

### HISTORY AND DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

Name	Percentage of shareholding in Sichuan Jinshida (%)
Jiucheng Mining <sup>(1) and (6)</sup> . . . . .	85.0
Ms. Li Xiaohong <sup>(2)</sup> . . . . .	15.0
Total . . . . .	<u>100.0</u>

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

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

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

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

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

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

*Notes:*

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

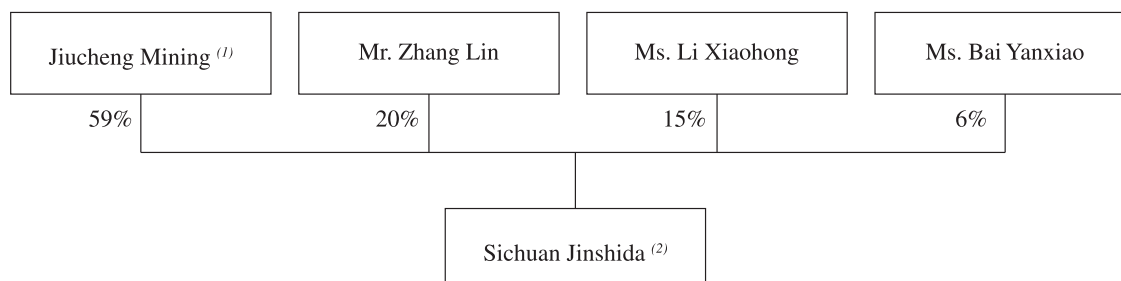
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better received by the local government as a legal entity shareholder of a mining company due to its track record in the mining industry. Our PRC legal adviser, Commerce & Finance, has confirmed that there was no legal impediment for Mr. Huang to hold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

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



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*Notes:*

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

## CORPORATE REORGANIZATION

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

### *Incorporation of the Company*

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

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

### *Incorporation of Offshore Companies*

#### **Kingstone Industrial**

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

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### **Hong Kong Kingstone**

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

### ***Establishment of Guangzhou Kingstone***

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

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

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

### ***Issuance of the Exchangeable Note***

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

### ***Exchange of the Exchangeable Note***

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

### PRC LEGAL COMPLIANCE

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

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

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

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

### THE EXCHANGEABLE NOTE

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

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

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

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

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

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

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

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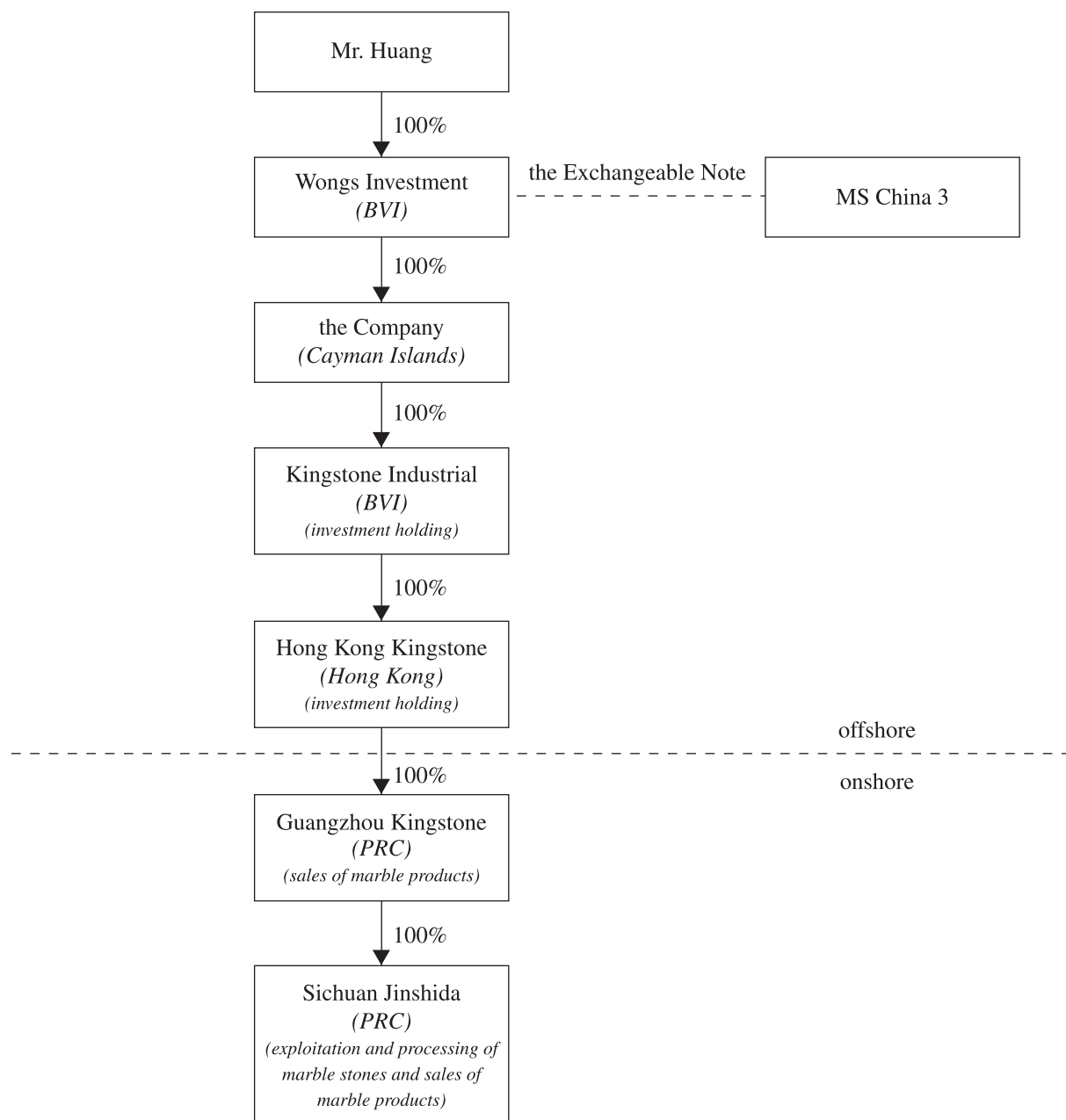
## HISTORY AND CORPORATE DEVELOPMENT

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

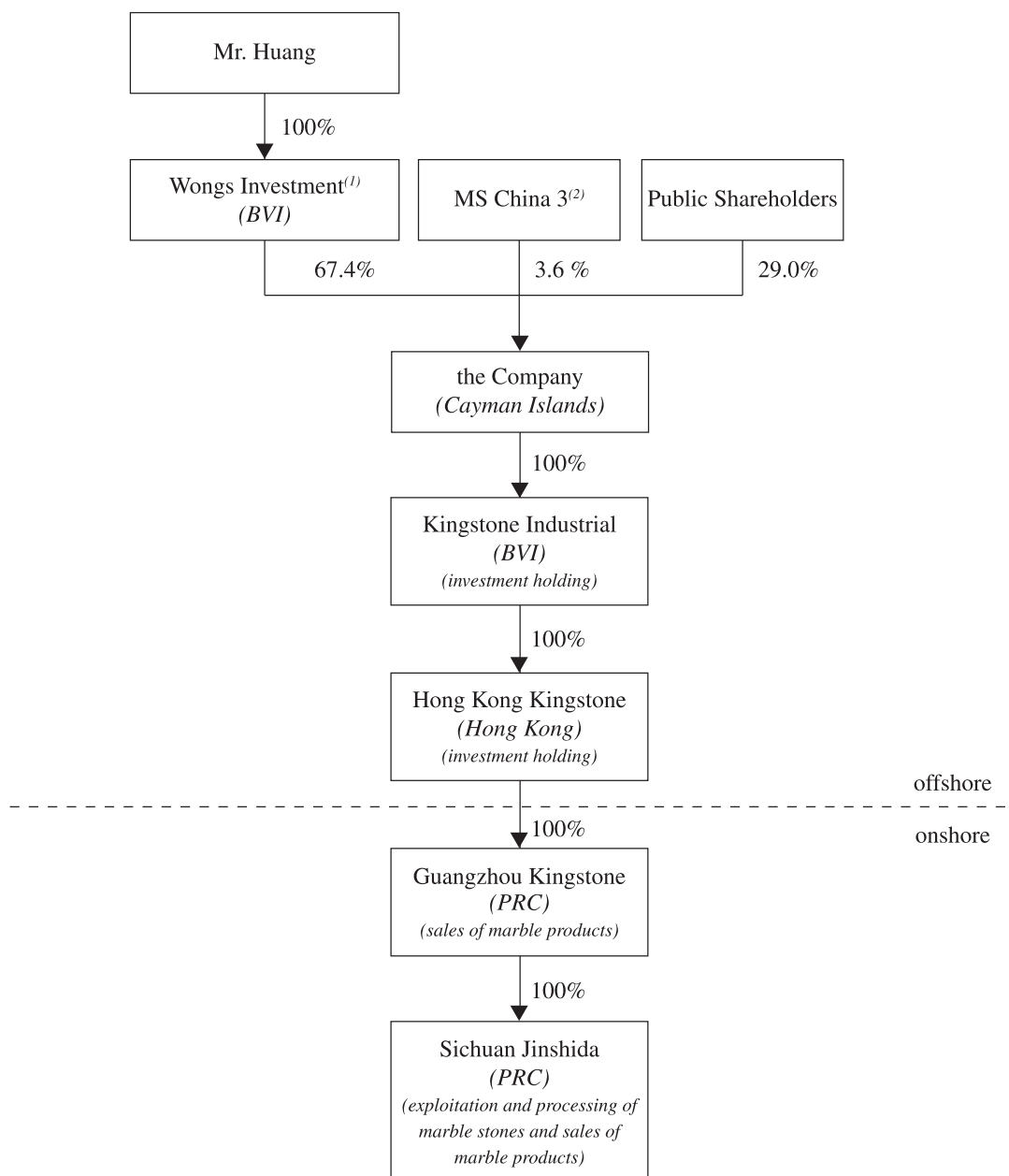
### OUR CORPORATE STRUCTURE

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



## HISTORY AND CORPORATE DEVELOPMENT

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

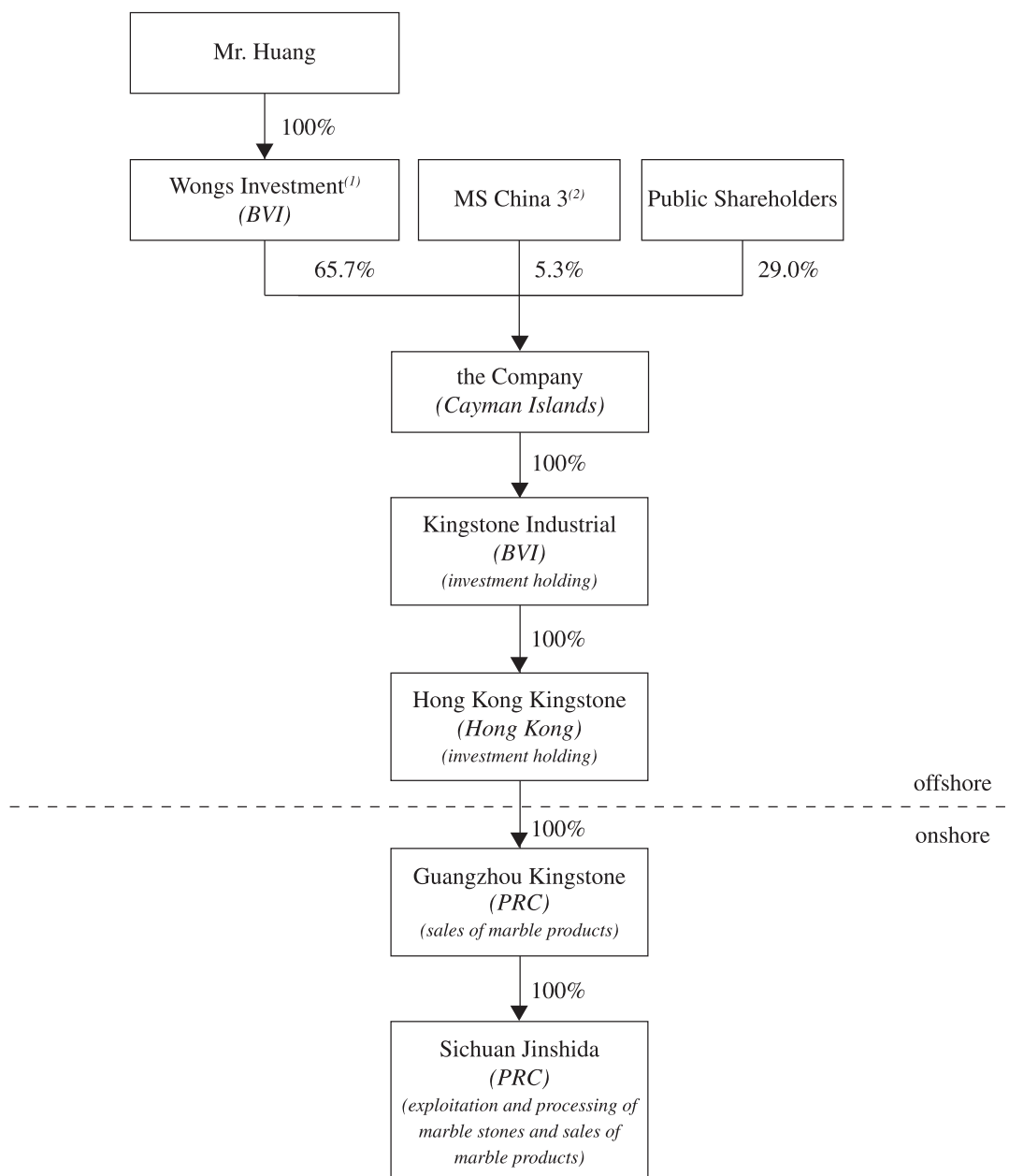


*Notes:*

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

## HISTORY AND CORPORATE DEVELOPMENT

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



*Notes:*

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