stripping is 57,600 m^3. The total block production for 2015 is budgeted at 150,000 m^3 and the mine is expected to have a production capacity of approximately 180,000 m^3pa at the end of year.

A total of 200,000 m^3 of blocks are planned to be produced in 2016 and the mine is expected to have a production capacity of approximately 250,000 m^3pa at the end of the year. During 2016, mine development and production will be carried out in North #1, North #4, and North #5 mining areas. The North #1 mining area will maintain a block production of 79,000 m^3 with a waste stripping of 31,200 m^3. The North #4 mining area will be expanded to a scheduled block production is 95,000 m^3 with a waste stripping volume of 115,300 m^3. The North #5 mining area will be expanded into 5 benches with a total working face length of 570 m and a scheduled block production of 26,000 m^3 with a waste stripping volume of 101,500 m^3. A total of 200,000 m^3 of blocks is planned to be produced in this year and the mine is expected to have a production capacity of approximately 250,000 m^3pa at the end of year.

From 2017 on, the mine is schedule to be in full production and the annual marble block production will be 250,000 m^3.

Behre Dolbear believes that Jiangxi Jueshi's mine development plan and scheduled production is generally appropriate and achievable, provided that the budgeted capital investment is made for the mine as scheduled and the Company has gained sufficient market share for the sale of the marble products produced. Jiangxi Jueshi has reported they have secured sales contracts to sell its planned production of marble blocks and slabs for 2013, 2014 and a significant part of 2015. Behre Dolbear has reviewed these contracts and found them to correspond to Jiangxi Jueshi's claims.

Maintenance of the various cutting tools and mobile equipment and having adequate supplies of spare parts and consumables are critical for maintaining the planned production volumes. Repair and support facilities will be constructed to support the planned mining operations.

8.4 GEOTECHNICAL AND HYDROLOGICAL ISSUES

The deposit is constituted of thickly bedded dolomite, limy dolomite, dolomitic limestone, and limestone; the bulk density of the stone ranges from 2.61 to 2.85 t/m^3 with an average of 2.73 t/m^3; the compressive strength is from 35.65 to 123.71 MPa and flexural strength is from 7.10 to 22.10 MPa.

The deposit is located in a region that belongs to the subtropical southeast monsoon climate zone, with mild climate and four distinct seasons. According to the meteorological observation over the years from 1997 to 2010 by Yongfeng Weather Bureau, the average annual rainfall is 1,728.5 mm with a maximum annual rainfall of 2,363 mm in 1997 and a minimum annual rainfall of 1,093.8 mm in 2003; the monthly maximum rainfall is 532.9 mm (July 1997), and the maximum daily rainfall is 188.4 mm (September 1, 1997).

The average temperature is 17.7°C with a maximum temperature of 40.5°C (August 6, 2007) and a minimum temperature of minus 6°C (January 23, 2008). The average annual evaporation rate is 1,837 mm.

Atmospheric precipitation is the main supply source for surface water and groundwater, and it is the main factor for changes to the groundwater. Surface water is not developed in the mining area. There are mainly discontinuous seasonal creeks in the eastern low-lying terrain of the mining area. They contain no water during the dry season. During the rainy season, the rainwater is collected at the higher terrain and drains along the ground and recharges groundwater through the surface karsts. The Eight Steps Bridge Reservoir drains from west to east about 150 m from the southern boundary of the mining area. The flow from the reservoir is about 2.5 m^3/s during the dry season.

Drill core data indicates some voids and karst caves with 17 caves developed in 12 holes (of 31); the total void/cave length in the 17 drill holes is 33.72 m, representing an overall karst rate of 1.68% for the entire deposit. The caves occur at elevations between 183.81 masl (ZK1601) and 444.11 masl (ZK602) and the majority is at elevations of 300 to 444 masl.

These features do not appear to affect overall slope stability but should be taken into account as specific active mining benches are developed. Local slope instability could be encountered and allowances in the overall production scheduling needs to take these factors into account. The overall deposit is considered competent and stable with very good slope stability. Working benches will be vertical but the final overall pit slope angle will be less than 65°. This is considered conservative and very adequate for this operation. Slope stability, except for local anomalies, is considered excellent and should not materially affect ongoing life of mine operations.

Hydro-geologic factors are not considered to be a significant factor negatively affecting the life of mine operations. All of the mining of dimension stone blocks is well above the ground water aquifer and local karst caves and drainage features will move rainwater away from active mining and support facilities. Suzhou SINOMA did not discuss the effects of mine waste water (generally consisting of water mixed with rock powders) from the cutting operations entering the karst caves and being introduced into the local water system.

Since the karst phenomena exists in the entire deposit and water from the springs is also used by local people for their domestic use, Behre Dolbear suggests a continuous monitoring of the main springs of the area in order to verify if ground water pollution is occurring due to the mining activity.

If a pollution problem develops, mining operation can be easily converted to a dry cutting system without any change of mining method or equipment. The only modification required would be to change the composition of the diamond wires.

8.5 WASTE MANAGEMENT

Waste rock management is a key problem that has to be managed to maintain efficient and cost effective operations. Sources of waste rock in the ML area will be the following:

- covering soil and weathered rock stripping.
- marble block mining activities.

The volume of weathered rock and soil to be stripped is calculated to be 7.265 million m^3 for the entire ML area and the main source of this waste material is the development of new mining areas. The waste will be made up of soil and weathered stone that will be accumulated in separate areas identified in the feasibility study. The soil will be used in the future for the reclamation of the mine upon exhaustion; and the weathered stone, along with waste rock produced from the mining operation will be used for leveling ground or stockpiled in waste dumps; some of the waste rocks will be sold locally as fill material or raw material for aggregate, calcium powder, and cement production.

If the mine reaches full production in 2017, the expected production of blocks will be 250,000 m^3pa. This is 45% of the stone mined and, therefore, approximately 305,600 m^3 of mining waste rock, in addition to the stripped waste rocks, will be generated each year.

The mine is scheduled to operate 290 to 300 days per annum with a fleet of 25-t haul trucks. This would mean that approximately 110 truckloads of mined waste rock would have to be moved per day when the mine is in full operation. Therefore, it is critical for cost management that waste rock dumps be located as close as possible to the mine working areas. Behre Dolbear notes that in the feasibility study waste rock management is dealt with in a general manner, however, waste dumps have been designed in details by Jiangxi Juishi recently. As stated earlier, some of the waste rock will be sold for fill, aggregate, and various chemical uses. Management is planning to monitor from which areas waste is being generated to ensure the material meets required specifications.

Table 8.3 and Table 8.4 show the chemical makeup of various potential by-product uses for dolomite and limestones, which can be used as a guide to develop the market for the waste rocks produced from the marble dimension stone mining from the Shangsheng Mine. Behre Dolbear recommends that dolomite and limestone waste rocks be properly separated in the mining operation so they can be used for different purposes.

TABLE 8.3
SPECIFICATION FOR QUARRIED LIMESTONE FOR SOME IMPORTANT END USES

	CaO	MgO	SiO_2	Al_2O_3	Fe_2O_3
Metallurgy	>50.4	<5.0	<1.5	<1.0	<2.0
Glass Manufacture	>55.2	<0.8	<2.0	<1.0	<0.3
Filler for Paint	>55.6	<3.0	Low	Low	Low
Filler for Rubber	>55.2	<2.0	<1.0	Low	Low
Plastics	<55.2				
Food, Cosmetics, and Pharmaceutical	>54.9				
Pulp and Paper	>52.1	<4.0	<2.0	<2.0	<0.01
Animal Feed	>53.2	Low	<3.0	Low	Low
Sugar Production	>55.2	<4.0	<1.0	<1.5	<1.5
Ceramics	>53.8	<1.0	<0.5	<2.0	<0.3
Agriculture	>50.4	Low	<1.0	<1.0	<1.0
Portland Cement	>48.0	<2.5	<4.0	<1.0	<1.0

TABLE 8.4
SPECIFICATION FOR QUARRIED DOLOMITE FOR SOME IMPORTANT END USES

	CaO	MgO	SiO_2	$Al2O_3$	$Fe2O_3$
Iron Production	>28.0	>19.0	<4.0	Low	<1.5
Steel Production	>29.0	>19.0	<3.0	<0.1	<0.1
Filler For Paint	>29.0	>20.0	Low	<0.1	<0.1
Glass Industry	>29.5	>19.5	<0.3	<0.4	<0.25
Agriculture	>23.0	>15.0	Low	Low	<0.2
Refractory Industry	<35.0	<19.0	0.2—0.5	0.2—0.3	0.2—0.5

9.0 MARBLE SLAB PRODUCTION

The mine will produce 250,000 m^3 of small (Class III), medium (Class II), and large (Class I) marble blocks annually when it is fully developed with the large blocks having the highest value. A larger portion of this volume will be processed into slabs by Jiangxi Jueshi's processing facility to be constructed in three phases in Yongfeng County seat from 2015 to 2019.

Marble slab processing from the plant is projected at 9.0 million m^2pa, of which approximately 60.0% will be standard, 2-cm-thick, (actual thickness of the slab varies from 1.8 cm to 2.0 cm depending on the targeted market), one-side-polished large marble slabs; approximately 27.8% 1-cm-thick tiles; approximately 11.6% 2-cm-thick, one-side-polished cut-to-size marble slabs; and approximately 0.6% shaped stones. Contract processors will be used on an as needed basis for standard 2-cm-thick, one-side-polished large marble slab processing before and during the construction and ramp-up period for Jiangxi Jueshi's own processing facility from 2012 to 2021.

Small blocks will be processed by block cutting machines to produce the thin slabs and cut-to-size tiles. Medium and large blocks will be processed by gang saws and will be typically used to produce 2-cm-thick, one-side-polished large marble slabs.

Blocks from the upper benches of the open pit production are characterized with small defects, such as small holes or cracks. Therefore, blocks produced in the early years will often need to be treated with resin to insure final product quality. This will double polishing time as the slabs will need to be polished twice. As marble quality improves with mining depth, this added polishing step will be reduced but not eliminated.

To accomplish the required polishing, the 2-cm slab polishing processing plant flow sheet would be:

Slabs are pre-polished by an 8-head polishing machine (at a speed of 2 m/min)
↓
Resin application and drying
↓
Slabs cleaned by an 8-head polishing machine (speed 2 m/min)
↓
Slabs are polished by a 14-head polishing machine (speed 1.4 m/min)

The 8-head polishing machine, which is used to process slabs with an average width of 1.6 m and a 2-cm thickness, will have a production capacity greater than 1.0 million m^2pa (3 shifts per day for 300 days per annum).

The 12-head polishing machine, which is used to process slabs with an average width of 1.6 m and a 2-cm thickness, will have a production capacity greater than 800,000 m^2pa (3 shifts per day for 300 days per annum).

According to information collected during the site visits, the processing plant will be constructed in three phases. Phase 1 of the plant will have a production capacity of 1.2 million m^2pa of the 2-cm slabs, 530,000 m^2pa of the 1-cm slabs, 263,900 m^2pa of the cut-to-size slabs and 11,100 m^2pa of the shaped stones. Phase 1 will be constructed in 2015 and put in production in 2016 and will reach full production capacity at the end of 2017.

Phase 2 of the plant will have a production capacity of 2,258,900 m^2pa of the 2-cm slabs and 786,100 m^2pa of the cut-to-size slabs. Phase 2 will be constructed in 2017 and put in production in 2018 and will reach full production capacity at the end of 2019.

Phase 3 of the plant will have a production capacity of 1,941,100 m^2pa of the 2-cm slabs, 1,970,000 m^2pa of the 1-cm slabs and 38,900 m^2pa of the shaped stones. Phase 3 will be constructed in 2018 and 2019 and put in production in 2020 and will reach full production capacity at the end of 2021. The mine is also expected to reach its production goal of 250,000 m^3 of marble blocks in 2017. Contract slab manufacturers will be utilized from 2012 to 2021, ramping down as Jiangxi Jueshi's own plant ramps up.

Behre Dolbear has reviewed the conceptual design of the proposed processing facility detailed in the project feasibility study and considers the initial design, proposed layout, and the scale and quantity of equipment designated is suitable to achieve the finished product production targets as detailed in Table 9.1.

TABLE 9.1
ACTUAL AND FORECAST MARBLE SLAB PRODUCTION FOR THE SHANGSHENG MINE — 2011-2022

Item	2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Total	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Project Slab Processing Plant Production														
Phase 1														
2-cm One-Side-Polished Marble Slab (000 m^2)	—	—	—	—	—	—	—	600	1,200	1,200	1,200	1,200	1,200	1,200
Slab/Block Ratio (m^2/m^3)	—	—	—	—	—	—	—	40	40	40	40	40	40	40
2-cm Cut-to-Size Marble Tile (000 m^2)	—	—	—	—	—	—	—	100	200	263.9	263.9	263.9	263.9	263.9
Tile/Block Ratio (m^2/m^3)	—	—	—	—	—	—	—	30	30	30	30	30	30	30
1-cm One-Side-Polished Marble Slab (000 m^2)	—	—	—	—	—	—	—	230	440	530	530	530	530	530
Slab/Block Ratio (m^2/m^3)	—	—	—	—	—	—	—	50	50	50	50	50	50	50
Shaped Stone Products (000 m^2)	—	—	—	—	—	—	—	3.8	4.8	8.9	8.9	11.1	11.1	11.1
Stone/Block Ratio (m^2/m^3)	—	—	—	—	—	—	—	10	10	10	10	10	10	10
Subtotal Slab Production (000 m^2)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**933.8**	**1,844.8**	**2,002.8**	**2,002.8**	**2,005.0**	**2,005.0**	**2,005.0**
Marble Blocks Consumed (000 m^3)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**23.3**	**45.9**	**50.3**	**50.3**	**50.5**	**50.5**	**50.5**
Slab/Block Ratio (m^2/m^3)	**—**	**—**	**—**	**—**		**—**	**—**	**40.1**	**40.2**	**39.8**	**39.8**	**39.7**	**39.7**	**39.7**
Phase 2														
2-cm One-Side-Polished Marble Slab (000 m^2)										1,500.0	2,258.9	2,258.9	2,258.9	2,258.9
Slab/Block Ratio (m^2/m^3)										40	40	40	40	40
2-cm Cut-to-Size Marble Tile (000 m^2)										247.1	551.1	786.1	786.1	786.1
Tile/Block Ratio (m^2/m^3)										30	30	30	30	30
1-cm One-Side-Polished Marble Slab (000 m^2)														
Slab/Block Ratio (m^2/m^3)														
Shaped Stone Products (000 m^2)														
Stone/Block Ratio (m^2/m^3)														
Subtotal Slab Production (000 m^2)										**1,747.1**	**2,810.0**	**3,045.0**	**3,045.0**	**3,045.0**
Marble Blocks Consumed (000 m^3)										**45.7**	**74.8**	**82.7**	**82.7**	**82.7**
Slab/Block Ratio (m^2/m^3)										**38.2**	**37.6**	**36.8**	**36.8**	**36.8**

Item	2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Total	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Phase 3														
2-cm One-Side-Polished Marble Slab (000 m^2)												500.0	1,500.0	1,941.1
Slab/Block Ratio (m^2/m^3)												40	40	40
2-cm Cut-to-Size Marble Tile (000 m^2)														
Tile/Block Ratio (m^2/m^3)														
1-cm One-Side-Polished Marble Slab (000 m^2)												285.0	1,080.0	1,970.0
Slab/Block Ratio (m^2/m^3)												50	50	50
Shaped Stone Products (000 m^2)												5.9	22.1	38.9
Stone/Block Ratio (m^2/m^3)												10	10	10
Subtotal Slab Production (000 m^2)												**790.9**	**2,602.1**	**3,950.0**
Marble Blocks Consumed (000 m^3)												**18.8**	**61.3**	**91.8**
Slab/Block Ratio (m^2/m^3)												**42.1**	**42.4**	**43.0**
Outsourced Slab Production														
2-cm One-Side-Polished Marble Slab (000 m^2)	8.83	113.59	443.27	94.2	537.4	880.4	780.0	990.0	1,200.0	900.0	750.0	550.0	240.0	
Slab/Block Ratio (m^2/m^3)	36.0	45.1	46.8	40.0	45.5	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	
2-cm Cut-to-Size Marble Tile (000 m^2)			14.04	30.1	44.1	1,092.0	2,340.0	2,970.0	3,600.0	2,700.0	2,250.0	1,650.0	720.0	
Slab/Block Ratio (m^2/m^3)			19.0	30.0	25.3	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	
Subtotal Slab Production (000 m^2)	**8.83**	**113.59**	**457.31**	**124.2**	**581.5**	**1,972.4**	**3,120.0**	**3,960.0**	**4,800.0**	**3,600.0**	**3,000.0**	**2,200.0**	**960.0**	
Marble Blocks Consumed (000 m^3)	**0.25**	**2.52**	**10.20**	**3.4**	**13.6**	**58.4**	**97.5**	**123.8**	**150.0**	**112.5**	**93.8**	**68.8**	**30.0**	
Slab/Block Ratio (m^2/m^3)	**36.0**	**45.1**	**44.8**	**37.1**	**42.9**	**33.8**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	**32.0**	
Total Slab Production (000 m^2)	**8.83**	**113.59**	**457.31**	**124.2**	**581.5**	**1,972.4**	**3,120.0**	**4,893.8**	**6,644.8**	**7,349.9**	**7,812.8**	**8,040.9**	**8,612.1**	**9,000.0**

Note: Annual production after 2022 is forecast to be the same as that in 2022.

Since the facility has not been constructed, Behre Dolbear cannot comment on plant operations, but the proposed work scope and methodology detailed in the feasibility study is reasonable. Management also has the experience and depth of support to construct and commission the facility in the detailed time line and to achieve steady state operation to meet the project's finished product production schedule.

10.0 OPERATING COSTS

Based on information in the Suzhou SINOMA's feasibility study report and the project financial model developed by Jiangxi Jueshi based on the feasibility study, recent actual production cost data and some additional project information, Behre Dolbear has summarized the forecast unit operating costs and unit total production costs for marble blocks and marble slabs for the Shangsheng Mine from July 2013 to 2022 in Table 10.1 and Table 10.2, respectively. The actual operating/total production costs from June to December 2011, 2012 and January to September 2013 are also summarized in Table 10.1 and Table 10.2 for comparison.

TABLE 10.1
SHANGSHENG MINE MINING OPERATING COSTS — 2011-2022

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Marble Block Mining Costs — Direct Sales															
Workforce Employment and Transportation	RMB/m³	893.91	278.85	285.33	252.36	278.57	264.97	201.37	192.21	183.06	183.06	183.06	183.06	183.06	183.06
Consumables	RMB/m³	505.24	215.43	165.87	127.85	158.07	178.28	240.25	240.25	240.25	240.25	240.25	240.25	240.25	240.25
Fuel, Electricity, and Water	RMB/m³	294.73	98.18	135.39	113.44	130.89	138.65	147.69	147.69	147.69	147.69	147.69	147.69	147.69	147.69
Maintenance, Repair and Others	RMB/m³	147.72	146.50	114.95	81.68	108.12	99.33	87.73	87.73	87.73	87.73	87.73	87.73	87.73	87.73
Subtotal — Direct Sales	**RMB/m³**	**1,841.59**	**738.96**	**701.56**	**575.32**	**675.66**	**681.23**	**677.04**	**667.88**	**658.73**	**658.73**	**658.73**	**658.73**	**658.73**	**658.73**
Subtotal — Direct Sales	**USD/m³**	**299.45**	**120.16**	**114.07**	**93.55**	**109.86**	**110.77**	**110.09**	**108.60**	**107.11**	**107.11**	**107.11**	**107.11**	**107.11**	**107.11**
Marble Block Mining Cost — Self-Processing															
Workforce Employment and Transportation	RMB/m³								192.21	183.06	183.06	183.06	183.06	183.06	183.06
Consumables	RMB/m³								276.25	276.25	276.25	276.25	276.25	276.25	276.25
Fuel, Electricity, and Water	RMB/m³								192.69	192.69	192.69	192.69	192.69	192.69	192.69
Maintenance, Repair and Others	RMB/m³								87.73	87.73	87.73	87.73	87.73	87.73	87.73
Subtotal — Self Processing	**RMB/m³**								**748.88**	**739.73**	**739.73**	**739.73**	**739.73**	**739.73**	**739.73**
Subtotal — Self Processing	**USD/m³**								**121.77**	**120.28**	**120.28**	**120.28**	**120.28**	**120.28**	**120.28**
Marble Block Mining Cost — Outsourced-Processing															
Workforce Employment and Transportation	RMB/m³	893.91	278.85	285.33	252.36	274.49	264.97	201.37	192.21	183.06	183.06	183.06	183.06	183.06	
Consumables	RMB/m³	505.24	215.43	165.87	127.85	153.36	178.28	240.25	240.25	240.25	240.25	240.25	240.25	240.25	
Fuel, Electricity, and Water	RMB/m³	294.73	98.18	135.39	113.44	128.17	138.65	147.69	147.69	147.69	147.69	147.69	147.69	147.69	
Maintenance, Repair and Others	RMB/m³	147.72	146.50	114.95	81.68	104.00	99.33	87.73	87.73	87.73	87.73	87.73	87.73	87.73	
Subtotal — Outsourced Processing	**RMB/m³**	**1,841.59**	**738.96**	**701.56**	**575.32**	**660.03**	**681.23**	**677.04**	**667.88**	**658.73**	**658.73**	**658.73**	**658.73**	**658.73**	
Subtotal — Outsourced Processing	**USD/m³**	**299.45**	**120.16**	**114.07**	**93.55**	**107.32**	**110.77**	**110.09**	**108.60**	**107.11**	**107.11**	**107.11**	**107.11**	**107.11**	
G&A and Other Cost — Direct Sales															
On and Off-site Management	RMB/m³	1,503.32	473.24	183.44	185.13	183.79	208.99	157.53	134.22	116.20	118.27	117.89	115.90	110.65	105.96
Environmental Protection and Monitoring	RMB/m³	28.55	48.75	10.79	16.14	11.89	5.49	19.33	15.00	12.00	12.00	12.00	12.00	12.00	12.00
Product Marketing and Transportation	RMB/m³	1,175.26	4,415.73	1,130.58	755.31	1,053.58	440.64	435.00	433.94	401.16	360.52	363.05	353.59	355.59	351.28
Non-income Taxes, Royalties, and Other Governmental Charges	RMB/m³	69.30	195.66	63.61	136.53	78.57	189.91	247.25	256.32	268.71	281.52	286.32	281.39	278.13	272.01
Interest	RMB/m³	89.43	167.51	100.14	110.72	102.31	39.95	—	—	—	—	—	—	—	—
Contingency Allowances	RMB/m³	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal — Block (for Direct Sales)	**RMB/m³**	**2,865.86**	**5,300.89**	**1,488.56**	**1,203.84**	**1,430.14**	**884.98**	**859.12**	**839.49**	**798.07**	**772.31**	**779.26**	**762.88**	**756.36**	**741.26**
Subtotal — Block (for Direct Sales)	**USD/m³**	**465.99**	**861.93**	**242.04**	**195.75**	**232.54**	**143.90**	**139.69**	**136.50**	**129.77**	**125.58**	**126.71**	**124.04**	**122.99**	**120.53**

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
G&A and Other Cost — Self-Processing															
On and Off-site Management	RMB/m^3								134.22	116.20	118.27	117.89	115.90	110.65	105.96
Environmental Protection and Monitoring	RMB/m^3								15.00	12.00	12.00	12.00	12.00	12.00	12.00
Non-income Taxes, Royalties, and Other Governmental Charges	RMB/m^3								129.86	132.31	134.43	138.20	137.12	133.05	128.69
Interest	RMB/m^3								—	—	—	—	—	—	—
Contingency Allowances	RMB/m^3								—	—	—	—	—	—	—
Subtotal — Block (for Self Processing)	**RMB/m^3**								**279.08**	**260.51**	**264.70**	**268.09**	**265.02**	**255.70**	**246.66**
Subtotal — Block (for Self Processing)	**USD/m^3**								**45.38**	**42.36**	**43.04**	**43.59**	**43.09**	**41.58**	**40.11**
G&A and Other Cost — Outsourced Processing															
On and Off-site Management	RMB/m^3	1,503.32	473.24	183.44	185.13	184.00	208.99	157.53	134.22	116.20	118.27	117.89	115.90	110.65	
Environmental Protection and Monitoring	RMB/m^3	28.55	48.75	10.79	16.14	12.55	5.49	19.33	15.00	12.00	12.00	12.00	12.00	12.00	
Non-income Taxes, Royalties, and Other Governmental Charges	RMB/m^3	63.22	13.12	9.12	41.60	19.80	99.63	136.33	129.86	132.31	134.43	138.20	137.12	133.05	
Interest	RMB/m^3	89.43	167.51	100.14	110.72	103.62	39.95	—	—	—	—	—	—	—	
Contingency Allowances	RMB/m^3	—	—	—	—	—	—	—	—	—	—	—	—	—	
Subtotal — Block (for Outsourced Processing)	**RMB/m^3**	**1,684.52**	**702.62**	**303.48**	**353.59**	**319.97**	**354.06**	**313.19**	**279.08**	**260.51**	**264.70**	**268.09**	**265.02**	**255.70**	
Subtotal — Block (for Outsourced Processing)	**USD/m^3**	**273.90**	**114.25**	**49.35**	**57.49**	**52.03**	**57.57**	**51.93**	**45.38**	**42.36**	**43.04**	**43.59**	**43.09**	**41.58**	
Unit Total Block Operating Cost — Direct Sales	**RMB/m^3**	**4,707.45**	**6,039.84**	**2,190.12**	**1,779.16**	**2,105.80**	**1,566.21**	**1,536.16**	**1,507.37**	**1,456.80**	**1,431.04**	**1,437.99**	**1,421.61**	**1,415.09**	**1,399.99**
Unit Total Block Operating Cost — Direct Sales	**USD/m^3**	**765.44**	**982.09**	**356.12**	**289.29**	**342.41**	**254.67**	**249.78**	**245.10**	**236.88**	**232.69**	**233.82**	**231.16**	**230.10**	**227.64**
Unit Total Block Operating Cost — Self Processing	**RMB/m^3**								**1,027.96**	**1,000.24**	**1,004.43**	**1,007.82**	**1,004.75**	**995.43**	**986.39**
Unit Total Block Operating Cost — Self Processing	**USD/m^3**								**167.15**	**162.64**	**163.32**	**163.87**	**163.37**	**161.86**	**160.39**
Unit Total Block Operating Cost — Outsourced Processing	**RMB/m^3**	**3,526.11**	**1,441.58**	**1,005.04**	**928.91**	**980.00**	**1,035.29**	**990.23**	**946.96**	**919.24**	**923.43**	**926.82**	**923.75**	**914.43**	
Unit Total Block Operating Cost — Outsourced Processing	**USD/m^3**	**573.35**	**234.40**	**163.42**	**151.04**	**159.35**	**168.34**	**161.01**	**153.98**	**149.47**	**150.15**	**150.70**	**150.20**	**148.69**	

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Unit Block Depreciation/Amortization Cost	RMB/m^3	377.85	322.46	96.88	90.11	94.78	69.16	110.90	103.97	85.17	85.17	85.17	85.17	85.17	85.17
Unit Block Depreciation/Amortization Cost	USD/m^3	61.44	52.43	15.75	14.65	15.41	11.25	18.03	16.91	13.85	13.85	13.85	13.85	13.85	13.85
Unit Total Block Production Cost — Direct Sales	RMB/m^3	5,085.30	6,362.30	2,286.99	1,869.27	2,200.58	1,635.38	1,647.05	1,611.35	1,541.96	1,516.21	1,523.16	1,506.77	1,500.26	1,485.15
Unit Total Block Production Cost — Direct Sales	USD/m^3	826.88	1,034.52	371.87	303.95	357.82	265.91	267.81	262.01	250.73	246.54	247.67	245.00	243.94	241.49
Unit Total Block Production Cost — Self Processing	RMB/m^3								1,131.94	1,085.41	1,089.60	1,092.99	1,089.92	1,080.59	1,071.55
Unit Total Block Production Cost — Self Processing	USD/m^3								184.05	176.49	177.17	177.72	177.22	175.71	174.24
Unit Total Block Production Cost — Outsourced Processing	RMB/m^3	3,903.96	1,764.03	1,101.92	1,019.02	1,074.78	1,104.46	1,101.12	1,050.94	1,004.41	1,008.60	1,011.99	1,008.92	999.59	
Unit Total Block Production Cost — Outsourced Processing	USD/m^3	634.79	286.83	179.17	165.69	174.76	179.59	179.04	170.88	163.32	164.00	164.55	164.05	162.54	

Note: Forecast unit mining operating costs after 2022 are similar to that in 2022.

Mine production strip ratio after mine construction is completed in 2016 will be approximately 0.05 or less and approximately 2% or less of the block mining cost estimates after 2016 in this table will be used for waste stripping. The strip ratio as well as the waste stripping cost will decrease gradually during the mine life.

TABLE 10.2

ACTUAL AND FORECAST LIMESTONE SLAB OPERATING/PRODUCTION COSTS FOR SHANGSHENG MINE — 2011-2022

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Marble Slab Plant															
Marble Block Mine Operating Cost — Self-Processing															
Block Unit Marble Block Mine Operating Cost	RMB/m^3								1,027.96	1,000.24	1,004.43	1,007.82	1,004.75	995.43	986.39
2-cm Slab Unit Marble Block Mine Operating Cost	RMB/m^2								25.70	25.10	25.11	25.20	25.12	24.89	24.66
	USD/m^2								4.18	4.07	4.08	4.10	4.08	4.05	4.01
Cut-to-size Slab Unit Marble Block Mine Operating Cost	RMB/m^2								34.27	33.34	33.48	33.59	33.49	33.18	32.88
	USD/m^2								5.57	5.42	5.44	5.46	5.45	5.40	5.35
1-cm Slab Unit Marble Block Mine Operating Cost	RMB/m^2								20.56	20.00	20.09	20.16	20.10	19.91	19.73
	USD/m^2								3.34	3.25	3.27	3.28	3.27	3.24	3.21
Shaped Stone Unit Marble Block Mine Operating Cost	RMB/m^2								102.80	100.02	100.44	100.78	100.48	99.54	98.64
	USD/m^2								16.71	16.26	16.33	16.39	16.34	16.19	16.04
Marble Block Mine Operating Cost — Outsourced Processing															
Block Unit Marble Block Mine Operating Cost	RMB/m^3	3,526.11	1,441.58	1,005.04	928.91	986.20	1,062.19	990.23	946.96	919.24	923.43	926.82	923.75	914.43	
2-cm Slab Unit Marble Block Mine Operating Cost	RMB/m^2	98.02	31.99	21.46	23.22	21.68	26.55	24.76	23.67	22.98	23.09	23.17	23.09	22.86	
	USD/m^2	15.94	5.20	3.49	3.78	3.53	4.32	4.03	3.85	3.74	3.75	3.77	3.76	3.72	
Cut-to-size Slab Unit Marble Block Mine Operating Cost	RMB/m^2			53.05	30.96	38.98	35.41	33.01	31.57	30.64	30.78	30.89	30.79	30.48	
	USD/m^2			8.63	5.03	6.34	5.76	5.37	5.13	4.98	5.01	5.02	5.01	4.96	

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
2-cm Slab Outsourced Processing Cost															
Unit Outsourced Processing Charge	RMB/m^2	97.17	78.81	63.37	65.00	63.66	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	
Unit Outsourced Transportation Cost	RMB/m^2	24.69	12.43	13.00	11.89	12.80	11.89	11.89	11.89	11.89	11.89	11.89	11.89	11.89	
Unit Total Outsourced Processing Cost	**RMB/m^2**	**121.86**	**91.23**	**76.37**	**76.89**	**76.46**	**76.89**	**76.89**	**76.89**	**76.89**	**76.89**	**76.89**	**76.89**	**76.89**	
	USD/m^2	**19.81**	**14.83**	**12.42**	**12.50**	**12.43**	**12.50**	**12.50**	**12.50**	**12.50**	**12.50**	**12.50**	**12.50**	**12.50**	
Cut-to-size Slab Outsourced Processing Cost															
Unit Outsourced Processing Charge	RMB/m^2			242.98	106.67	150.05	106.67	106.67	106.67	106.67	106.67	106.67	106.67	106.67	
Unit Outsourced Transportation Cost	RMB/m^2			34.65	15.86	21.84	15.86	15.86	15.86	15.86	15.86	15.86	15.86	15.86	
Unit Total Outsourced Processing Cost	**RMB/m^2**			**277.64**	**122.52**	**171.89**	**122.52**	**122.52**	**122.52**	**122.52**	**122.52**	**122.52**	**122.52**	**122.52**	
	USD/m^2			**45.14**	**19.92**	**27.95**	**19.92**	**19.92**	**19.92**	**19.92**	**19.92**	**19.92**	**19.92**	**19.92**	
2-cm Slab Self-Processing Cost															
Workforce Employment and Transportation	RMB/m^2								12.20	11.90	11.59	11.29	10.98	10.68	10.17
Consumables	RMB/m^2								34.40	33.77	33.15	32.52	31.90	31.90	31.27
Fuel, Electricity, and Water	RMB/m^2								5.94	5.83	5.72	5.62	5.51	5.51	5.40
Maintenance, Repair and Others	RMB/m^2								3.66	3.60	3.53	3.46	3.40	3.40	3.33
Unit Cost Subtotal	**RMB/m^2**								**56.20**	**55.10**	**53.99**	**52.89**	**51.78**	**51.48**	**50.17**
	USD/m^2								**9.14**	**8.96**	**8.78**	**8.60**	**8.42**	**8.37**	**8.16**

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Cut-to-size Slab Self-Processing Cost															
Workforce Employment and Transportation	RMB/m^2								9.84	9.59	9.35	9.10	8.86	8.61	8.20
Consumables	RMB/m^2								27.76	27.26	26.75	26.25	25.74	25.74	25.24
Fuel, Electricity, and Water	RMB/m^2								4.79	4.70	4.61	4.52	4.44	4.44	4.35
Maintenance, Repair and Others	RMB/m^2								2.96	2.91	2.85	2.80	2.74	2.74	2.69
Unit Cost Subtotal	**RMB/m^2**								**45.35**	**44.46**	**43.56**	**42.67**	**41.78**	**41.54**	**40.48**
	USD/m^2								**7.37**	**7.23**	**7.08**	**6.94**	**6.79**	**6.75**	**6.58**
1-cm Slab Self-Processing Cost															
Workforce Employment and Transportation	RMB/m^2								12.96	12.64	12.31	11.99	11.66	11.34	10.80
Consumables	RMB/m^2								36.54	35.88	35.21	34.55	33.88	33.88	33.22
Fuel, Electricity, and Water	RMB/m^2								6.30	6.19	6.07	5.96	5.84	5.84	5.73
Maintenance, Repair and Others	RMB/m^2								3.91	3.83	3.76	3.69	3.62	3.62	3.55
Unit Cost Subtotal	**RMB/m^2**								**59.71**	**58.54**	**57.36**	**56.19**	**55.01**	**54.69**	**53.30**
	USD/m^2								**9.71**	**9.52**	**9.33**	**9.14**	**8.95**	**8.89**	**8.67**
Shaped Stone Self-Processed Slab Cost															
Workforce Employment and Transportation	RMB/m^2								19.79	19.29	18.80	18.30	17.81	17.31	16.49
Consumables	RMB/m^2								55.80	54.79	53.77	52.76	51.74	51.74	50.73
Fuel, Electricity, and Water	RMB/m^2								9.64	9.46	9.29	9.11	8.94	8.94	8.76
Maintenance, Repair and Others	RMB/m^2								5.95	5.84	5.73	5.63	5.52	5.52	5.41
Unit Cost Subtotal-Shaped Stone	**RMB/m^2**								**91.18**	**89.39**	**87.59**	**85.80**	**84.01**	**83.51**	**81.39**
	USD/m^2								**14.83**	**14.53**	**14.24**	**13.95**	**13.66**	**13.58**	**13.23**

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
2-cm Slab G&A and Other Cost															
On and Off-site Management. . .	RMB/m^2	28.75	31.42	12.27	11.18	12.08	14.72	13.38	13.65	13.88	14.41	14.52	14.81	14.35	14.08
Environmental Protection and Monitoring	RMB/m^2	—	—	—	—	—	—	3.85	4.25	4.47	5.40	5.48	5.55	5.82	5.80
Product Marketing and Transportation.	RMB/m^2	—	61.39	24.56	37.18	26.77	34.07	29.77	25.38	22.49	22.88	22.94	22.50	21.09	19.84
Non-income Taxes, Royalties and Other Governmental Charges .	RMB/m^2	—	1.52	0.86	4.18	1.44	5.93	8.68	8.63	9.18	9.33	9.36	9.18	8.61	8.09
Interest	RMB/m^2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Contingency Allowances	RMB/m^2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	**RMB/m^2**	**28.75**	**94.33**	**37.70**	**52.54**	**40.30**	**54.72**	**55.67**	**51.91**	**50.01**	**52.01**	**52.31**	**52.04**	**49.87**	**47.82**
	USD/m^2	**4.68**	**15.34**	**6.13**	**8.54**	**6.55**	**8.90**	**9.05**	**8.44**	**8.13**	**8.46**	**8.50**	**8.46**	**8.11**	**7.78**
Cut-to-size Slab G&A and Other Cost															
On and Off-site Management. . .	RMB/m^2			30.35	14.91	19.82	19.62	17.84	18.21	18.51	19.21	19.37	19.74	19.14	18.77
Environmental Protection and Monitoring	RMB/m^2			—	—	—	—	5.13	5.67	5.95	7.19	7.31	7.40	7.76	7.74
Product Marketing and Transportation.	RMB/m^2			60.72	49.58	53.12	45.43	39.69	33.84	29.99	30.50	30.59	30.01	28.12	26.45
Non-income Taxes, Royalties and Other Governmental Charges .	RMB/m^2			2.13	5.57	4.48	7.90	11.57	11.50	12.24	12.44	12.48	12.24	11.47	10.79
Interest	RMB/m^2			—	—	—	—	—	—	—	—	—	—	—	—
Contingency Allowances	RMB/m^2			—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	**RMB/m^2**			**93.20**	**70.06**	**77.42**	**72.96**	**74.22**	**69.21**	**66.68**	**69.35**	**69.74**	**69.39**	**66.49**	**63.76**
	USD/m^2			**15.15**	**11.39**	**12.59**	**11.86**	**12.07**	**11.25**	**10.84**	**11.28**	**11.34**	**11.28**	**10.81**	**10.37**

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
1-cm Slab G&A and Other Cost															
On and Off-site Management	RMB/m²								10.92	11.10	11.53	11.62	11.85	11.48	11.26
Environmental Protection and Monitoring	RMB/m²								3.40	3.57	4.32	4.39	4.44	4.65	4.64
Product Marketing and Transportation	RMB/m²								20.30	17.99	18.30	18.35	18.00	16.87	15.87
Non-income Taxes, Royalties and Other Governmental Charges	RMB/m²								6.90	7.34	7.47	7.49	7.35	6.88	6.48
Interest	RMB/m²								—	—	—	—	—	—	—
Contingency Allowances	RMB/m²								—	—	—	—	—	—	—
Subtotal	**RMB/m²**								**41.53**	**40.01**	**41.61**	**41.84**	**41.64**	**39.90**	**38.26**
	USD/m²								**6.75**	**6.51**	**6.77**	**6.80**	**6.77**	**6.49**	**6.22**
Shaped Stone G&A and Other Cost															
On and Off-site Management	RMB/m²								54.62	55.52	57.63	58.10	59.23	57.41	56.32
Environmental Protection and Monitoring	RMB/m²								17.00	17.86	21.58	21.93	22.20	23.27	23.22
Product Marketing and Transportation	RMB/m²								101.51	89.97	91.51	91.76	90.02	84.37	79.36
Non-income Taxes, Royalties and Other Governmental Charges	RMB/m²								34.51	36.71	37.33	37.44	36.73	34.42	32.38
Interest	RMB/m²								—	—	—	—	—	—	—
Contingency Allowances	RMB/m²								—	—	—	—	—	—	—
Subtotal	**RMB/m²**								**207.63**	**200.05**	**208.05**	**209.22**	**208.18**	**199.48**	**191.28**
	USD/m²								**33.76**	**32.53**	**33.83**	**34.02**	**33.85**	**32.44**	**31.10**
Self-Processing 2-cm Slab Unit Operating Cost	**RMB/m²**								**133.81**	**130.12**	**131.12**	**130.39**	**128.95**	**126.23**	**122.65**
	USD/m²								**21.76**	**21.16**	**21.32**	**21.20**	**20.97**	**20.53**	**19.94**
Self-Processing Cut-to-size Slab Unit Operating Cost	**RMB/m²**								**148.82**	**144.48**	**146.39**	**146.01**	**144.67**	**141.21**	**137.12**
	USD/m²								**24.20**	**23.49**	**23.80**	**23.74**	**23.52**	**22.96**	**22.30**

		Year													
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Self-Processing 1-cm Slab Unit Operating Cost	RMB/m^2								121.80	118.55	119.06	118.19	116.74	114.49	111.28
	USD/m^2								19.80	19.28	19.36	19.22	18.98	18.62	18.09
Self-Processing Shaped Stone Unit Operating Cost	RMB/m^2								401.61	389.46	396.08	395.80	392.66	382.54	371.30
	USD/m^2								65.30	63.33	64.40	64.36	63.85	62.20	60.37
Outsourced Processing 2-cm Slab Unit Operating Cost	RMB/m^2	248.63	217.56	135.52	152.66	138.44	158.16	157.31	152.47	149.89	151.99	152.37	152.03	149.62	
	USD/m^2	40.43	35.38	22.04	24.82	22.51	25.72	25.58	24.79	24.37	24.71	24.78	24.72	24.33	
Outsourced Processing Cut-to-size Slab Unit Operating Cost	RMB/m^2			423.88	223.54	288.29	230.88	229.75	223.30	219.85	222.65	223.16	222.71	219.50	
	USD/m^2			68.92	36.35	46.88	37.54	37.36	36.31	35.75	36.20	36.29	36.21	35.69	
2-cm Slab Unit Depreciation/Amortization Cost	RMB/m^2	63.81	37.91	4.59	7.46	5.09	1.63	6.76	5.66	6.36	7.18	8.17	8.35	8.24	8.23
	USD/m^2	10.38	6.16	0.75	1.21	0.83	0.26	1.10	0.92	1.03	1.17	1.33	1.36	1.34	1.34
Cut-to-size Slab Unit Depreciation/Amortization Cost	RMB/m^2			11.36	9.94	10.39	2.17	9.02	7.54	8.48	9.57	10.90	11.13	10.99	10.97
	USD/m^2			1.85	1.62	1.69	0.35	1.47	1.23	1.38	1.56	1.77	1.81	1.79	1.78
1-cm Slab Unit Depreciation/Amortization Cost	RMB/m^2								4.53	5.09	5.74	6.54	6.68	6.59	6.58
	USD/m^2								0.74	0.83	0.93	1.06	1.09	1.07	1.07
Shaped Stone Unit Depreciation/Amortization Cost	RMB/m^2								22.63	25.43	28.71	32.69	33.38	32.97	32.91
	USD/m^2								3.68	4.13	4.67	5.32	5.43	5.36	5.35
Self-Processing 2-cm Slab Unit Total Production Cost	RMB/m^2								139.47	136.47	138.29	138.56	137.29	134.48	130.88
	USD/m^2								22.68	22.19	22.49	22.53	22.32	21.87	21.28

		Year												
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Average	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F
Self-Processing Cut-to-size Slab Total Production Cost	RMB/m^2								156.37	152.96	155.96	156.91	155.79	152.20	148.09
	USD/m^2								25.43	24.87	25.36	25.51	25.33	24.75	24.08
Self-Processing 1-cm Slab Unit Total Production Cost	RMB/m^2								126.32	123.64	124.80	124.73	123.42	121.09	117.86
	USD/m^2								20.54	20.10	20.29	20.28	20.07	19.69	19.17
Self-Processing Shaped Stone Total Production Cost	RMB/m^2								424.24	414.89	424.79	428.50	426.04	415.50	404.21
	USD/m^2								68.98	67.46	69.07	69.67	69.28	67.56	65.73
Outsourced 2-cm Slab Unit Total Production Cost	RMB/m^2	312.44	255.46	140.11	160.11	143.53	159.79	164.08	158.13	156.24	159.17	160.54	160.38	157.86	
	USD/m^2	50.80	41.54	22.78	26.03	23.34	25.98	26.68	25.71	25.41	25.88	26.10	26.08	25.67	
Outsourced Cut-to-size Slab Unit Total Production Cost	RMB/m^2			435.23	233.49	298.68	233.05	238.77	230.84	228.32	232.22	234.06	233.84	230.49	
	USD/m^2			70.77	37.97	48.57	37.89	38.82	37.54	37.13	37.76	38.06	38.02	37.48	

Note: Forecast unit slab processing operating costs after 2022 are similar to that in 2022.

The block unit operating costs in RMB/m^3 consists of 'mining costs' (subdivided into 'workforce employment and transportation cost', 'consumables cost', 'fuel, electricity and water cost', and 'maintenance, repair and others cost') and 'G&A and other costs' (sub-divided into 'on and off-site management cost', 'environmental protection and monitoring cost', 'product marketing and transportation cost', 'non-income taxes, royalties, and other governmental charges cost', and 'interest cost'). The slab unit operating costs in RMB/m^2 consists of 'block mining costs' (converted from RMB/m^3 to RMB/m^2 based on appropriate block unit operating costs and slab/block ratio), 'slab processing costs' (subdivided into 'workforce employment and transportation cost', 'consumables cost', 'fuel, electricity and water cost', and 'maintenance, repair and others cost'), and 'G&A and other costs' (sub-divided into 'on and off-site management cost', 'environmental protection and monitoring cost', 'product marketing and transportation cost', 'non-income taxes, royalties, and other governmental charges cost', and 'interest cost'). The unit product total production costs comprise the unit product operating costs and unit product depreciation/amortization costs.

It can be seen in Table 10.1 that the marble blocks are separated into three groups based on the differences in costs. These are marble blocks for direct sale, marble block for self-processing, and marble blocks for outsourced-processing. The differences for the cost components of these three groups are as follows.

- Marble blocks for self-processing will be transported from the staging areas of the mine site to the slab processing plant at the Yongfeng County seat. Marble blocks for direct sale and for outsourced-processing will be sold in the staging area or shipped to Shuitou, Fujian or other places in China for slab processing (shipment cost is considered as a slab production cost item by Jiangxi Juishi). Therefore, the higher consumables cost and fuel, electricity and water cost for the marble blocks for self-processing reflect the transportation costs from the staging area of the mine to the slab processing plant at the Yongfeng County seat.

- Product marketing and transportation cost applies to the marble blocks for direct sale only as other two groups will not be sold as marble blocks. Product marketing and transportation cost for other two groups will be applied to the slabs produced.

- Resource tax and resource compensation levies are applied to all three groups but other non-income taxes, royalties and governmental charges will applied to the marble blocks for direct sale only. The other non-income taxes, royalties and governmental charges for the other two groups will be applied to the slabs produced.

Similarly in Table 10.2, the slabs produced are separated into six groups based on the differences in costs and slab/block ratio: self-processing 2-cm slabs, self-processing cut-to-size slabs, self-processing 1-cm slabs, self-processing shaped stone, outsourced-processing 2-cm slabs and outsourced-processing cut-to-size slabs. The slab processing costs for the two outsourced-processing groups are divided into the contract processing cost and transportation cost (from the staging areas of the mine to the contract slab processing plants in Shuitou, Fujian or other locations in China). Slab processing costs for the other four self-processing groups are divided into labor cost, consumables cost, fuel, electricity and water costs, maintenance, repair and other costs.

Behre Dolbear notes that the costs related to the current IPO process are not included in the operating cost figures as these costs are additional to the normal operating costs and they will no longer exist once the IPO process is completed.

The detailed costs in Table 10.1 and Table 10.2 show a standard pattern of being front loaded during the development and ramp-up phases of the mine with a gradual steady decline to a steady state situation by 2017 for block mining and by 2022 for slab processing. The actual unit marble block mining costs and unit slab processing costs in 2012 and in the first 9 months of 2013 are generally in line with or slightly higher than the forecasted unit costs. The actual unit G&A and other costs are generally higher than the forecast unit costs due to the allocation of the management and marketing costs to a relatedly smaller production volume. The unit G&A and other costs will decrease when the production volume increases in the future.

Behre Dolbear notes that the strip ratio is very low for the Shangsheng Mine as the entirety of the marble deposit outcrops directly to the surface with only a thin soil cover. The waste to be stripped off for the mine includes the limited soil cover and the weathered marble. As shown by Table 6.2 of this report, the strip ratio for the designed pit as of September 30, 2013 is approximately 0.16, if the Inferred resources in the designed pit is considered as waste. However, the strip ratio will decrease to approximately 0.07, if the Inferred resources is considered as ore. Behre Dolbear believes that the Inferred resources will very likely be converted to Measured and Indicated resources, when further exploration and/or mining operation are carried out. The primary purpose of the on-going mine construction is to strip off the soil cover and the weathered rock and the cost for the stripping is budgeted as a capital cost. When the mine construction is completed in 2016, the stripping ratio for ongoing operations will be approximately 0.05 or less, below the average stripping ratio of 0.07. Therefore, waste stripping will not have a significant impact on the block unit mining cost estimates. The slight and gradual decrease of the block unit mining operating costs from 2014 to 2017 is mostly the result of economies of scale when the block production increases in the ramp-up process.

The forecast block mining operating and slab processing operating costs are generally based on the Suzhou SINOMA's feasibility study for the Shangsheng Mine as well as recent actual production cost data. The actual and predicted costs are generally in line with the typical block mining operating and slab processing operating cost for the marble industry in China.

Behre Dolbear also notes that the actual average block unit mining operating cost was RMB560.15/m^3 (US$91.08/$m^3$) for the 3-month period ended September 30, 2013, which is significantly lower than the forecast average block unit mining operating costs for 2014 and after from RMB681.23/m^3 to RMB731.63/m^3 (from US$110.77/$m^3$ to US$118.96/$m^3$). Moreover, this is also lower than the previous forecast average block mining operating cost of RMB612.53/m^3 (US$99.60/$m^3$) for June-December 2013 period, indicating the forecast block mining operating costs for 2014 and after in Table 10.1 are very conservative.

Behre Dolbear has reviewed the operating cost data projections and found them to be generally reasonable and achievable. Overruns of the detailed projections, if any, will most likely be caused by construction and ramp up delays (equipment delivery delays, unforeseen weather delays, material shortages, etc.), shake out issues while the new equipment is deployed, and work force development issues that result in additional operating and repair costs. Management has allowed and budgeted for these contingencies and Behre Dolbear concurs that the detailed schedule is reasonable.

11.0 CAPITAL COSTS

Actual capital expenditure from 2011 to September 2013 and currently-forecast capital cost from October 2013 through 2020 for the Shangsheng Mine are shown in Table 11.1. The total capital cost, including a contingency of approximately 8%, for constructing the 250,000 m^3pa Shangsheng Mine (including dimension stone mine and slab processing facility) is currently estimated at RMB1,357 million (US$220.6 million).

Mine capital costs are described as follows.

- Mine Construction Cost is the cost for stripping the top soil and weathered rock above the marble deposit and for development of the mining benches.

- Supporting Facility Construction Cost includes costs to construct all the support facilities for the mining operation. This includes the electricity supply system, water supply system, mine communications, warehouse, workshop, administration office and employee living quarters.

- Equipment for Mine Cost consists of the costs to purchase all the required mining equipment (including diamond wire cutting machines, diamond belt saws, diamond disc saws, excavators, forklifts, front-end loaders, horizontal hole and vertical hole drills, air compressors) and install them on site.

- Equipment for Other Facilities Cost includes costs to purchase and install equipment for all the support facilities.This includes electric transformers, water pumps and pipes, and block and waste haul trucks.

- Road Cost consists of cost to construct the new access road to the mine and the internal roads within the mining area.

- Mining License Purchasing Price Cost includes the payments the company needs to make to the government for receiving the mining license as well as costs for exploration and technical studies related to the new mining license application.

Other Cost consists of costs for relocation of local homes too close to the mining area, project designs, construction administration and engineering supervision, employee training, equipment commissioning, furniture purchases, etc.

- Other cost items are self-explanatory.

Slab Plant Capital Costs are described as follows.

- Plant Construction Cost is for constructing the slab processing plant.

- Supporting Facility Construction Cost includes costs to construct all the supporting facilities for the slab plant, such as the electricity supply system, water supply system, communication system, warehouse, workshop, administration office and employee living quarters, etc.

- Equipment for Plant Costs includes costs to purchase all the production equipment in the plant, such as the slab cutting saws and slab polishing equipment.

- Equipment for Other Facilities Cost includes costs to purchase equipment for all the supporting facilities such as the electric transformers, water pumps and pipes, boilers, block and slab loading and hauling equipment, and supporting vehicles.

- Installation Cost includes costs to install all the equipment for the processing plant and other facilities.

- Other Cost consists of costs for project designs, construction administration and engineering supervision, employee training, equipment commissioning, furniture purchases, etc.

Other cost items are self-explanatory.

TABLE 11.1

ACTUAL AND FORECAST MINE AND SLAB PLANT CAPITAL COSTS — 2011-2020

Capital Costs	Units	Year 2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Total	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Marble Mine													
Mine Construction	RMB000	—	957	1,427	8,767	10,194	12,905	14,890	8,720	—	—	—	—
Support Facility Construction	RMB000	306	543	1,163	590	1,754	—	32,854	12,990	—	—	—	—
Equipment for Mine	RMB000	1,134	7,231	15,268	609	15,876	21,879	27,481	15,122	—	—	—	—
Equipment for Other Facilities	RMB000	1,485	2,826	2,748	1,037	3,785	8,644	33,646	19,334	—	—	—	—
Roads	RMB000	277	—	5,000	4,177	9,177	3,168	345	—	—	—	—	—
Land Acquisition	RMB000	104	2,243	—	—	—	—	46,805	7,080	—	—	—	—
Mining License Purchasing Price	RMB000	5,840	5,639	18,810	—	18,810	11,681	11,086	10,490	9,895	—	—	—
Interest	RMB000	—	—	—	—	—	—	—	—	—	—	—	
Other	RMB000	—	—	—	3,826	3,826	3,233	36,035	3,966	—	—	—	—
Total Mine Capital Costs	**RMB000**	**9,146**	**19,439**	**44,416**	**19,005**	**63,421**	**61,511**	**203,140**	**77,703**	**9,895**	**—**	**—**	**—**
Total Mine Capital Costs	**USD000**	**1,487**	**3,161**	**7,222**	**3,090**	**10,312**	**10,002**	**33,031**	**12,635**	**1,609**	**—**	**—**	**—**
Marble Slab Plant — Phase 1													
Land Acquisition	RMB000	—	—	—	—	—	13,108	—	—	—	—	—	—
Plant Construction	RMB000	—	—	—	—	—	—	41,052	4,088	—	—	—	—
Support Facility Construction	RMB000	—	—	—	—	—	—	73,973	6,466	—	—	—	—
Equipment for Plant	RMB000	—	—	—	—	—	—	99,235	9,882	—	—	—	—
Equipment for Other Facilities	RMB000	—	—	—	—	—	—	7,431	740	—	—	—	—
Installation	RMB000	—	—	—	—	—	—	12,462	1,241	—	—	—	—
Other	RMB000	—	—	—	—	—	3,892	4,847	5,831	—	—	—	—
Subtotal	RMB000	—	—	—	—	—	17,000	239,000	28,248	—	—	—	—
Marble Slab Plant — Phase 2													
Land Acquisition	RMB000	—	—	—	—	—	—	—	15,840	—	—	—	—
Plant Construction	RMB000	—	—	—	—	—	—	—	—	47,814	4,863	—	—
Support Facility Construction	RMB000	—	—	—	—	—	—	—	1,573	68,300	5,375	—	—
Equipment for Plant	RMB000	—	—	—	—	—	—	—	—	84,044	8,572	—	—
Equipment for Other Facilities	RMB000	—	—	—	—	—	—	—	—	10,363	1,132	—	—
Installation	RMB000	—	—	—	—	—	—	—	—	15,146	1,509	—	—
Other	RMB000	—	—	—	—	—	—	—	5,587	4,602	5,850	—	—
Subtotal	RMB000	—	—	—	—	—	—	—	23,000	230,270	27,302	—	—

Capital Costs	Units	Year											
		2011A Jun-Dec	2012A	2013A Jan-Sep	2013F Oct-Dec	2013F Total	2014F	2015F	2016F	2017F	2018F	2019F	2020F
Marble Slab Plant — Phase 3													
Land Acquisition	RMB000	—	—	—	—	—	—	—	—	16,444	—	—	—
Plant Construction	RMB000	—	—	—	—	—	—	—	—	—	24,656	36,983	6,373
Support Facility Construction	RMB000	—	—	—	—	—	—	—	—	—	26,215	39,323	6,540
Equipment for Plant	RMB000	—	—	—	—	—	—	—	—	—	43,523	65,284	11,413
Equipment for Other Facilities	RMB000	—	—	—	—	—	—	—	—	—	7,828	11,743	1,953
Installation	RMB000	—	—	—	—	—	—	—	—	—	10,419	15,629	2,599
Other	RMB000	—	—	—	—	—	—	—	—	4,556	8,359	3,638	4,227
Subtotal	RMB000	—	—	—	—	—	—	—	—	21,000	121,000	172,600	33,105
Total Plant Capital Costs	**RMB000**	**—**	**—**	**—**	**—**	**—**	**17,000**	**239,000**	**51,248**	**251,270**	**148,302**	**172,600**	**33,105**
Total Plant Capital Costs	**USD000**			**—**	**—**	**—**	**2,764**	**38,862**	**8,333**	**40,857**	**24,114**	**28,065**	**5,383**

The majority of mine capital spending will take place from 2013 to 2016 as facilities are constructed and equipment is delivered and installed, whereas the slab plant capital spending will spread out from 2014 to 2020 as the plant is built in three phases. Actual capital spending through September 2013 is RMB73.0 million (US$11.9 million). The current project development schedule is:

- **June 2011 — September 2013:** The preliminary mine offices, warehouse, employee facilities were constructed. Seven benches in the North #1 mining area and the operating benches at and below 400 masl for the North #4 mining area have been developed. Block production has reached 13,456 m^3 in 2012 and 27,612 m^3 in the first 9 months of 2013 with a maximum monthly production in September 2013 of 6,425 m^3. A block inventory was developed with commercial sales starting in the late 2011.

- **October 2013 — December 2016:** Complete the construction of the main production facilities of the mine. There will be significant marble block production during the construction period. Production will ramp up gradually to full capacity at the end of 2016.

- **January 2015 — December 2017:** Phase 1 of the processing plant will be constructed with equipment being procured, delivered, and installed in 2015. Slab production will start in early 2016 and full Phase 1 production capacity is scheduled to be reached at the end of 2017.

- **January 2017 — December 2019:** Phase 2 of the processing plant will be constructed in 2017 and slab production will start in early 2018. Full Phase 2 production capacity is scheduled to be reached at the end of 2019.

- **October 2018 — December 2021:** Phase 3 of the processing plant will be constructed in 2018 and 2019 and slab production will start in 2020. Full Phase 3 production capacity is scheduled to be reached at the end of 2021.

Behre Dolbear has reviewed the detailed capital cost estimates in the project feasibility study report and the recent adjustment made by Jiangxi Juishi and found them to be reasonable with adequate contingencies for unanticipated issues. The detailed equipment, structures, and timeline to deploy and construct these assets is reasonable.

12.0 ENVIRONMENTAL AND SOCIAL MANAGEMENT

12.1 ENVIRONMENTAL MANAGEMENT

Environmental regulatory requirements for the Shangsheng Mine, under PRC laws and regulations, include compliance with the Integrated Emission Standard for Air Pollutants (GB16297-1996), Integrated Wastewater Discharge Standard (GB8978-1996), Noise Standard at Boundary of Industrial Enterprises (GB12348-2008), Standard for Pollution for General Industrial Solid Wastes (GB18599-2001), Noise Limits for Construction Sites (GB12523-90), and Energy Conservation Law.

The Shangsheng Mine has had an Environmental Impact Statement (EIS) approved by the Jian City Environmental Protection Bureau (EPB) and an approval for project completion for trial production, covering an area of 1.9702 km^2, issued on December 27, 2012, for mining and processing activities. Jiangxi Jueshi has received the adjusted mining license with a production rate of 250,000 m^3pa for the Shangsheng Mine.

Environmental measures that are implemented at the mine and in the future at the slab plant are:

- **Dust Mitigation:** Dust control measures on the mine site comprise the use of water with drilling, cutting, and sawing activities, the use of water sprays at material transfer points (as required), and water trucks to spray the roads during dry periods. A cyclone dust collector will used at the slab plant to collect particulates generated by the boiler and other dust generation sources. Personal protection equipment (PPE) for additional personal protection from dust are provided to workers, as required and requested.

- **Water Supply, Wastewater Treatment and Storm Water:** The mine site has been designed with a minimal water supply requirement. Approximately 15% of water used during the mining process will be recycled and due to the absence of a surface water system in the vicinity the mine is designed as a zero discharge site. Water requirements for the mine and support facilities (including potable water) will come from nearby springs with a daily consumption rate of less than 10,000 m^3. The springs are fed by rainfall ranging from approximately 1,000 mm to 2,400 mm per annum. Evaporation averages approximately 1,840 mm per annum. Rainfall will be diverted around the mine site by diversion ditches where practical.

  Process water and rain water in the mine area will drain to a central sump where the water is settled and cleared of sediment before being recycled back into on-going production activity. No toxic or hazardous substances are expected to be contained in the collected water as none are utilized on site or in the production process. Some of the rainfall and a small amount of production water will infiltrate the soil in the lower areas of the mine and may make its way into the underlying karst water system. Site management practices will prevent excess sediment or other pollutants from being transmitted to the ground water.

- Several underground rivers are known to traverse the mining area at depth but are well below the bottom level of the granted ML elevation of 280 masl. They are not expected to impact operations.

- Firefighting water supply will be provided for at both mine and slab plant sites from the respective site's water supplies.

- Domestic wastewater at the slab plant will be treated to comply with national standards and discharged to the municipal wastewater system. At the mine, it is being disposed of in a properly designed local disposal system.

  Water supply at the slab plant will be drawn from the town's water supply and approximately 85% will be recycled.

- **Solid Waste:** Waste will be reduced from this operation (either at the mine or the plant site) as smaller sized stones and rubble (including powder) have value and hence will be used by other businesses as a raw material. These uses are expected to include use for metallurgical purposes, as foundry sand, paint color sand, artificial sand, calcium powder, switch plates, high quality aggregate, cement plant feed, etc. Waste rock that is not directly utilized for other purposes will be stored in the planned mine waste rock dumps.

- **Noise and Blasting Control:** Methods of noise control will include use of silencers, noise and vibration dampening and absorbing materials, isolation and enclosure of noisy equipment, and regular equipment maintenance. Company policy requires PPE use, such as ear muffs or ear plugs, for noise-affected workers. Mine noise sources are at least 150 m from any residences. Blasting will be conducted by appropriately qualified operators. A blasting hazard zone of up to 250 m will be implemented, which will require the eventual resettlement of some households that are located in this zone. Many of these relocations will happen several years in the future as the operation develops. All resettlement activity is conducted in conjunction with local authorities.

- **Environmental Monitoring:** Noise, water, and air quality monitoring is undertaken under the auspices of the Yongfeng Municipal EPB.

- **Rehabilitation:** The mine site is located among forested hills and intensively farmed valleys. The reclamation and re-planting program for disturbed areas will be ongoing and focused on reforestation with agriculture and/or aquaculture on the final flat surfaces. Topsoil will be pre-stripped from all working areas and stockpiled for later reuse. Waste rock dumps are to be removed for other uses, or if any waste remains, to be properly rehabilitated upon either completion of their active lives or mine closure.

12.2 SOCIAL MANAGEMENT

Yongfeng County, in alignment with national policy, is encouraging local economic development as a mechanism for social development. In this context, the Shangsheng Mine is seen as a significant future contributor to this objective, providing a substantial income stream to local authorities through taxes and fees, etc., providing a new source of local employment and training, building infrastructure (such as new roads), and contributing to local educational objectives.

The current workforce of some 327 employees is already being partially drawn from the local community, which is located in an established marble mining and processing area. The community is, therefore, familiar with and supportive of mining, which is already a significant contributor to the prosperity of the district. In addition, Jiangxi Jueshi is undertaking a program of educational support within the community, in particular, assisting poorer families to educate their children, and is providing specialized training to its employees.

13.0 OCCUPATIONAL HEALTH AND SAFETY

Jiangxi Jueshi implements a corporate safety policy, which incorporates national safety standards. Jiangxi Jueshi holds a current Safety Production Licence for the mine, issued by the Jiangxi Administration of Work Safety on October 25, 2011, which is valid until October 25, 2014.

Jiangxi Jueshi conducts its operations in accordance with the relevant national laws and regulations covering occupational health and safety (OH&S) in mining, production, blasting and explosives handling, mineral processing, waste rock disposal, environmental noise, emergency response, construction, fire protection and fire extinguishment, sanitary provision, power provision, labour, and supervision. Regular reports are submitted to the County Safety Bureau, who also conducts random inspections, as required by law.

Buildings and infrastructure is being constructed to withstand a seismic intensity of 6 and a peak ground acceleration of 0.05 g. Any waste from the mine will be chemically benign should a seismic or any other natural hazard occur.

The mine has maintained a good safety record, to date with no fatalities or major injuries sustained. The site is supported by emergency medical facilities including the local community hospital and two larger hospitals farther away in Shima Town. Workers are provided with regular medical checks and relevant health insurance. All employees are being appropriately trained for their work area as required by regulations.

14.0 ECONOMIC ANALYSIS

14.1 FORECAST MARBLE BLOCK AND SLAB PRICES

Behre Dolbear does not forecast long term marble block and slab sales prices. The forecast sales prices for marble blocks and slabs produced from the Shangsheng Mine used in the economic analysis of this CPR are compiled by the Company based on the actual sales prices of marble blocks and slabs produced from the Shangsheng Mine in 2012 and in the first nine months of 2013, the forecast sales prices for white/grey marble slabs in China in an independent market study conducted by Frost & Sullivan and the management's view of the market for the Company's products and the sales contracts that the Company has entered into with various customers, which is summarized in the Industry Overview section of the Company's IPO prospectus, and the management's judgment based on their view of the market and the sales contracts signed.

Table 14.1 lists the actual average 2012 and the first nine months in 2013 sales prices as well as the Company's forecast sales prices for marble blocks and slabs from the Shangsheng Mine. The forecast sales prices generally increase during the ramp-up period from 2013 to 2018 as Jiangxi Juishi believes that the value of the marble products will be gradually realized when the production increases and the marble products from the Shangsheng Mine penetrate the market in China and internationally. Behre Dolbear notes that all the sales prices in this economic analysis do not include the VAT and that city-maintenance-and-construction levy, education levy and other sales related taxes are considered as operating cost and are included as part of the Non-income Taxes, Royalties, and Other Governmental Charges in this report.

TABLE 14.1
HISTORICAL AND FORECAST MARBLE BLOCK AND SLAB SALES PRICES BY THE COMPANY

Product	Unit	2012A	2013A Jan-Sep	2013F Oct-Dec	2014F	2015F	2016	2017	2018-42F
Marble Blocks	RMB/m^3	4,892.86	5,930.58	5,171	5,000	5,400	6,200	6,700	7,000
2-cm Slabs	RMB/m^2	240.92	218.01	227	300	350	400	430	450
1-cm Slabs	RMB/m^2	N/A	N/A	N/A	N/A	120	140	150	160
Cut-to-Size Slabs	RMB/m^2	N/A	260.55	400	450	530	600	650	680
Shaped Stones	RMB/m^2	N/A	N/A	N/A	N/A	870	1,000	1,070	1,120

14.2 BASE CASE ECONOMIC ANALYSIS

Behre Dolbear conducted a base case economic analysis for the first 30 years of production life (October 2013-2042) of the Shangsheng Mine using the technical and economic parameters discussed in this CPR. The forecast marble block and slab sales prices adopted in this analysis are listed in Table 14.1. A discount rate of 10% was used to calculate the net present value (NPV). Based on the analysis, the first 30 years of the Shangsheng Mine has an after-tax NPV of RMB14,936 million (US$2,429 million) and a pre-tax NPV of RMB20,085 million (US$3,266 million) (Table 14.2) as of September 30, 2013. The middle of the year discount method was used in calculation of the NPV. Behre Dolbear notes that the Company's standing debts and cash position have not been factored into this NPV calculation.

TABLE 14.2
BASE CASE ECONOMIC ANALYSIS FOR THE FIRST 30 YEARS OF THE MINE LIFE OF THE SHANGSHENG MINE (AS OF SEPTEMBER 30, 2013)

Item	Unit	2013 Oct-Dec	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-2042	Total
Product Sales													
Marble Blocks	$000m^3$	1.15	47.10	52.87	53.94	52.93	42.72	32.28	29.58	25.91	25.09	502.79	866.36
2-cm Slabs	$000m^2$	68	625	1,181	2,315	1,549	3,471	4,135	4,472	5,126	5,376	108,594	136,912
1-cm Slabs	$000m^2$	—	—	—	417	207	519	529	786	1,528	2,403	50,267	56,655
Cut-to-size Slabs	$000m^2$	30	1,092	2,349	3,789	3,060	3,179	3,031	2,673	1,767	1,050	21,117	43,137
Shaped Stones	$000m^2$	—	—	—	5	3	8	9	16	31	48	1,005	1,127
Product Sales Price													
Marble Blocks	RMB/m^3	5,171	5,000	5,400	6,700	6,200	7,000	7,000	7,000	7,000	7,000	7,000	
2-cm Slabs	RMB/m^2	227	300	350	430	400	450	450	450	450	450	450	
1-cm Slabs	RMB/m^2	—	—	120	150	140	160	160	160	160	160	160	
Cut-to-size Slabs	RMB/m^2	400	450	530	650	600	680	680	680	680	680	680	
Shaped Stones	RMB/m^2	—	—	870	1,070	1,000	1,120	1,120	1,120	1,120	1,120	1,120	
Product Sales Revenue													
Marble Blocks	RMB M	5.9	235.5	285.5	361.4	328.1	299.1	226.0	207.0	181.4	175.6	3,519.5	5,825.1
2-cm Slabs	RMB M	15.5	187.5	413.3	995.4	619.6	1,562.2	1,860.8	2,012.2	2,306.8	2,419.0	48,867.3	61,259.6
1-cm Slabs	RMB M	—	—	—	62.5	29.0	83.0	84.6	125.8	244.4	384.4	8,042.7	9,056.5
Cut-to-size Slabs	RMB M	12.0	491.4	1,245.2	2,462.9	1,836.0	2,161.6	2,061.3	1,817.7	1,201.8	713.8	14,359.3	28,363.0
Shaped Stones	RMB M	—	—	—	5.0	3.5	9.5	9.9	18.1	35.3	53.9	1,126.0	1,261.2
Total	RMB M	33.4	914.4	1,944.0	3,887.2	2,816.2	4,115.3	4,242.7	4,180.9	3,969.6	3,746.9	75,914.8	105,765.4
Operating Costs													
Direct Sale Blocks	RMB M	12.6	131.8	177.2	262.6	220.9	259.7	257.7	257.8	257.1	256.9	5,254.6	7,349.1
Slabs	RMB M	18.0	329.3	563.8	1,026.5	797.7	1,033.1	1,039.5	999.1	944.2	881.1	17,700.3	25,332.7
Total	RMB M	30.6	461.1	741.0	1,289.1	1,018.7	1,292.8	1,297.3	1,256.9	1,201.3	1,138.0	22,954.9	32,681.7
Depreciation and Amortization	RMB M	1.1	7.5	32.2	54.4	38.8	63.4	74.2	76.2	76.2	76.2	1,160.8	1,660.9
Taxable Income	RMB M	1.8	445.8	1,170.8	2,543.6	1,758.8	2,759.2	2,871.2	2,847.8	2,692.1	2,532.6	51,799.1	71,422.8
Income Tax at 25%	RMB M	0.4	111.5	292.7	635.9	439.7	689.8	717.8	712.0	673.0	633.2	12,949.8	17,855.7
After-Tax Income	RMB M	2.4	341.8	910.3	1,962.1	1,357.9	2,132.8	2,227.6	2,212.0	2,095.3	1,975.7	40,010.1	55,228.0
Total Capital Costs	RMB M	19.0	78.5	442.1	261.2	129.0	148.3	172.6	33.1	—	—	521.5	1,805.2
After-Tax Cash Flow	RMB M	-16.6	263.3	468.2	1,701.0	1,228.9	1,984.5	2,055.0	2,178.9	2,095.3	1,975.7	39,488.6	53,422.8
Pre-Tax Cash Flow	RMB M	-16.1	374.8	760.9	2,336.9	1,668.6	2,674.2	2,772.8	2,890.9	2,768.3	2,608.8	52,438.4	71,278.5
After-Tax NPV	RMB M	-16.4	236.6	382.3	1,148.0	912.4	1,217.6	1,146.2	1,104.9	965.9	828.0	7,010.9	14,936.4
	US\$ M	-2.7	38.5	62.2	186.7	148.4	198.0	186.4	179.7	157.1	134.6	1,140.0	2,428.7
Pre-Tax NPV	RMB M	-15.9	336.7	621.4	1,577.2	1,238.8	1,640.8	1,546.6	1,465.9	1,276.1	1,093.3	9,304.2	20,085.1
	US\$ M	-2.6	54.7	101.0	256.5	201.4	266.8	251.5	238.4	207.5	177.8	1,512.9	3,265.9

Item	Unit	2013 Oct-Dec	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023-2042	Total
Sensitivity Analysis of After-Tax Income													
After-Tax Income	RMB M	2.4	341.8	910.3	1,962.1	1,357.9	2,132.8	2,227.6	2,212.0	2,095.3	1,975.7	40,010.1	55,228.0
Product Prices +20%	RMB M	7.5	479.0	1,201.9	2,545.2	1,780.3	2,750.0	2,864.0	2,839.2	2,690.7	2,537.7	51,397.3	71,092.8
Product Prices +10%	RMB M	4.9	410.4	1,056.1	2,253.7	1,569.1	2,441.4	2,545.8	2,525.6	2,393.0	2,256.7	45,703.7	63,160.4
Product Prices -10%	RMB M	-0.1	273.3	764.5	1,670.6	1,146.6	1,824.1	1,909.4	1,898.5	1,797.6	1,694.6	34,316.5	47,295.6
Product Prices -20%	RMB M	-2.6	204.7	618.7	1,379.1	935.4	1,515.5	1,591.2	1,584.9	1,499.8	1,413.6	28,622.9	39,363.2

14.3 SENSITIVITY ANALYSIS

A sensitivity analysis was conducted for the September 30, 2013 after-tax NPV of the first 30 years of the mine life of the Shangsheng Mine for the variation of marble block and slab sales price, production volume, total operating costs, total capital costs, and discount rate. It is found that the NPV is very sensitive to variation in the marble block and slab sales price, moderately sensitive to variation in discount rate, production volume and operating costs, and less sensitive to variation in total capital costs (Table 14.3 and Figure 14.1). A sensitivity analysis of the after-tax income by year for the variation of marble block and slab sales price is also provided in Table 14.1.

TABLE 14.3
SENSITIVITY ANALYSIS FOR AFTER TAX NPV
(AS OF SEPTEMBER 30, 2013)

Sensitivity Item	After-Tax NPV Variation (RMB M)				
Variation	-20%	-10%	Base Case	+10%	+20%
Product Price	10,277	12,607	14,936	17,266	19,596
Production Volume	11,768	13,352	14,936	16,520	18,105
Total Operating Costs	16,427	15,682	14,936	14,191	13,445
Total Capital Costs	15,144	15,040	14,936	14,833	14,729
Discount Rate	18,371	16,524	14,936	13,565	12,373

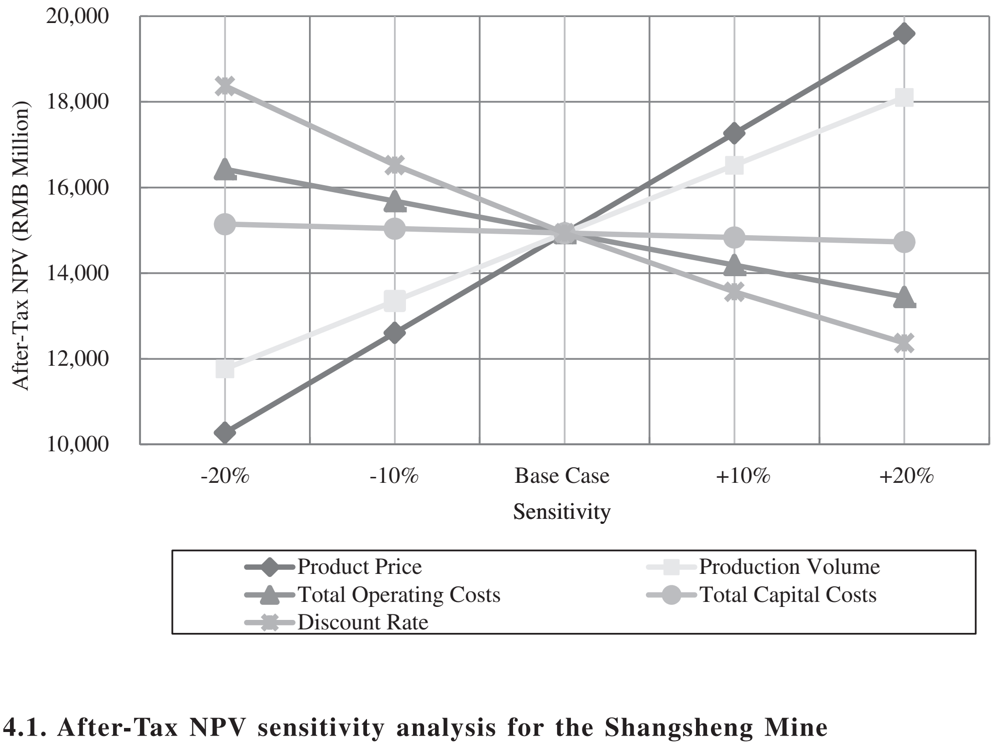

Figure 14.1. After-Tax NPV sensitivity analysis for the Shangsheng Mine

15.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high-risk business. Although the volume of marble in the Shangsheng Mine mining license area is relatively easy to determine, the volume percentage of the marble resources that can be mined out as dimension stones, that is, the block recovery rate, is relatively difficult to determine accurately, especially at the early stage of the project. Actual production, to date, is indicating a block recovery rate of 45%. This rate needs to be closely monitored as it may change significantly over time and in different parts of the deposit.

Estimations of project capital and operating costs are rarely more accurate than ±10% and will be at least ±15% for projects in the development stage. Dimension stone mining project revenues are subject to variations in block and slab prices as well as exchange rates, though some of this uncertainty can be removed with long-term contracts.

The Shangsheng Mine, reviewed in this CPR, is at the development and ramp up stage. Previously mined but stockpiled blocks are now being sold.

In reviewing the Shangsheng Mine, Behre Dolbear has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially affect the projected production and resulting cash flows. The assessment is necessarily subjective and qualitative. Risk has been classified as low, moderate, or high based on the following definitions:

- **High Risk**: The factor poses an immediate danger of a failure, which if uncorrected, could have a material impact (>15%) on the project cash flow and performance and could potentially lead to project failure.
- **Moderate Risk**: The factor, if uncorrected, could have a significant impact (>10%) on the project cash flow and performance unless mitigated by some corrective action.
- **Low Risk:** The factor, if uncorrected, could have little or no effect on project cash flow and performance.

15.1 MARBLE RESOURCES

Low Risk: The Shangsheng Mine marble deposit is a marine sedimentary deposit; it consists of large, stratiform mineralized bodies of generally thousands of meters in dimension along both the strike and dip directions and with good continuity in thickness, chemical composition, and physical properties. The current marble resources of the deposit were estimated by a polygonal method using surface drill holes and surface trenches. The Measured resource was estimated by drilling and trench sampling at a data spacing of approximately 200 m and the Indicated resources was estimated by a data spacing from approximately 400 m. Behre Dolbear considers the marble resource estimates reasonable and acceptable.

15.2 MARBLE DIMENSION STONE RESERVES

Low to Moderate Risk: Proven and Probable marble dimension stone reserves under the JORC Code have been defined for the Shangsheng Mine. These are based on Beijing SINOMA's Marble resource estimation and the Suzhou SINOMA's feasibility study report. The Proven reserve and Probable reserve were estimated from the Measured Resource and Indicated Resource within the designed open pit, respectively. The planned mining method is primarily diamond wire saw cutting in an open pit. A mining recovery factor, or block recovery rate, of 45% was used in marble dimension stone reserve estimation, mostly based on the actual block recovery rate achieved on the project in the last two years, which Behre Dolbear considers reasonable at this stage. Behre Dolbear suggests closely monitoring the mining recovery factor during the actual mining process of the Shangsheng Mine, and to use more accurate mining recovery factors, based on actual mining to adjust the marble dimension stone reserve estimation for the project, if necessary.

Currently defined marble dimension stone reserves for the Shangsheng Mine are sufficient to support a mine production at the designed production capacity of 250, 000 m^3pa for approximately 177 years.

15.3 DIMENSION STONE BLOCK MINING

Low Risk: The Shangsheng Mine uses standard and tested equipment to mine the dimension stone blocks. The workforce will need additional training as it is enlarged, but Jiangxi Jueshi has developed a core group, which is currently mining the deposit and expanding operations to new areas. Additional cutting, mobile, and support equipment is being procured to insure a rapid ramp up of production and the ability to have flexibility in the operation.

15.4 MARBLE SLAB PRODUCTION

Low to Moderate Risk: The proposed processing plant will use standard and accepted equipment but workforce development and plant layout will be critical to achieve production targets. Management of the Jiangxi Jueshi has sufficient experience in the dimension stone industry and many members of the senior management are industry veterans and experts. Plant designs have yet to be finalized, but the current layout and proposed schedule appear achievable.

15.5 INFRASTRUCTURE

Low Risk: Access to both the Shangsheng Mine site and the proposed slab processing plant is good. Road access to the mine will also be greatly improved once the new entrance road is completed in 2013. The new road will significantly reduce travel times from the mine to the slab plant and minimize impact on the community. Electricity and water supplies, for both sites, are readily available and sufficient.

15.6 PRODUCTION TARGETS

Moderate Risk: The mine production targets are achievable provided the mine is developed, staffed, employees trained, and adequately equipped as planned by the Company. The development of the higher quality stone benches is critical to maximize the high value large block production. The ramp up period to 2016 should be adequate to mitigate this risk. Behre Dolbear understands that Jiangxi Jueshi has established detailed ramp up plans for mine construction and production, which is considered reasonable by Behre Dolbear. The actual year-to-date production record shows that Jiangxi Jueshi should be able to meet the production targets for 2013. The ramp-up period production targets beyond 2013 are likely to be achieved if the Company can continue their performance to date and follow the mine construction and production schedule closely.

15.7 OPERATING COST

Low to Moderate Risk: Operating cost estimates appear to be reasonable when compared with the actual costs in 2012 and the first nine months in 2013. Development and start up delays could significantly affect these costs in the short to medium term. A new workforce will typically increase maintenance costs and reduce productivity of the mining and processing equipment. Management has applied reasonable contingencies to mitigate these factors but workforce development for the higher skilled staff is critical.

15.8 CAPITAL COST

Low to Moderate Risk: Budgeted capital costs appear to be reasonable but overruns could occur if construction and shake out issues delay steady state operations. Additional mobile equipment or cutting equipment may need to be deployed to achieve steady state operations. Management appears to have budgeted adequate numbers of cutting tools and mobile equipment but delays could occur if equipment is in short supply. Used mobile equipment or contractors could be used in the short-term if additional equipment is delayed.

15.9 ENVIRONMENT AND SOCIAL

Low Risk: Mitigation measures are being put in place to ensure environmental and social risks are minimized and regulatory environmental requirements are satisfied. Buildings and infrastructure are being constructed to withstand a seismic intensity of 6 and a peak ground acceleration of 0.05 g. The mine appears to be in compliance with PRC laws and regulations to have appropriately conducted the necessary permitting process and to have minimized any potential liabilities. During field visits over the past two years Behre Dolbear personnel have not observed any adverse environmental conditions at the mine.

15.10 OCCUPATIONAL HEALTH AND SAFETY

Low Risk: Jiangxi Jueshi holds a current Safety Permit and seeks to conduct its operations in accordance with national safety regulations. It has, thus far, maintained a good safety record and field observations by Behre Dolbear over a 2-year period indicate a proactive management attitude regarding health and safety issues.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 September 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on December 9, 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with the Company or any of its subsidiaries.***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of our Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) **Special resolution majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 19 November 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on September 23, 2011. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on September 19, 2013. Ms. Ngai Kit Fong and Ms. Cheung Yuet Fan have been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and our Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Articles of Association is set out in the section entitled "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix IV to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of our incorporation, our initial authorized share capital was HK$50,000 divided into 5,000,000 Shares of HK$0.01 each. On the date of our incorporation, two subscriber Shares were transferred to Liu's Group, and 98 Shares in our share capital were allotted and issued to Liu's Group, on the same day.

On July 26, 2012, 50 Shares were charged by Liu's Group in favor of Carlyle Asia and CAGP pursuant to the deed of share charge dated July 26, 2012. On June 29, 2013, our Company issued two Shares, one of which was pledged in favour of Carlyle Asia and CAGP (the "Carlyle Pledge"), to Liu's Group as full settlement and discharge of the loans in the aggregate outstanding principal amount of RMB231,745,197 owed by our Company to Liu's Group. On August 1, 2013, Carlyle Asia and CAGP assigned their interest in the deed of share charge dated July 26, 2012 to Carlyle Holdco. The Carlyle Pledge will be released upon the mandatory exchange of the Exchangeable Notes.

On December 9, 2013, our authorized share capital increased from HK$50,000 to HK$30,000,000 by the creation of an additional 2,995,000,000 Shares.

Pursuant to the terms of the Exchangeable Notes held by Carlyle Holdco, the Exchangeable Notes will be mandatorily exchanged into 351,013,168 Shares, 312,440,293 Shares or 281,505,610 Shares owned and held by Liu's Group, representing approximately 35.1%, 31.2% or 28.2% of the then issued share capital of our Company, based on the lower-end, mid-point or upper-end of the Offer Price range, being HK$2.43, HK$2.73 or HK$3.03 per Offer Share, respectively, immediately prior to completion of the Global Offering.

Immediately following the completion of the Global Offering and the Capitalization Issue (but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or the Pre-IPO Share Option Scheme), the issued share capital of our Company will be HK$13,333,340 divided into 1,333,334,000 Shares of HK$0.01 each, all fully paid or credited as fully paid and 1,666,666,000 Shares of HK$0.01 each will remain unissued.

Save for aforesaid and as mentioned in the section entitled "— Resolutions in Writing of the Shareholders of Our Company Passed on December 9, 2013" below, there has been no alteration in the share capital of our Company since its incorporation.

3. **Resolutions in Writing of the Shareholders of Our Company Passed on December 9, 2013**

(i) Pursuant to written resolutions of the Shareholders of our Company passed on December 9, 2013:

(a) the amended and restated Memorandum and Articles of Association were approved and adopted conditional upon and with effect from the Listing;

(b) the authorized share capital of our Company was increased from HK$50,000 divided into 5,000,000 Shares of HK$0.01 each to HK$30,000,000 divided into 3,000,000,000 Shares of HK$0.01 each by the creation of an additional 2,995,000,000 Shares of HK$0.01 each;

(c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalization Issue and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme); (ii) the entering into of the Price Determination Agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorized to approve the allotment and issue of the Shares, as the case may be, pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms to be published by our Company in accordance with the Listing Rules;

(ii) the granting of the Over-allotment Option by our Company to the International Underwriters, exercisable by the Sole Global Coordinator, on behalf of the International Underwriters, pursuant to which the Sole Global Coordinator may require our Company to allot and issue up to an additional 15% of the number of Shares (the "Over-allotment Shares") under the Global Offering at the Offer Price to cover over-allocation was approved and our Directors were authorized to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;

(iii) the rules of the Share Option Scheme and the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraphs headed "— Share Option Scheme" and "— Pre-IPO Share Option Scheme" below, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme; and

(iv) our Directors were authorized to capitalize HK$9,999,998.98 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 999,999,898 Shares. Such Shares to be allotted and issued to the Shareholders whose names are on the register of members of our Company on the date before the Listing Date in proportion to their shareholdings in our Company;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. **Corporate Reorganization**

The companies comprising the Group underwent reorganization in preparation for the Listing. Please refer to the section entitled "History and Corporate Development — Corporate Reorganization" in this prospectus.

5. **Changes in the Share Capital of Subsidiaries**

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries. The registered capital of Huijin Stone increased from USD8,000,000 to USD20,000,000 on August 9, 2012.

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. **Repurchases of Our Shares**

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions passed by our then Shareholders on December 9, 2013, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the Companies Law or by our Articles of Association or any other applicable laws of the Islands to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any purchase by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) ***Funding of repurchases***

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of our Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 1,333,334,000 Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (and assuming that the Over-allotment Option is not exercised and no Share is issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme), could accordingly result in up to 133,333,400 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by Companies Law or the Articles or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "Relevant Period").

(d) ***General***

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25.0% of our Shares than in issue could only implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) an equity transfer agreement dated October 20, 2011 and a supplemental agreement dated December 28, 2011 for the transfer of 100% equity interests in Jueshi Mining by Mr. Liu Chuanjia and Ms. Chen Shuangping (陳雙萍) to Huijin Stone for a consideration of RMB7,000,000;

(b) an exchangeable note purchase agreement dated July 10, 2012 entered into by and among Carlyle Asia and CAGP as purchasers, Liu's Group as issuer, our Company, Mr. Liu, ArtGo BVI, ArtGo HK, Huijin Stone and Jueshi Mining in relation to the purchase by Carlyle Asia and CAGP of exchangeable notes in the aggregate amount of US$40,000,000;

(c) a deed of share charge dated July 26, 2012 created by Liu's Group and our Company in favour of Carlyle Asia and CAGP in connection with the Exchangeable Notes;

(d) an investor's rights agreement dated July 26, 2012 entered into by and among Carlyle Asia, CAGP, Liu's Group, our Company, Mr. Liu, ArtGo BVI, ArtGo HK, Huijin Stone and Jueshi Mining;

(e) the deed of indemnity dated December 9, 2013 given by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its subsidiaries) in respect of, amongst others, taxation and property matters referred to in the paragraph headed "Tax and other indemnities" in this Appendix;

(f) the deed of non-competition dated December 9, 2013 given by our Controlling Shareholders in favor of our Company as detailed in the paragraph headed "Relationship with Controlling Shareholders — Non-competition Undertakings" of this prospectus;

(g) the cornerstone placing agreement dated December 11, 2013 entered into by and among our Company, VMS Investment Group Limited and the Sole Global Coordinator pursuant to which VMS Investment Group Limited agreed to subscribe for Offer Shares for a consideration of US$20,000,000 at the Offer Price per Offer Share; and

(h) the Hong Kong Underwriting Agreement.

2. **Intellectual Property Rights of Our Group**

(a) *Trademarks*

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which are material to our Group's business:

Trademark	Registration Number	Type	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
匯金石 HuiJin Stone	10246107	37	Jueshi Mining	PRC	January 28, 2013	January 27, 2023
	10326677	40	Jueshi Mining	PRC	February 21, 2013	February 20, 2023
	10326699	42	Jueshi Mining	PRC	February 21, 2013	February 20, 2023
	9760656	19	Jueshi Mining	PRC	October 28, 2012	October 27, 2022
	9760710	37	Jueshi Mining	PRC	October 21, 2012	October 20, 2022
	9893257	19	Jueshi Mining	PRC	October 28, 2012	October 27, 2022
	9893275	37	Jueshi Mining	PRC	October 28, 2012	October 27, 2022

Trademark	Registration Number	Type	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	302123261	19, 37, 40, 42	Jueshi Mining	Hong Kong	December 23, 2011	December 22, 2021
ARTGO	10765769	40	Huijin Stone	PRC	June 28, 2013	June 27, 2023
ARTGO	10775197	42	Huijin Stone	PRC	June 28, 2013	June 27, 2023
ARTGO	10765732	19	Huijin Stone	PRC	July 21, 2013	July 20, 2023
ARTGO	10765741	37	Huijin Stone	PRC	July 21, 2013	July 20, 2023

As of the Latest Practicable Date, our Group had applied for the registration of the following trademark which is material to our Group's business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
雅高	12263463	37	Huijin Stone	PRC	March 14, 2013
雅诗红	13255745	19	Huijin Stone	PRC	September 17, 2013
青玉	13255807	19	Huijin Stone	PRC	September 17, 2013
雅白玉	13255970	19	Huijin Stone	PRC	September 17, 2013
雅柏白	13256011	19	Huijin Stone	PRC	September 17, 2013
冰钻灰	13256058	19	Huijin Stone	PRC	September 17, 2013
北极灰	13256138	19	Huijin Stone	PRC	September 17, 2013
雅柏灰	13256207	19	Huijin Stone	PRC	September 17, 2013

(b) *Domain names*

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
huijinstone.com.	Huijin Stone	October 12, 2011	October 12, 2021
artgomining.com	Huijin Stone	March 29, 2012	March 29, 2022
artgo.cn	Huijin Stone	March 20, 2012	March 20, 2022
artgo.com.cn.	Huijin Stone	March 20, 2012	March 20, 2022
chinajsky.com	Jueshi Mining	July 19, 2011	July 19, 2021

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Disclosure of Interests

(a) ***Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations***

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares that may be issued under the Over-allotment Option or the Share Option Scheme or the Pre-IPO Share Option Scheme), the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), to be notified to our Company once the Shares are listed will be as follows:

(i) *Interest in Shares of our Company*

Name of Director	Capacity/Nature of Interest	Number of Shares(Note 1)	Approximate percentage of shareholding interest(Note 2)
Mr. Liu	Interest in controlled corporation(Note 3)	648,986,832(L)	48.7%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As required under the SFO, the relevant percentages are calculated by reference to the Shares then in issue on the Listing Date and we have assumed that (i) the Over-allotment Option is not exercised, (ii) no Shares are issued pursuant to options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme, and (iii) the Exchangeable Notes are mandatorily exchanged based on the lower-end of the Offer Price range. Consequently, this is based on 1,333,334,000 Shares in issue immediately after the Global Offering and the Capitalization Issue.

(3) Mr. Liu is interested in the entire issued share capital of Liu's Group, our substantial shareholder. Mr. Liu is therefore deemed to be interested in the Shares held by Liu's Group for the purpose of Part XV of the SFO.

(ii) *Interest in associated corporation of our Company*

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares	Percentage of shareholding
Mr. Liu	Liu's Group	Beneficial owner	100(L)	100%

(b) ***Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of Our Company***

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares that may be issued under the Over-allotment Option or the Share Option Scheme, and assuming the Exchangeable Notes are mandatorily exchanged based on the lower-end of the Offer Price range), the following persons, (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/Nature of interest	Number of Shares(Note 1)	Approximate percentage of shareholding interest
Liu's Group	Beneficial interest	648,986,832(L)	48.7%
Carlyle Holdco	Beneficial interest	351,013,168(L)	26.3%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares that may be issued under the Over-allotment Option or the Share Option Scheme, and assuming the Exchangeable Notes are mandatorily exchanged based on the upper-end of the Offer Price range), the following persons, (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/Nature of interest	Number of Shares(Note 1)	Approximate percentage of shareholding interest
Liu's Group	Beneficial interest	718,494,390(L)	53.9%
Carlyle Holdco	Beneficial interest	281,505,610(L)	21.1%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

2. Particulars of Service Contracts

(a) ***Executive Directors and non-executive Director***

Each of our executive Directors and non-executive Director has entered into a service contract with our Company under which they agreed to act as executive Directors or non-executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or non-executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) ***Independent Non-executive Directors***

Each of the independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) ***Others***

(i) Save as disclosed above, none of our Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(ii) For the period from June 15 to December 31, 2011, for the year ended December 31, 2012 and the nine months ended September 30, 2012 and 2013, the aggregate of the remuneration and benefits in kind payable to our Directors was approximately RMB62,000, RMB532,000, RMB340,000 and RMB640,000. Details of our Directors' remuneration are also set out in note 8 of the Accountant's Report set out in Appendix I to this prospectus.

(iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to our Directors for the year ending December 31, 2013 is estimated to be approximately RMB860,000.

(iv) None of our Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2010, 2011 and 2012 and the three months ended March 31, 2013 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for three years ended December 31, 2010, 2011 and 2012 and the three months ended March 31, 2013.

(vi) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. **Competing Interest of Directors**

Please refer to the section "Relationship with Controlling Shareholders" in this prospectus.

4. **Fees or Commissions Received**

Save as disclosed in this prospectus, none of our Directors or any of the persons whose names are listed under the section entitled "— Other Information — Consents of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;

(b) none of our Directors nor any of the parties listed in the section entitled "— Other Information — Consents of Experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors nor any of the parties listed in the section entitled "— Other Information — Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) save for the Underwriting Agreements, none of the parties listed in the section entitled "— Other Information — Consents of Experts" below:

(i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;

(e) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(f) none of our Directors, their respective associates or Shareholders of our Company is interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on December 9, 2013. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(a) **Purpose**

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) **Who may join**

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 (or an equivalent amount in RMB) to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) **Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), being 133,333,400 Shares, excluding for this purpose Shares which would have been issued on the exercise in full of options in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company, but not cancelled, lapsed or exercised). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) **Maximum number of options to any one individual**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) **Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(f) **Granting options to connected persons**

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting by way of a poll at which all connected persons of our Company shall abstain from voting in favor of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(g) **Restrictions on the times of grant of Options**

A grant of options may not be made after an inside information event has come to its knowledge and such inside information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules);

(ii) the deadline for our Company to publish an announcement of results of our Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where our Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be), and where the grant of options is to a Director;

(iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) **Rights are personal to grantee**

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(i) **Time of exercise of Option and duration of the Share Option Scheme**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

(j) **Performance target**

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) **Rights on ceasing employment or death**

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

(i) by any reason other than death, ill-health, injury, disability or termination of his employment on the grounds specified in paragraph (r)(v) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of three months from such cessation; or

(ii) by reason of death, ill-health, injury or disability, his personal representative(s) may exercise the option within a period of 12 months from such cessation or death of such grantee, which date of cessation shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) **Rights on dismissal**

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our group, or has been convicted of any criminal offense involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) **Rights on takeover**

If a general or partial offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to Shareholders during the option period of the relevant option, the grantee of an option notwithstanding any other terms on which the Options were granted, shall be entitled to exercise the Options (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time within such period as shall be notified by our Company.

(n) **Rights on winding-up**

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) **Rights on compromise or arrangement between our Company and its members or creditors**

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme of arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) **Ranking of Shares**

No dividends shall be payable in relation to Shares that are the subject of options that have not been exercised. The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise. Shares issued on the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

(q) **Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company in accordance with applicable laws and regulatory requirements, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value.

The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) **Expiry of option**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by the Board;

(ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;

(iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with our Group on any one or more of the following grounds:

(1) that he has been guilty of serious misconduct;

(2) that he has been convicted of any criminal offense involving his integrity or honesty or in relation to an employee of our group;

(3) that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or

(4) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) **Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall remain in compliance with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) **Cancellation of Options**

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) **Termination of the Share Option Scheme**

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) **Administration of the Board**

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) **Condition of the Share Option Scheme**

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) **Disclosure in annual and interim reports**

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) **Present status of the Share Option Scheme**

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 133,333,400 Shares in total.

E. PRE-IPO SHARE OPTION SCHEME

(a) **Summary of terms**

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain employees or executive officers of our Group made or may have been made to the growth of our Group. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of all the Shareholders passed on December 9, 2013, are substantially the same as the terms of the Share Option Scheme except that:

(i) the exercise price per Share is, subject to certain adjustments set out in the Pre-IPO Share Option Scheme, equivalent to 10% discount to the Offer Price;

(ii) the total number of Shares subject to the Pre-IPO Share Option Scheme is 16,666,675 Shares, representing 1.25% of the issued share capital of our Company immediately upon completion of the Global Offering and the Capitalization Issue, but without taking into account all Shares which may fall to be issued under the Share Option Scheme, the Pre-IPO Share Option Scheme and the Over-allotment Option;

(iii) eligible participants under the Pre-IPO Share Option Scheme are the full-time employees of the Group of the level of manager or above who, in the sole opinion of the Board, will contribute or have contributed to the Group (the "Eligible Participants");

(iv) conditions, which the Board may in its absolute discretion consider (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised), may be imposed; and

(v) save for the options which have been granted and disclosed in this prospectus under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the Listing.

The Pre-IPO Share Option Scheme is conditional upon Listing. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

(b) **Outstanding options**

As at the date of this prospectus, options to subscribe for an aggregate of 16,666,675 Shares at an exercise price equivalent to a 10% discount to the Offer Price have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of seven Eligible Participants have been granted options under the Pre-IPO Share Option Scheme.

Below is a list of grantees who have been granted the options under the Pre-IPO Share Option Scheme:

Grantee and position	Address	Number of Shares subject to the options	Approximate percentage of shareholding after completion of the Global Offering and the Capitalization Issue
Zhao Yongtai, vice president	No.5, Aly. 11, Ln. 60, Minquan St.,Vil. 26, Yongning Village, Yangmei City, Taoyuan County, Taiwan	2,666,668	0.2%
Qiu Yuyuan, special assistant to the chairman	Room 202, No. 13 Guanren Road, Siming District, Xiamen, PRC	2,666,668	0.2%
Ai Qinghua, financial controller	Room 5, Unit 1, Building 1, No. 85 Fengguang Road, Yicheng District, Zhumadian, PRC	2,666,668	0.2%
Jiao Jie, vice president and general legal counsel	No.1 Nanyi Line, Sanlihe Second District, Xicheng Disctrict, Beijing, PRC	2,666,668	0.2%
Zhang Min, vice president, sales	Room 501, Unit 1, Building 11, No. 13 Langshui East Road, Langzhong, PRC	2,000,001	0.15%
Han Yingfeng, vice president	Room 601, No.51 Hubin No.1 Village, Siming District, Xiamen, PRC	2,000,001	0.15%
Huang Jiepeng, internal audit director	Room 404, No. 842 Lianqian East Road, Siming District, Xiamen, PRC	2,000,001	0.15%
	Total	**16,666,675**	**1.25%**

Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

Immediately after completion of the Global Offering and the Capitalization Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme, none of the grantees under the Pre-IPO Share Option Scheme are interested in the Shares. Assuming the Over-allotment Option is not exercised and the Exchangeable Notes are mandatorily exchanged based on the lower-end of the Offer Price range, the shareholding structure of our Company after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalization Issue and full exercise of the options granted under the Pre-IPO Share Option Scheme	
	Shares	**%**
Liu's Group	648,986,832	48.1
Carlyle Holdco	351,013,168	26.0
Public	350,000,675	25.9

Assuming the Over-allotment Option is not exercised and the Exchangeable Notes are mandatorily exchanged based on the upper-end of the Offer Price range, the shareholding structure of our Company after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately after completion of the Global Offering and the Capitalization Issue and full exercise of the options granted under the Pre-IPO Share Option Scheme	
	Shares	**%**
Liu's Group	718,494,390	53.2
Carlyle Holdco	281,505,610	20.9
Public	350,000,675	25.9

We will not permit the exercise of any options granted under the Pre-IPO Share Option Scheme by any of our connected persons if, upon such exercise, we would not be able to attain the minimum public float requirement under the Listing Rules.

(c) **Effect on the earnings per Share as a result of the Pre-IPO Share Options**

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending December 31, 2013 and 1,333,334,000 Shares to be in issue immediately after the completion of the Capitalization Issue and the Global Offering and 16,666,675 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, this would have a potential dilutive effect on the unaudited estimated basic earnings per Share of approximately 1.23%. This calculation has been prepared on the assumption that we will not receive any proceeds from the exercise of any option under the Pre-IPO Share Option Scheme, and without taking into account the impact of fair value of the Shares on computation of the number of potentially dilutive Shares.

(d) **Summary of the main terms of the Pre-IPO Share Option Scheme**

(a) *Purpose*

The Pre-IPO Share Option Scheme is a share incentive scheme established to reward the Eligible Participants for their contributions or potential contributions to the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine to the Eligible Participants at an exercise price set out in paragraph (d) below.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 16,666,675 Shares.

(d) *Price of Shares*

The exercise price per Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be, subject to certain adjustments set out in the Pre-IPO Share Option Scheme, equivalent to a 10% discount to the Offer Price. HK$1.00 is payable by the grantee to our Company on acceptance of the options granted under the Pre-IPO Share Option Scheme.

(e) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(f) *Time of exercise of option and vesting schedule*

The options granted are exercisable within the period as notified by the Board to each grantee and shall vest in the following manner:

(a) 10% of the Shares that are subject to the option so granted to him/her at any time during the period commencing from the six months of the Listing Date;

(b) up to 20% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been granted at any time during the period commencing from the 18 months of the Listing Date;

(c) up to 60% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been granted at any time during the period commencing from the 30 months of the Listing Date; and

(d) up to 100% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been granted at any time during the period commencing from the 42 months of the Listing Date.

(g) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue.

(h) *Effect of alterations to capital*

In the event of capitalization issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the exercise price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to pre-IPO share option schemes (the "Supplemental Guidance"). Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company (as interpreted in accordance with the Supplementary Guidance for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event.) No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(i) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(1) the date of expiry of the option as may be determined by the Board;

(2) the expiry of 14 days after the date on which a general offer made to all the holders of Shares becomes or is declared unconditional or the expiry of the period of not later than two business days prior to the proposed general meeting of the Company in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company;

(3) the date on which a scheme of arrangement of the Company as per the terms of the Pre-IPO Share Option Scheme becomes effective;

(4) the date of commencement of the winding-up of our Company in accordance with the Companies Law;

(5) the date on which the grantee ceases to be an Eligible Participant for any reason; or

(6) the date on which the Board shall exercise our Company's right to cancel the option in accordance with paragraph (k) below.

(j) *Alteration of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted or any alternation for the advantage of the grantees of the options or the Eligible Participants in respect of the definition of eligible participants, expiry date of option, grantee and exercise period, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme or the sanction of a special resolution of the Company.

(k) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(l) *Termination of the Pre-IPO Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(m) *Administration of the Board*

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(n) *Disclosure in annual and interim reports*

The Company will disclose details of the Pre-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

F. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favor of each member of our Company (being the contract referred to in paragraph (a) of the section entitled "— Further Information About Our Business — Summary of Material Contracts" above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

2. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

4. **Preliminary Expenses**

The preliminary expenses of our Company are estimated to be approximately HK$59,000 and are payable by our Company.

5. **Promoter**

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. **Qualification of Experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Merrill Lynch Far East Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO
Ernst & Young	Certified Public Accountants
Commerce & Finance Law Offices	PRC legal advisors
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Behre Dolbear Asia, Inc.	Independent technical consultant
Frost & Sullivan	Independent industry consultant

7. **Consents of Experts**

Each of Merrill Lynch Far East Limited, Ernst & Young, Commerce & Finance Law Offices, Conyers Dill & Pearman (Cayman) Limited, Behre Dolbear Asia, Inc. and Frost & Sullivan has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

8. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

9. **Miscellaneous**

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2013 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(c) The principal register of members of our Company will be maintained in the Cayman Islands by Royal Bank of Canada Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) Our Directors have been advised that, under the Companies Law, the use of a Chinese name by the Company for identification purposes only does not contravene the Companies Law.

(g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption from Companies and prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the WHITE, YELLOW and GREEN Application Forms;

(b) the written consents referred to in the section entitled "Statutory and General Information — D. Other Information — 7. Consents of Experts" in Appendix V of this prospectus; and

(c) a copy of each of the material contracts referred to in the section entitled "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix V of this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I;

(c) the audited financial statements of companies comprising our Group for the period from June 15, 2011 to December 31, 2011, the year ended December 31, 2012 and nine months ended September 30, 2013;

(d) the letter from Ernst & Young relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II;

(e) the letter dated the date of this prospectus and prepared by Conyers Dill & Pearman (Cayman) Limited summarizing certain aspects of Cayman Islands company law as referred to in "Summary of Constitution of the Company and the Companies Law" in Appendix IV;

(f) the material contracts referred to in the section entitled "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix V;

(g) the Companies Law;

(h) the PRC legal opinions issued by Commerce & Finance Law Offices on PRC law;

(i) the rules of the Share Option Scheme as set out in the section entitled "Statutory and General Information — D. Share Option Scheme" in Appendix V;

(j) the rules of the Pre-IPO Share Option Scheme as set out in the section entitled "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix V;

(k) the written consents referred to in the sections entitled "Statutory and General Information — D. Other Information — 7. Consents of Experts" in Appendix V;

(l) the service contracts referred to in the section entitled "Statutory and General Information — C. Further Information about our Directors, Substantial Shareholders and Experts — 2. Particulars of Service Contracts" in Appendix V;

(m) the competent person's report prepared by Behre Dolbear Asia, Inc. as set out in Appendix III to this prospectus; and

(n) the industry consultant report prepared by Frost & Sullivan.

ARTGO MINING HOLDINGS LIMITED
雅 高 礦 業 控 股 有 限 公 司