

---

## INDUSTRY OVERVIEW

---

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

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

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

### INTRODUCTION TO MARBLE

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

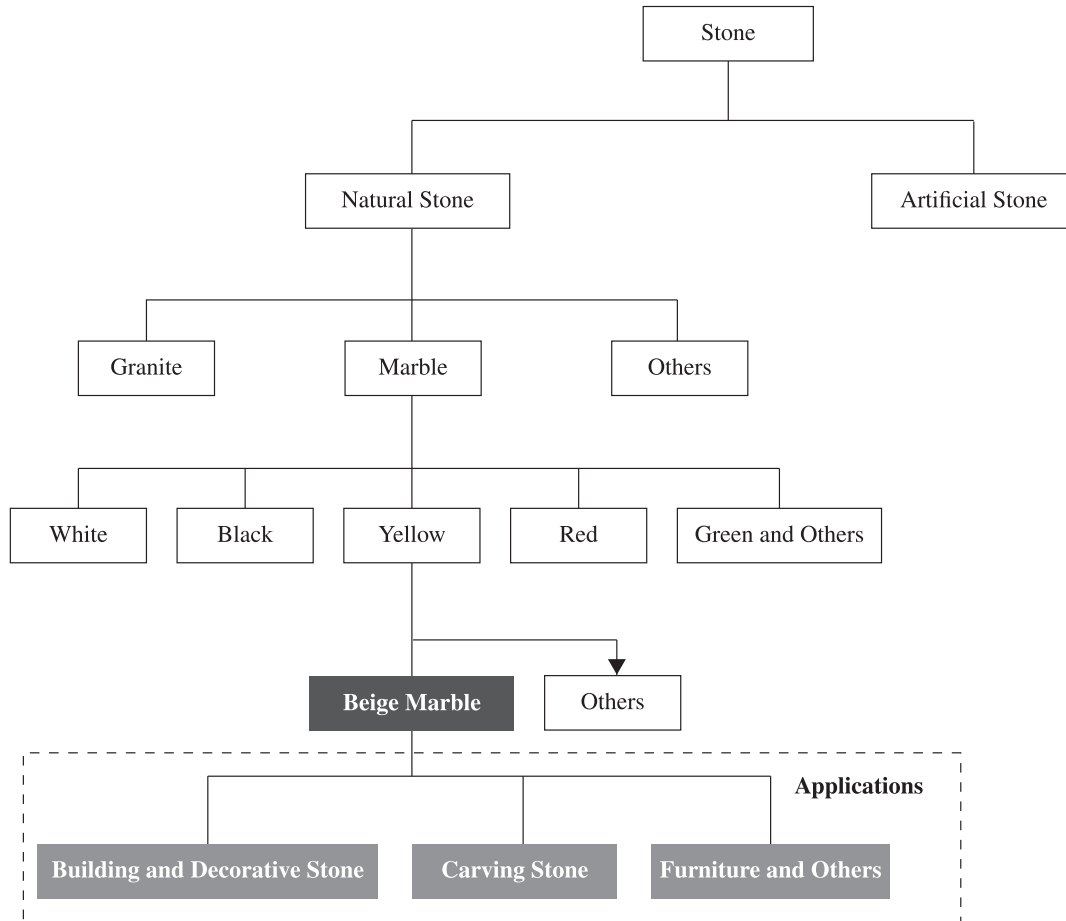
---

## INDUSTRY OVERVIEW

---

The following chart sets forth the different types of stones:

### Types of Stones



---

Source: Hatch

Marble is geologically defined as metamorphosed limestone or dolomite that is thoroughly recrystallized and much or all of the sedimentary and biologic textures are obliterated. Commercially in the stone industry, and as used in this Prospectus, marble is any crystalline rock composed predominantly of calcite, dolomite or serpentine that is polishable. Marble is composed mostly of calcium carbonate ( $\text{CaCO}_3$ ) and is irregularly colored due to the composition of mineral impurities. Generally speaking, marble is softer than granite. Marble is an important branch of natural stone.

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

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

---

## INDUSTRY OVERVIEW

---

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

### OVERVIEW OF THE MARBLE INDUSTRY

#### *Global Stone and Marble Industry*

##### **Resources and distribution**

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

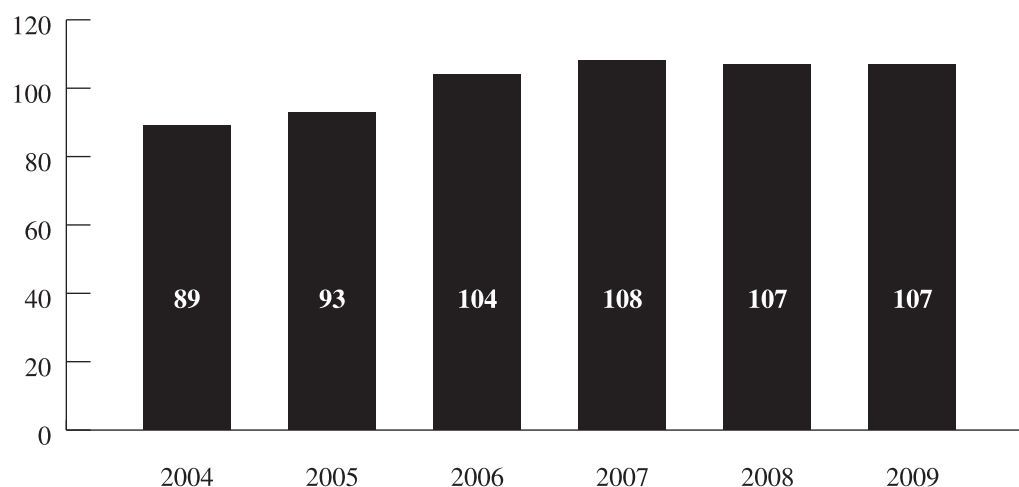
According to the Hatch Report, beige marble resources are rich in Egypt, Turkey, Iran, Spain, Italy, Greece, Portugal, India and Pakistan. China is short of beige marble resources.

##### **Stone and marble production**

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

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

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



---

Source: IMM

---

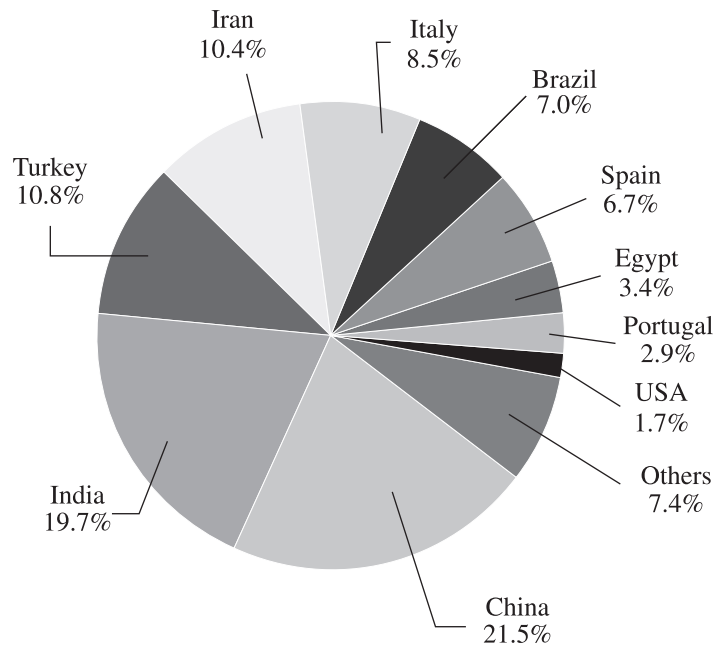
## INDUSTRY OVERVIEW

---

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

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

**Top Ten Quarry Stone Output by Countries in 2009**



---

Source: IMM, Hatch

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

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

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

### **Beige marble production**

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

## INDUSTRY OVERVIEW

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

**Main Beige Marble Slabs Producing Countries and Brands**

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

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

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

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

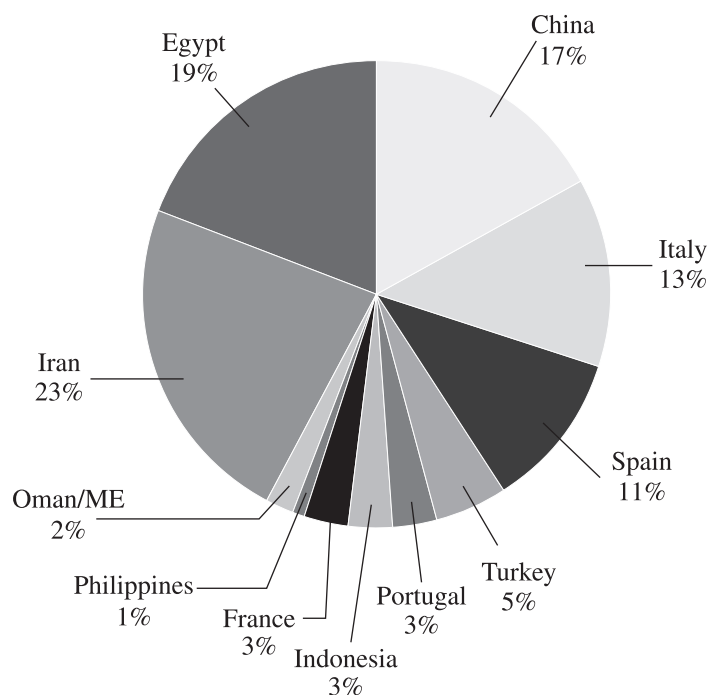
---

## INDUSTRY OVERVIEW

---

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

**Global Beige Marble Slab Output by Country in 2009**



---

Source: CMMC

### Marble consumption

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

---

## INDUSTRY OVERVIEW

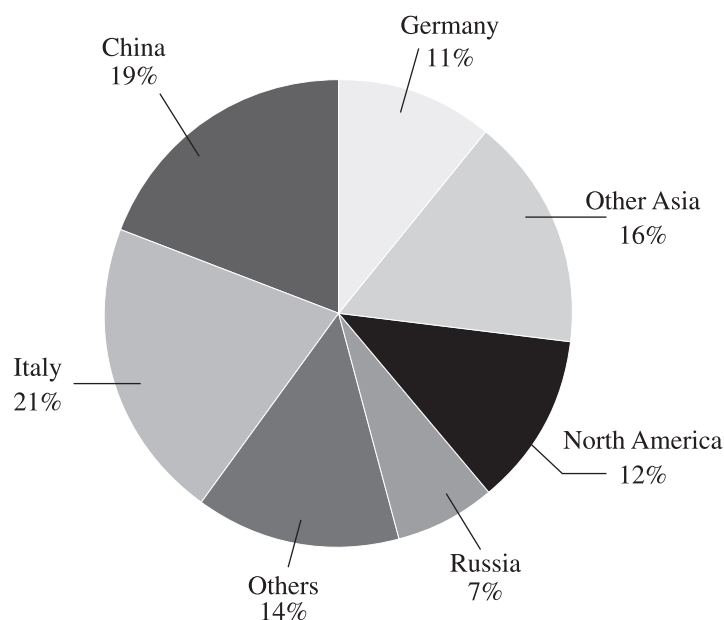
---

### Beige marble consumption

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

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

**Global Beige Marble Consumption by Country in 2009**



---

Source: CMMC

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

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

### Marble trade

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

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

## INDUSTRY OVERVIEW

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

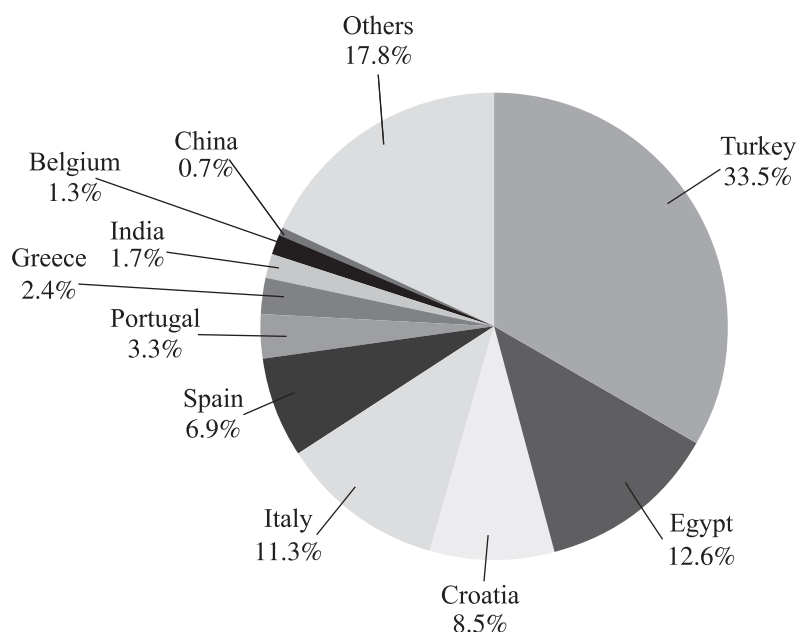
**Global Marble Raw Material Exports by Country or Region 2005–2009**  
(Unit: thousand tonnes)

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

Source: Hatch

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

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



Source: Hatch



## INDUSTRY OVERVIEW

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

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

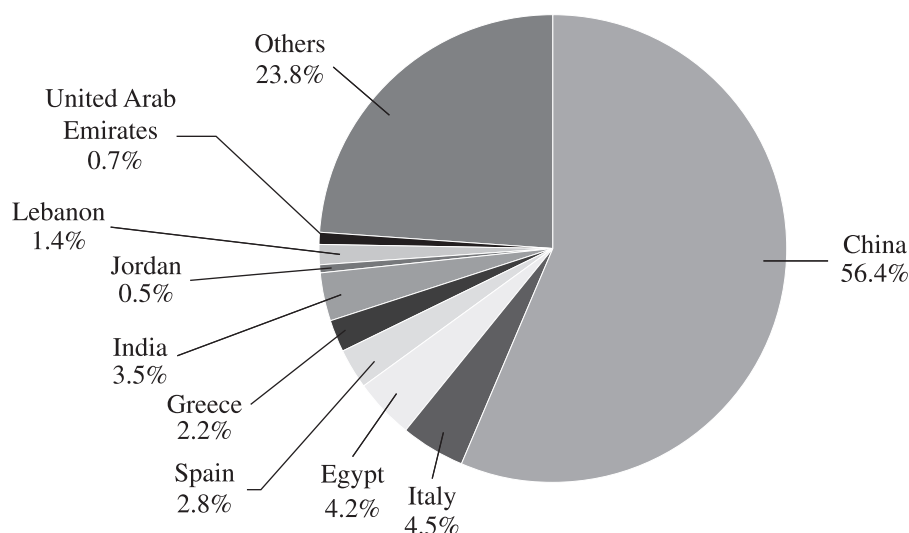
**Global Marble Raw Material Imports by Country or Region 2005–2009 (Unit: thousand tonnes)**

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

Source: Hatch

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

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



Source: Hatch

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

## INDUSTRY OVERVIEW

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

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

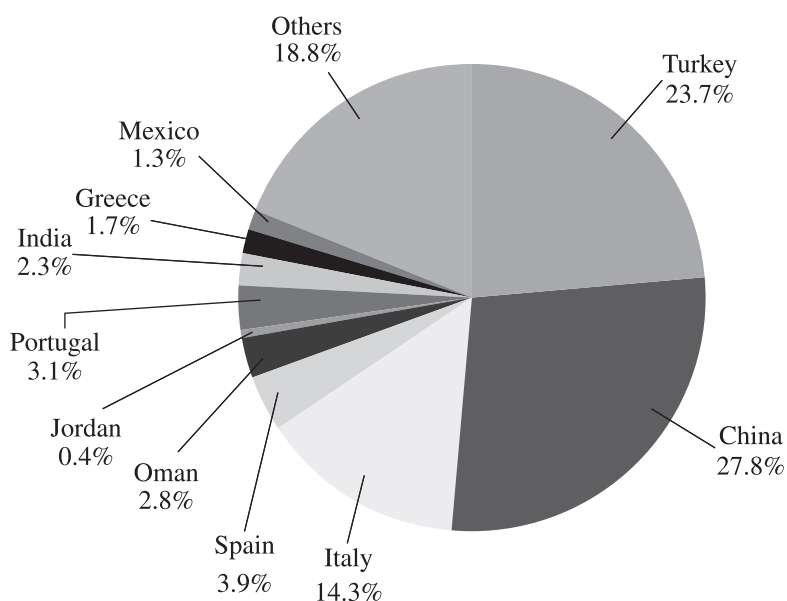
**Global Marble Product Exports by Country or Region 2005–2009 (Unit: thousand tonnes)**

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

Source: Hatch

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

**Breakdown of Marble Product Exports by Country or Region in 2009**



Source: Hatch

## INDUSTRY OVERVIEW

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

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

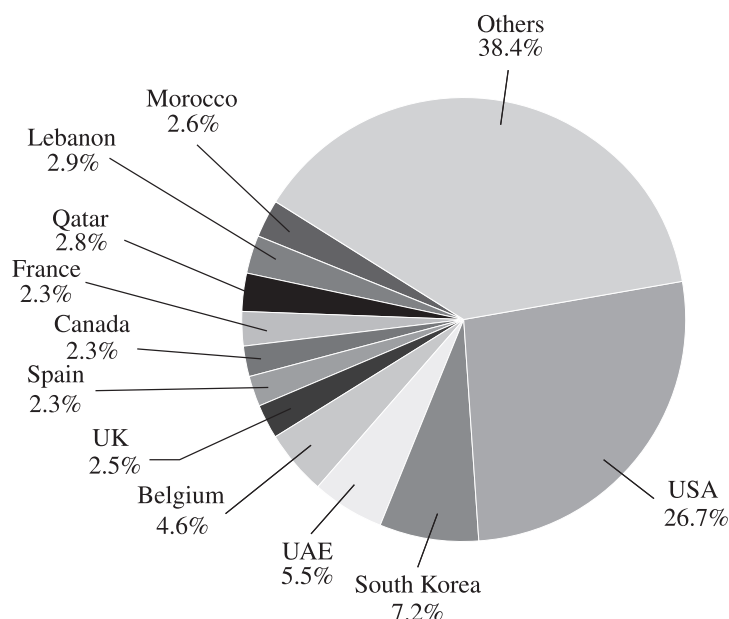
**Global Marble Product Imports by Country or Region 2005–2009 (Unit: thousand tonnes)**

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

Source: Hatch

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

**Breakdown of Marble Product Imports by Country or Region in 2009**



Source: Hatch

### *Marble Industry of China*

#### **Resources and distribution**

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

#### **Stone and marble production**

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

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

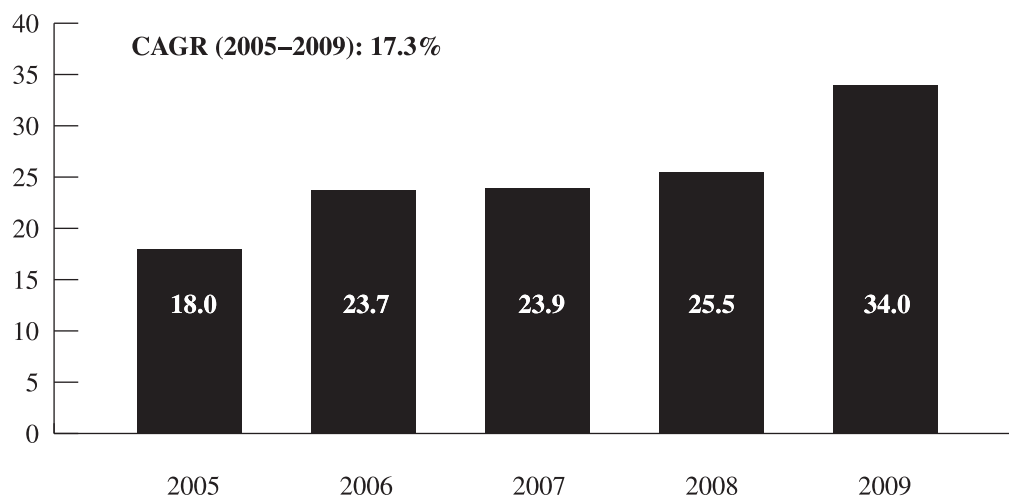
In recent years, China's marble slab production accounted for approximately 11% of the total stone slab output. In 2009, the marble slab output by above-designated-size stone enterprises in China was 33.97 million m<sup>2</sup>, representing an increase of 33.3% from 2008. The CAGR of marble slab output was 17.3% between 2005 and 2009.

China's total marble slab production is estimated to be twice as many as that of the above-designated-size enterprises. Thus China's total marble slab production is estimated to be approximately 65 million m<sup>2</sup> in 2009.

## INDUSTRY OVERVIEW

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

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



Source: Hatch

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

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

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

Source: Hatch

---

## INDUSTRY OVERVIEW

---

### Marble consumption

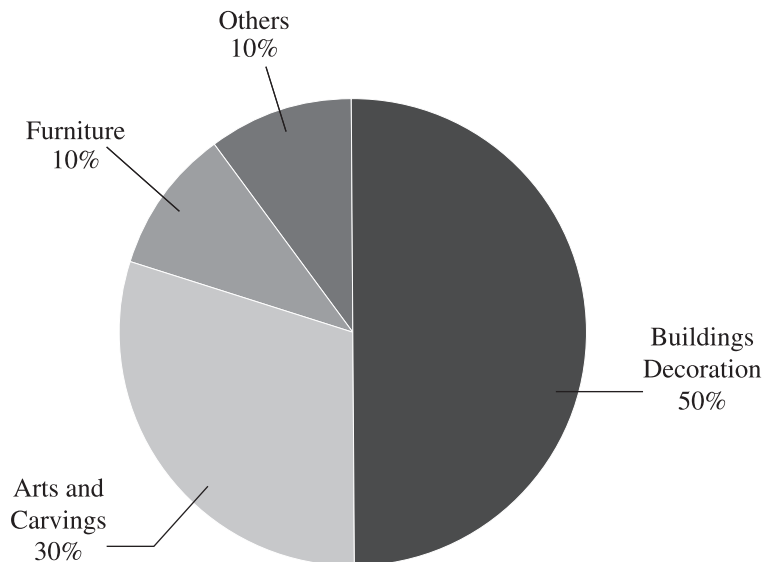
There are mainly two widely-used types of stone in China — marble and granite. According to the Hatch Report, marble accounted for more than half of China's total stone consumption.

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

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

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

**Chinese Marble Consumption Breakdown (By Tonnage) in 2009**



---

Source: CSMA, Hatch

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

The net import of marble products and marble raw materials in China reached 44.86 million m<sup>2</sup> in 2009, and marble slab production by above-designated-size enterprises reached 33.97 million m<sup>2</sup>. Therefore, the apparent marble consumption was 78.83 million m<sup>2</sup>, representing a 7% increase from 2008 and a CAGR of 18.3% from 2005 to 2009.

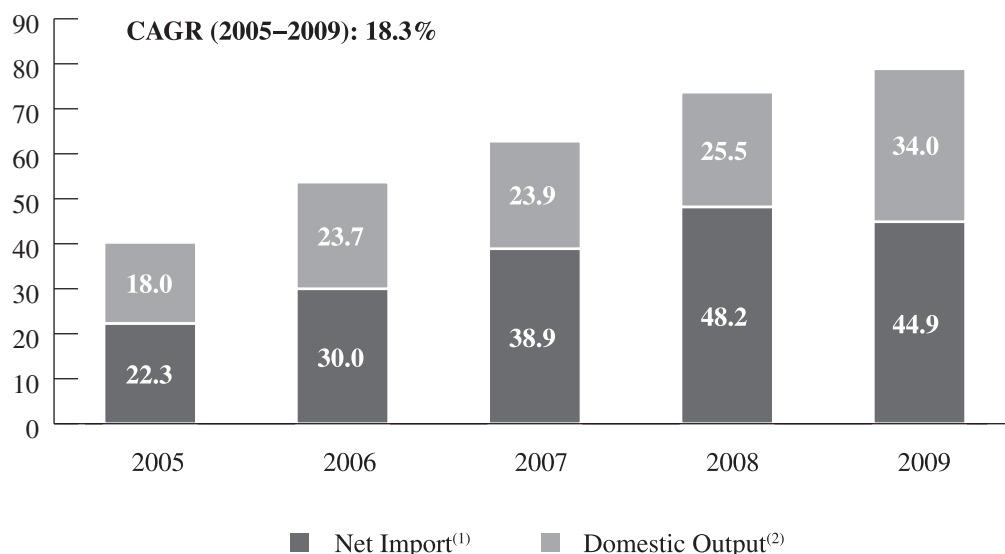
---

## INDUSTRY OVERVIEW

---

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

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



Source: NBSC, China Customs, CSMA

Notes:

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

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

### Marble trade

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

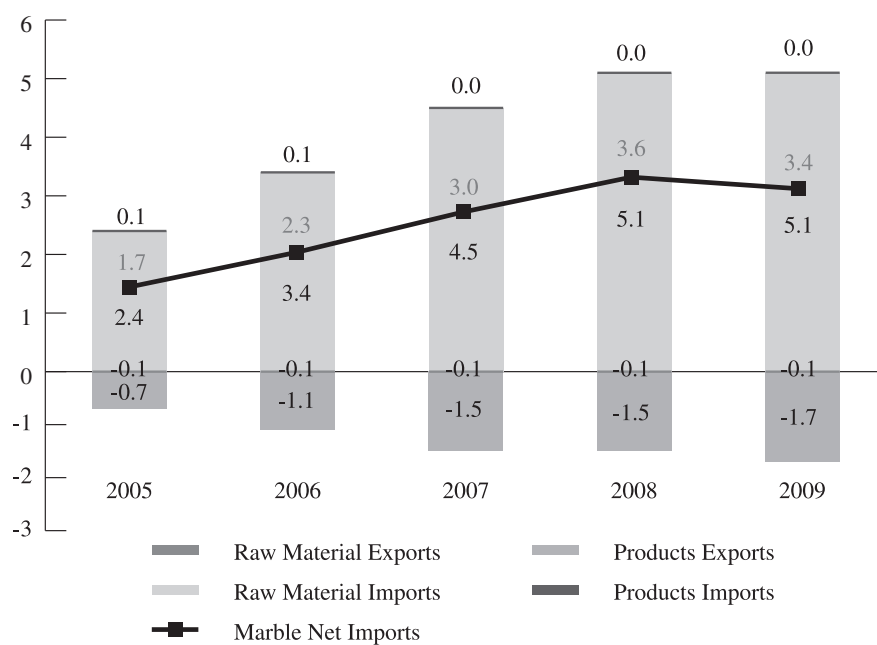
China is a net importer of marble raw materials and a net exporter of marble products. It has been in surplus in marble trade value as stone enterprises mainly import marble raw materials for processing, and then export the value-added marble products.

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

## INDUSTRY OVERVIEW

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

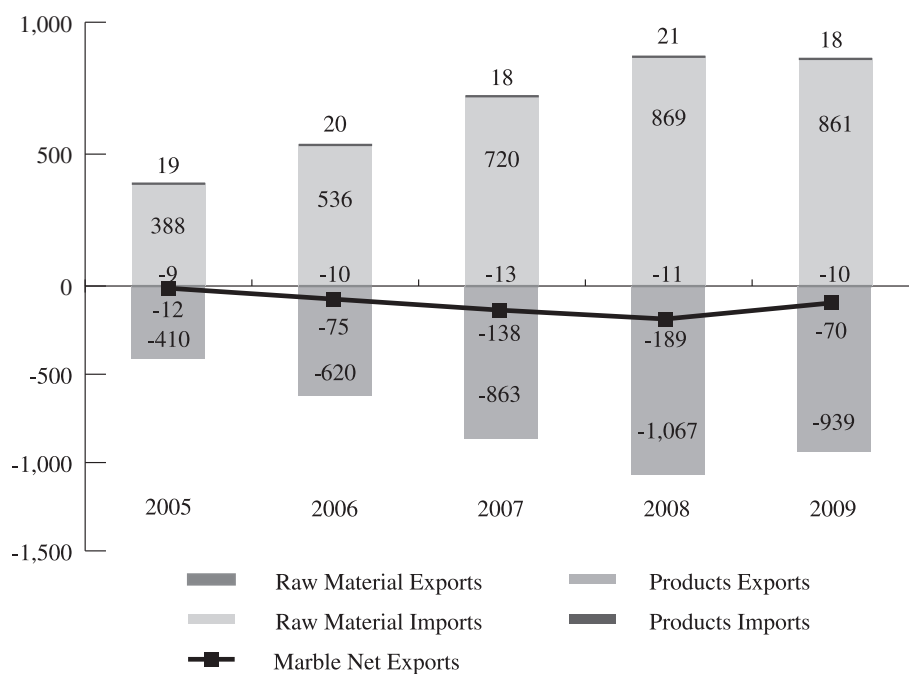
**Chinese Marble Trade 2005–2009 (Unit: million tonnes)**



Source: CSMA, Hatch

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

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



Source: CSMA, Hatch



---

## INDUSTRY OVERVIEW

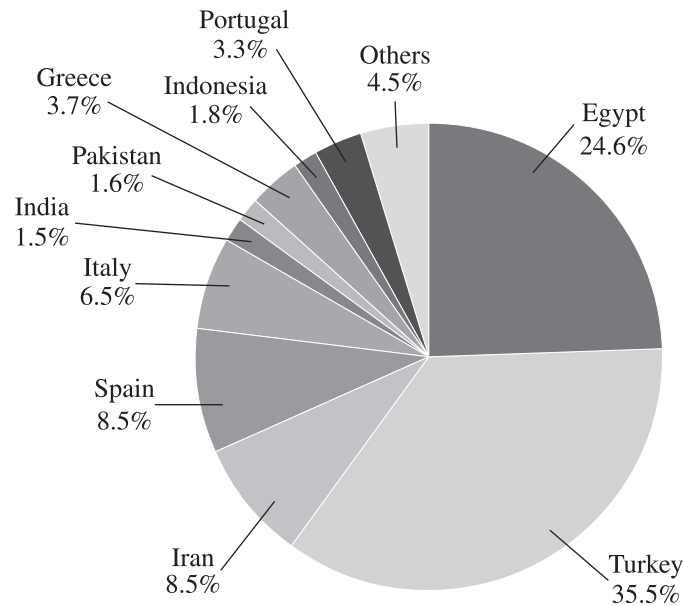
---

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

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

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

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



---

Source: CSMA, Hatch

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

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

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

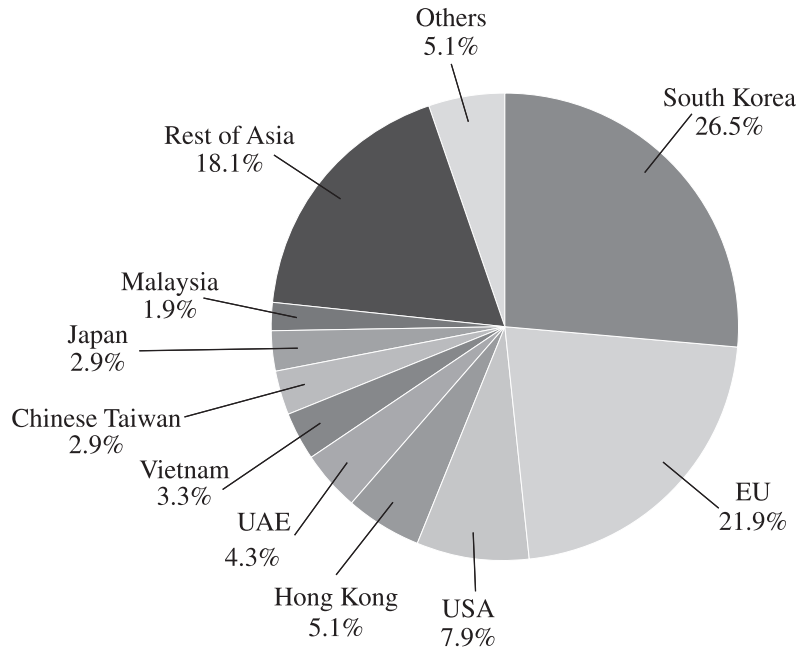
---

## INDUSTRY OVERVIEW

---

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

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



Source: CSMA, Hatch

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

### Competition

The Chinese stone industry is highly fragmented. According to the Hatch Report, there are approximately 30,000 stone enterprises in China, of which about 6,000 are stone quarry enterprises. According to CSMA, the largest marble mining capacity of a stone quarry enterprise was 100,000 m<sup>3</sup> per year as at August 2010. Due to the low concentration of Chinese stone industry, highly intensive competition among the players is inevitable. There are only several large stone companies in China. A large majority of Chinese stone enterprises are of small-and-medium sized.

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

## INDUSTRY OVERVIEW

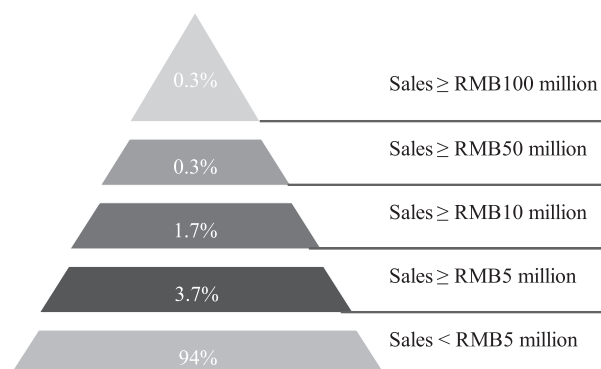
The following table sets forth the size and number of Chinese stone enterprises:

**Size and Number of Chinese Stone Enterprises**

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

Source: CSMA, Hatch

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



Source: Hatch

According to Hatch, the biggest current slab production capacity of the major Chinese stone enterprises is approximately 3 million m<sup>2</sup> per annum, including marble and other stone slabs. The following table sets forth the stone production capacity of major Chinese stone enterprises:

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

Note: Marble only

---

## INDUSTRY OVERVIEW

---

### *Beige Marble Industry of China*

#### **Beige marble resources**

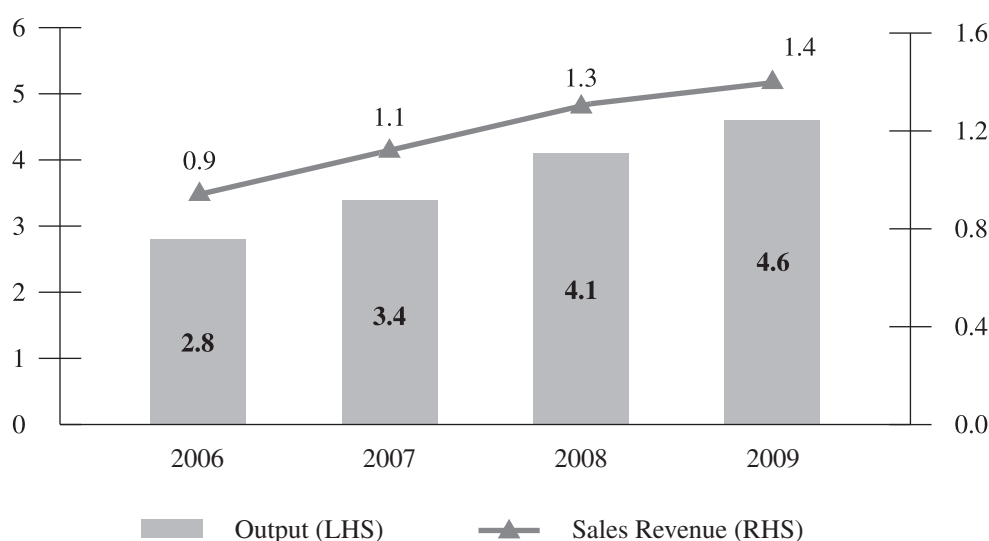
According to the Hatch Report, China has a shortage of beige marble resources, especially high-quality beige marbles. Yunnan, Guizhou, Hubei, Jiangxi, Henan and Inner Mongolia are the provinces known for beige marble resources. In 2005, China began to develop a large beige marble deposit in Beichuan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

#### **Beige marble production**

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

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

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



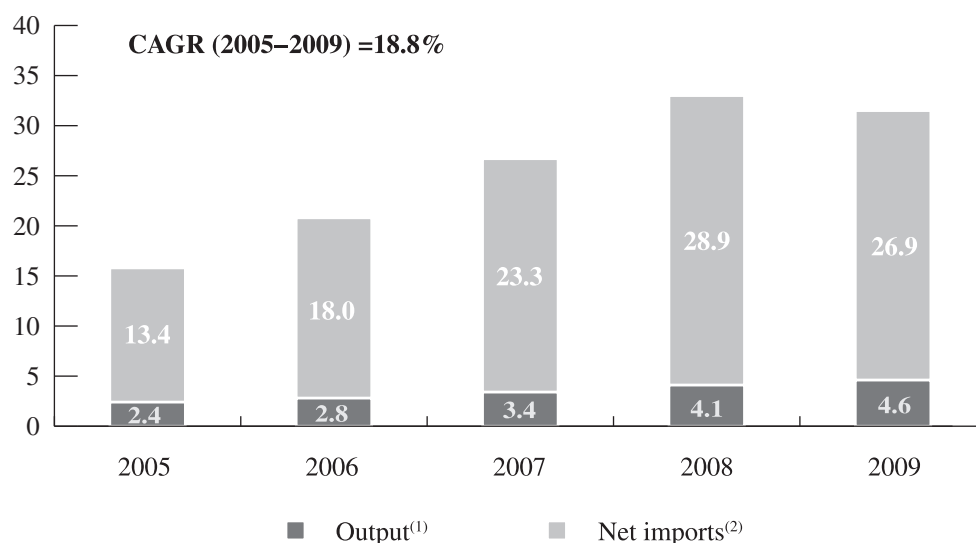
---

Source: CMMC

## Beige marble consumption

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

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



Source: Hatch

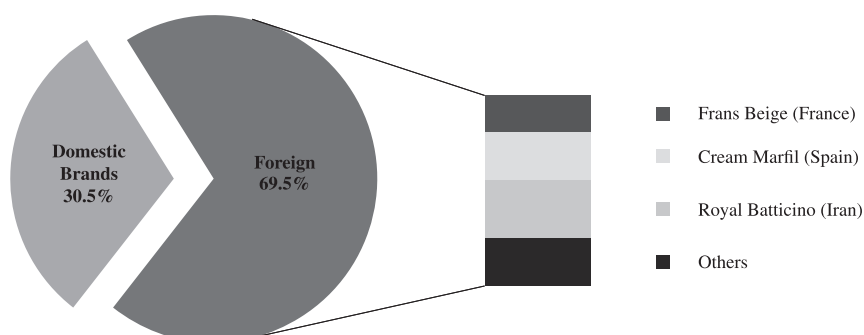
Notes:

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

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

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

**Chinese Beige Marble Consumption Breakdown by Brand**



Source: CMMC

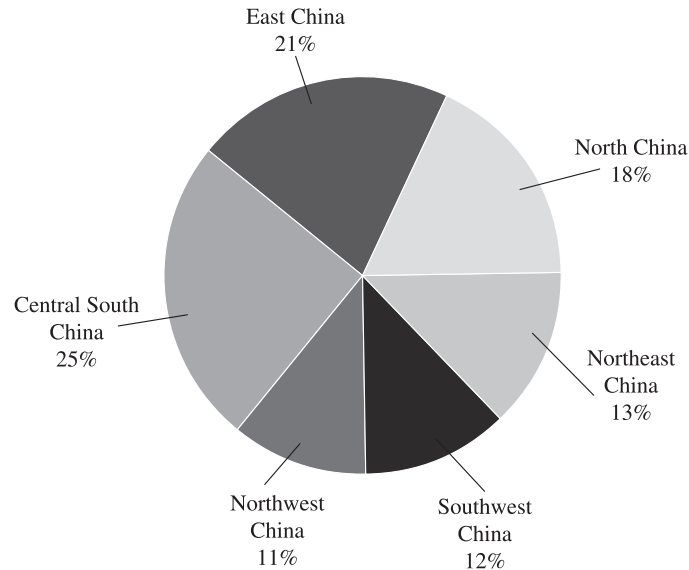
---

## INDUSTRY OVERVIEW

---

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

**Breakdown of Chinese Beige Marble Consumption by Region in 2009**



---

Source: CMMC

### **Beige marble trade**

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

### **Beige marble competition**

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

### ***Marble Prices***

#### **International marble prices**

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

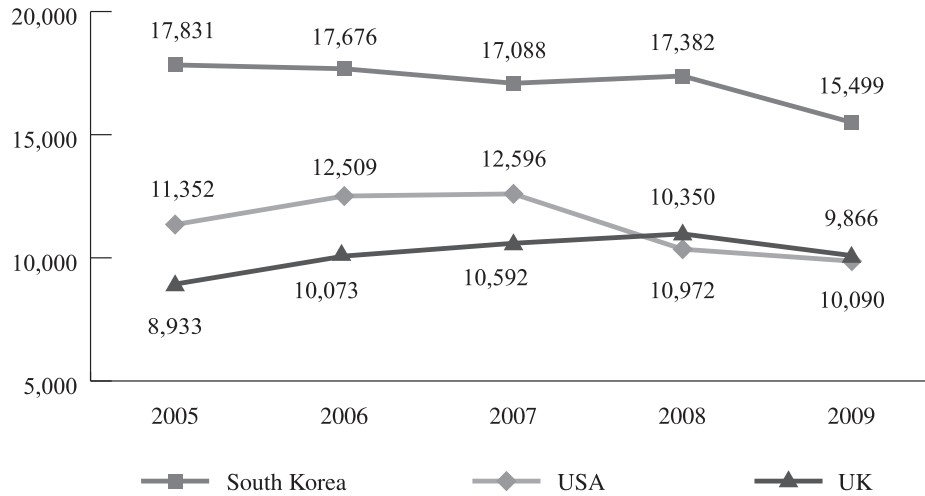
---

## INDUSTRY OVERVIEW

---

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

**Annual Average Price of Imported Marble Products  
in the United States, the UK and South Korea 2005–2009 (Unit: RMB/m<sup>3</sup>)**



Source: Hatch

### Chinese marble prices

Chinese marble prices vary from different type, color, figure, texture, production area, and especially the level of porosity. For example, the price of a standard 20 mm thick marble slab in Hubei and Guangxi is RMB60 to RMB70 per m<sup>2</sup>. However, the price of the Chinese White Jade, a famous marble product is around RMB200 to RMB300 per m<sup>2</sup>. Prices for stone products are generally stable compared to those of other major construction materials, such as steel. The average Chinese local marble product price has maintained more or less at RMB150 per m<sup>2</sup> since 2005.

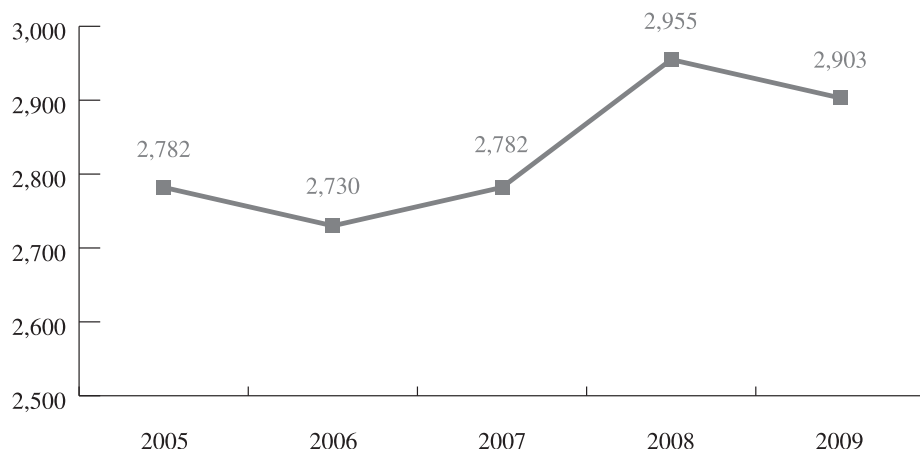
---

## INDUSTRY OVERVIEW

---

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

**Average Annual Price of Imported Marble Raw Materials in China (Unit: RMB/m<sup>3</sup>)**

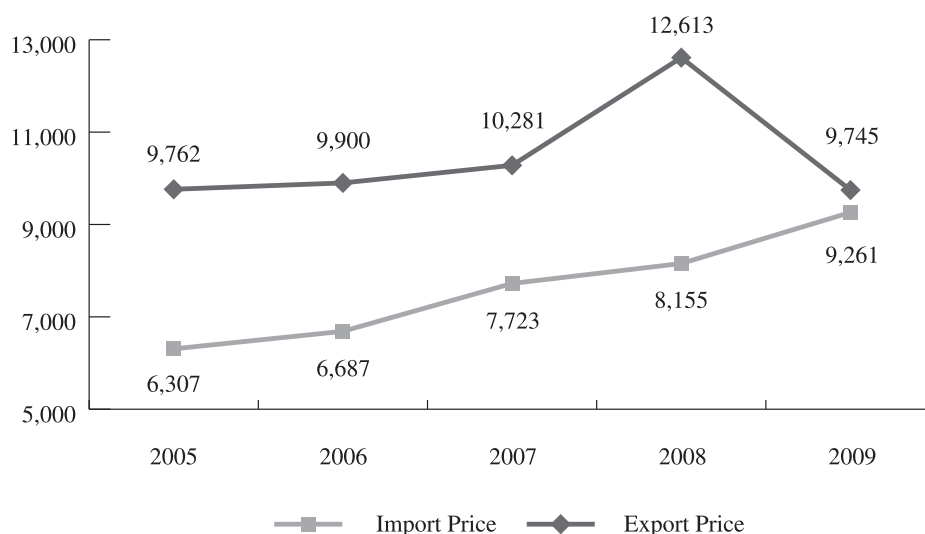


Source: Hatch

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

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

**Average Annual Prices of Imported and Exported Marble Products in China (Unit: RMB/m<sup>3</sup>)**



Source: Hatch



## INDUSTRY OVERVIEW

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

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

### Beige marble prices

According to the Hatch Report, the local beige marble slab (600 mm x 600 mm x 20 mm) was priced at a relatively stable price at RMB150 per m<sup>2</sup> during the period from 2005 to 2009. However, the prices of well-known foreign branded beige marbles were much higher. According to Hatch, the selling price of Iran's Royal Batticino was as high as RMB1,300 per m<sup>2</sup>. The following tables set forth the market prices of foreign and domestic brand beige marble currently available in the PRC market in 2009:

#### Market Prices of Foreign Brand Beige Marble in 2009

Origin	Types	Price <sup>Note</sup> (RMB/m <sup>2</sup> )
Spain . . . . .	Cream Marfil	950
France . . . . .	Frans Beige	1,200
Iran . . . . .	Royal Batticino	1,300

Source: Hatch

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

#### Market Prices of Domestic Brand Beige Marble in 2009

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

Source: Hatch

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

---

## INDUSTRY OVERVIEW

---

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

### INDUSTRY POLICIES AND CODES

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

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

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

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

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

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

---

## INDUSTRY OVERVIEW

---

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

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

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

## SOURCES OF INFORMATION

### *Hatch Report*

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

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

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

---

## INDUSTRY OVERVIEW

---

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

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

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

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

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

### CSMA

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

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

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

---

## INDUSTRY OVERVIEW

---

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

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