ERNST & YOUNG
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7 March 2011

The Directors
China Kingstone Mining Holdings Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information regarding China Kingstone Mining Holdings Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group"), prepared on the basis set out in Note 2 of Section II below, for the period from 14 March 2008 (date of the business combination of the Group under common control) to 31 December 2008, the year ended 31 December 2009 and the eleven months ended 30 November 2010 (the "Relevant Periods") and the financial information for the eleven months ended 30 November 2009 (the "30 November 2009 Financial Information"), for inclusion in the prospectus of the Company dated 7 March 2011 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 29 March 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization (the "Reorganization"), details of which are further described in the "History and Corporate Development — Reorganization" section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group. The Reorganization became effective on 30 July 2010.

The Group is principally engaged in the production and sale of marble stones and marble related products and started commercial production in September 2010.

Particulars of the subsidiaries of the Company at the date of this report are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid-up share/ registered paid-up capital	Percentage of equity interests attributable to the Company	Principal activities
			%	
Subsidiaries				
Directly held:				
Kingstone Industrial Investment Limited[(1), (3)] ("Kingstone Industrial")	British Virgin Islands 7 April 2010	US$50,000	100	Investment holding
Indirectly held:				
Kingstone (HK) Group Limited[(1), (3)] ("HK Kingstone") 金石(香港)集團有限公司	Hong Kong 14 April 2010	HK$10,000	100	Investment holding
Kingstone (Guangzhou) Stone Industry Co., Ltd.[(1), (3)] ("Guangzhou Kingstone") 金石(廣州)石業有限公司	People's Republic of China ("PRC") 26 May 2010	US$30,000,000	100	Investment holding
Sichuan Jiangyou Golden Time Stone Co., Ltd.[(2)] ("Sichuan Jinshida") 四川江油金時達石業有限公司	PRC 20 September 2005	RMB10,000,000	100	Mining, development

Notes:

(1) As at the date of this report, no audited financial statements of these companies have been prepared since their dates of incorporation as these companies have not carried on any business other than the Reorganization described in the "History and Corporate Development — Reorganization" section in the Prospectus.

(2) The statutory financial statements of Sichuan Jinshida for the year ended 31 December 2008 were audited by Sichuan Sanzheng Certified Public Accountants Co., Ltd. (四川三正會計師事務所有限責任公司), certified public accountants registered in the PRC. The statutory financial statements of Sichuan Jinshida for the year ended 31 December 2009 were audited by Sichuan Huazheng Certified Public Accountants Co., Ltd. (四川華正會計師事務所有限責任公司), certified public accountants registered in the PRC.

(3) On 13 August 2010, MS China 3 Limited ("MS China 3"), an independent third party, entered into a note purchase agreement (the "Note Purchase Agreement") with the Company, the controlling shareholder of the Company and Wongs Investment Development Holdings Group Limited ("Wongs Investment"), the holding company of the Company, pursuant to which MS China 3 agreed to purchase a note in the aggregate principal amount of US$15 million issued by Wongs Investment, exchangeable into the shares of the Company owned and held by Wongs Investment (the "Exchangeable Note").

Pursuant to the Note Purchase Agreement, the shares of Wongs Investment, Kingstone Industrial, HK Kingstone, Guangzhou Kingstone and the Company are pledged to MS China 3 as the security of the Exchangeable Note. All such securities granted under the Note Purchase Agreement shall be fully released upon Listing.

The English names of certain subsidiaries and auditors registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

All the companies now comprising the Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared by the Company since the date of its incorporation as it was newly incorporated and has not carried out any business other than the Reorganization. The statutory audited financial statements of Sichuan Jinshida were prepared in accordance with generally accepted accounting principles and the relevant financial regulations of the PRC.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the companies now comprising the Group for the Relevant Periods (the "IFRS Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB").

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods, and the consolidated statements of financial position of the Group as at 31 December 2008 and 2009 and 30 November 2010, and the statement of financial position of the Company as at 30 November 2010 together with the notes thereto (collectively the "Financial Information") have been prepared based on the IFRS Financial Statements on the basis set out in Note 2 under Section II "Notes to Financial Information" below, for the purpose of preparing this report for inclusion in the Prospectus.

The Directors are responsible for the preparation and the true and fair presentation of the Financial Information, the 30 November 2009 Financial Information and the contents of the Prospectus in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and making accounting estimates that are reasonable in the circumstances. In preparing the Financial Information and the 30 November 2009 Financial Information, it is fundamental that appropriate accounting policies are selected and consistently applied.

It is our responsibility to form an independent opinion and a review conclusion, based on our audit and review on the Financial Information and the 30 November 2009 Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION

For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Financial Information in the preparation of this report for inclusion in the Prospectus.

PROCEDURES PERFORMED IN RESPECT OF THE 30 NOVEMBER 2009 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review of the 30 November 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 November 2009 Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information prepared on the basis of presentation set out in Note 2 of Section II below gives, for the purpose of this report, a true and fair view of the consolidated results and cash flows of the Group for each of the Relevant Periods and of the state of affairs of the Group as at 31 December 2008 and 2009 and 30 November 2010 and of the Company as at 30 November 2010.

REVIEW CONCLUSION IN RESPECT OF THE 30 NOVEMBER 2009 FINANCIAL INFORMATION

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the 30 November 2009 Financial Information, for the purpose of this report and on the basis set out in note 2 of Section II below, does not give a true and fair view of the consolidated results and cash flows of the Group for the eleven months period ended 30 November 2009.

I. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

	Notes	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	2010
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	—	—	—	1,771
Cost of sales		—	—	—	(717)
Gross profit		—	—	—	1,054
Other income	5	3	2	2	31
Selling and distribution costs		(63)	(270)	(244)	(472)
Administrative expenses		(1,200)	(2,610)	(2,181)	(23,134)
Other expenses		(720)	(690)	(203)	(728)
Finance costs	6	(25)	(2,042)	(1,780)	(2,129)
Loss before tax	6	(2,005)	(5,610)	(4,406)	(25,378)
Income tax benefit	8	253	241	193	4,143
Loss for the year/period		(1,752)	(5,369)	(4,213)	(21,235)
Other comprehensive loss:					
Exchange differences on translation of foreign operations		—	—	—	(2,113)
Total comprehensive loss for the year/period attributable to owners of the Company		(1,752)	(5,369)	(4,213)	(23,348)
Loss per share attributable to ordinary equity holders of the Company:					
— Basic	9	N/A	N/A	N/A	N/A

Consolidated statements of financial position

	Notes	31 December 2008 RMB'000	31 December 2009 RMB'000	30 November 2010 RMB'000
Non-current assets				
Property, plant and equipment	10	16,063	23,812	83,292
Intangible assets	11	21,360	23,677	23,676
Prepaid land lease payments	12	—	—	2,392
Goodwill	14	2,966	2,966	2,966
		40,389	50,455	112,326
Current assets				
Cash and cash equivalents	16	739	5,670	86,741
Prepayments, deposits and other receivables	17	332	422	9,837
Inventories	18	—	—	712
Due from the holding company	22	—	—	1,265
		1,071	6,092	98,555
Current liabilities				
Interest-bearing borrowings	19	800	11,860	70,000
Trade payables	20	—	—	124
Other payables and accruals	21	6,208	5,396	13,038
Due to the controlling shareholder	22	17,200	27,419	—
		24,208	44,675	83,162
Net current assets/(liabilities)		(23,137)	(38,583)	15,393
Total assets less current liabilities		17,252	11,872	127,719
Non-current liabilities				
Deferred income	23	—	230	210
Deferred tax liabilities	15	4,524	4,283	140
		4,524	4,513	350
Net assets		12,728	7,359	127,369
Equity				
Equity attributable to owners of the Company				
Share capital	24	—	—	—
Reserves	25	12,728	7,359	127,369
Total equity		12,728	7,359	127,369

Consolidated statements of changes in equity

	Share capital	Capital reserve*	Contributed reserve*	Foreign currency translation reserve*	Accumulated losses*	Total equity
	RMB'000 Note 24	RMB'000 Note 25(a)	RMB'000 Note 25(b)	RMB'000	RMB'000	RMB'000
At 14 March 2008	—	—	14,480	—	—	14,480
Total comprehensive loss for the period	—	—	—	—	(1,752)	(1,752)
At 31 December 2008 and 1 January 2009	—	—	14,480	—	(1,752)	12,728
Total comprehensive loss for the year	—	—	—	—	(5,369)	(5,369)
At 31 December 2009 and 1 January 2010	—	—	14,480	—	(7,121)	7,359
Issue of ordinary share**	—	—	—	—	—	—
Capital injection	—	143,358	—	—	—	143,358
Total comprehensive loss for the period	—	—	—	(2,113)	(21,235)	(23,348)
At 30 November 2010	—	143,358	14,480	(2,113)	(28,356)	127,369
(Unaudited)						
At 1 January 2009	—	—	14,480	—	(1,752)	12,728
Total comprehensive loss for the period	—	—	—	—	(4,213)	(4,213)
At 30 November 2009	—	—	14,480	—	(5,965)	8,515

* These reserve accounts comprise the combined reserves in the consolidated statements of financial position.

** On 29 March 2010, the Company issued one share with a par value of HK$0.10.

Consolidated statements of cash flows

	Notes	Period from 14 March to 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Eleven months ended 30 November 2009 RMB'000 (Unaudited)	Eleven months ended 30 November 2010 RMB'000
Cash flows from operating activities					
Loss before tax		(2,005)	(5,610)	(4,406)	(25,378)
Adjustments for:					
Depreciation of property, plant and equipment	6, 10	345	873	805	1,235
Less: Depreciation capitalized	6	(287)	(793)	(733)	(1,047)
		58	80	72	188
Amortization of intangible assets	6	—	—	—	1
Amortization of prepaid land lease payments	6	—	—	—	6
Loss on disposal of items of property, plant and equipment	6	337	666	169	256
Interest on borrowings	6	22	1,946	1,690	1,959
Guarantee costs	6	—	80	80	120
Foreign exchange loss	6	—	—	—	435
Interest income	5	(3)	(2)	(2)	(25)
Deferred income released		—	—	—	(20)
		(1,591)	(2,840)	(2,397)	(22,458)
Increase in prepayments, deposits and other receivables		(61)	(90)	(79)	(606)
Increase in inventories		—	—	—	(712)
Increase in trade payables		—	—	—	124
Increase in amount due from the holding company		—	—	—	(1,265)
Increase in other payables and accruals		64	964	674	5,739
Net cash flows used in operating activities		(1,588)	(1,966)	(1,802)	(19,178)
Cash flows from investing activities					
Purchase of items of property, plant and equipment		(6,503)	(11,521)	(9,687)	(62,214)
Proceeds from disposal of items of property, plant and equipment		60	1,117	1,111	175
Purchase of mining rights		—	(2,317)	(2,317)	—
Payment for prepaid land lease payments		—	—	—	(2,398)
Proceeds from government grants*		—	230	230	—
Interest received		3	2	2	25
Net cash flows used in investing activities		(6,440)	(12,489)	(10,661)	(64,412)

	Notes	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from financing activities					
Proceeds from interest-bearing borrowings		800	11,060	11,060	70,000
Capital injection		—	—	—	143,358
Repayment of interest-bearing borrowings		—	—	—	(11,860)
Advance from the controlling shareholder		6,995	11,594	3,789	52,260
Repayment to the ultimate controlling shareholder		—	(1,375)	(1,375)	(79,679)
Payment of global offering costs		—	—	—	(4,863)
Interest and guarantee costs paid		—	(1,893)	(1,627)	(2,007)
Net cash flows from financing activities		7,795	19,386	11,847	167,209
Net increase/(decrease) in cash and cash equivalents		(233)	4,931	(616)	83,619
Cash and cash equivalents at beginning of year/period		972	739	739	5,670
Net foreign exchange difference		—	—	—	(2,548)
Cash and cash equivalents at end of year/period		739	5,670	123	86,741
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	16	739	5,670	123	86,741

* The proceeds were granted by the local government for supporting the mining development of Sichuan Jinshida under the post-quake restoration and reconstruction program launched by the local government.

The statement of financial position of the Company

	Notes	30 November 2010 RMB'000
Non-current assets		
Investments in subsidiaries	13	—
Due from subsidiaries	13	139,974
		139,974
Current assets		
Cash and cash equivalents	16	395
Prepayments, deposits and other receivables	17	4,863
		5,258
Current liabilities		
Other payables and accruals	21	4,582
Due to subsidiaries	13	15,463
Due to the holding company	22	387
		20,432
Net current assets/(liabilities)		(15,174)
Total assets less current liabilities		124,800
Net assets		124,800
Equity		
Share capital	24	—
Reserves		124,800
Total equity		124,800

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND REORGANIZATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 March 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands under the name of China Kingstone Mining Holdings Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Group is principally engaged in the production and sale of marble stones and marble related products and started its commercial production in September 2010.

Pursuant to the Reorganization as described in the "History and Corporate Development — Reorganization" section in the Prospectus, the Company became the holding company of the subsidiaries now comprising the Group on 30 July 2010.

The holding company of the Company is Wongs Investment Development Holdings Group Limited, which is incorporated in the British Virgin Islands, and the ultimate controlling shareholder of the Company is Mr. Huang Xianyou.

2. BASIS OF PRESENTATION

The Reorganization involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of this report, the Financial Information as set out in this report has been prepared on a consolidated basis by applying the principles of merger accounting.

The Financial Information has been prepared as if the current Group structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period.

For subsidiaries historically acquired by the Group during the Relevant Periods, their financial statements are consolidated from their respective dates of acquisition. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Except for Sichuan Jinshida, all other companies now comprising the Group are newly incorporated and engaged in investment holding. As the ultimate controlling shareholder obtained the control over Sichuan Jinshida on 14 March 2008, and there were no transactions between 1 January 2008 and 13 March 2008 having impact on the Financial Information, the Relevant Periods commenced from 14 March 2008.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise standards and interpretations issued by the International Accounting Standards Board (the "IASB"), and interpretations of the International Financial Reporting Interpretations Committee. All IFRSs effective for the accounting periods commencing from 1 January 2008, 2009 and 2010, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods, except for IFRS 3 (Revised) and IAS 27 (Revised) that have been adopted by the Group from 1 January 2010.

The accounting policies set out in Note 3.3 of Section II below have been applied consistently to the Financial Information throughout the Relevant Periods, except for those that have been applied from 1 January 2010. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The Financial Information has been prepared on a historical cost basis and presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information.

IAS 32 Amendment	*Presentation — Classification of Rights Issues*[1]
IFRS 1 Amendment	*Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2]
IFRS 1 Amendment	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IFRIC 14 Amendments	*Prepayments of a Minimum Funding Requirement*[3]
IFRS 7 Amendments	*Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
IFRS 9	*Financial Instruments*[6]
IAS 12 Amendments	*Deferred Tax: Recovery of Underlying Assets*[5]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The IFRS 1 Amendment relieves first-time adopters of IFRSs from providing the additional disclosures introduced by *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7) issued in March 2009. As the Group is not a first-time adopter of IFRSs when IFRS 1 becomes effective, the amendment will not have any financial impact on the Group.

IFRS 9 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories as currently required by IAS 39, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirement of IAS 39.

In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities. The Group expects to adopt IFRS 9 from 1 January 2013.

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. The adoption of the revised standard is unlikely to have any significant impact on the related party disclosures of the Group. The Group is not a government entity.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the IFRIC 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are a consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognized in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. The interpretation will only have a material financial impact on the Group in the event that it undertakes such a transaction in the future.

IFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets, including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and the comparative disclosures are not required for any period beginning before that date.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt all these amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies and additional disclosures, none of these amendments are expected to have a significant financial impact on the Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Group controls, directly or indirectly, so as to obtain benefits from its activities.

Business combination and goodwill

Business combination from 1 January 2010

Business combinations not under common control are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the date through profit or loss.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses in the consolidated statements of financial position as an asset. The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment testing of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit (or group of cash-generating units) retained.

Business combination prior to 31 December 2009

In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

Impairment of non-financial assets other than goodwill

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	10–15 years
Plant and machinery	5–15 years
Office equipment	5 years
Motor vehicles	5–10 years

Depreciation of mining infrastructure is calculated using the Units of Production ("UOP") method to write off the cost of the assets proportionately to the extraction of the proved and probable mineral reserves.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Stripping costs

Stripping costs incurred in the development of a mine before production commences are capitalized in property, plant and equipment as part of the cost of constructing the mine, and subsequently amortized over the life of the mine on a UOP basis.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

The estimated useful life of the mining right is based on its unexpired period, i.e., no later than 1 June 2017.

Leases

Leases that transfer substantially all the risks and rewards of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments represent the acquisition cost of state-owned land use rights in Mainland China. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include cash and bank balances, deposits and other receivables.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in profit or loss. The loss arising from impairment is recognized in profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the controlling shareholder and interest-bearing borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, conveyor or other delivery mechanisms.

Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other income in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in RMB, as this is the principal currency of the economic environment on which the Group operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The assets and liabilities of foreign operations are translated into RMB at the rate of exchange prevailing at end of the reporting period and their income and expenses are translated at the weighted average exchange rates of each reporting period. The exchange differences arising on the translation are recognized in other comprehensive income.

Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are charged to profit or loss as they become payable in accordance with the rules of the defined contribution retirement benefit plans.

3.4 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Financial Information requires management to make significant estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, the inherent uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Goodwill impairment

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 and 2009 and 30 November 2010 was RMB2,966,000. More details are given in Note 14.

(b) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than those previously estimated, or it will record reserve for technically obsolete assets that have been abandoned.

(c) Impairment of non-financial assets (other than goodwill)

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying amount of the property, plant and equipment, including mining infrastructure, and mining rights are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment as at 31 December 2008 and 2009 and 30 November 2010 were RMB16,063,000, RMB23,812,000, and RMB83,095,000, respectively. The carrying amounts of mining rights as at 31 December 2008 and 2009 and 30 November 2010 were RMB21,360,000, RMB23,677,000 and RMB23,676,000, respectively.

(d) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortization rates calculated on a UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(e) Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets as at 31 December 2008 and 2009 and 30 November 2010 were RMB629,000, RMB852,000 and RMB4,851,000, respectively.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services. The Group has one operating segment, which is mining development, during the Relevant Periods. Further, all the principal assets employed by the Group are located in Sichuan Province, the PRC. Accordingly, no segment analysis is provided.

Revenue from one customer amounted to RMB1,689,000 arising from sales of marble slabs during the eleven months ended 30 November 2010.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. The Group commenced its commercial production in September 2010, before when there were no revenue, trade discounts or returns.

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
			2009	2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales revenue				
Marble slabs	—	—	—	1,689
Marble blocks	—	—	—	82
Total operating sales revenue	—	—	—	1,771
Other Income	3	2	2	31

Other income mainly represents bank interest income during the Relevant Periods.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs (including directors' remuneration *(Note 7)*):				
Wages and salaries	870	1,838	1,627	4,368
Pension scheme contributions				
— Defined contribution scheme	174	368	325	493
Other staff benefits	208	434	373	664
	1,252	2,640	2,325	5,525
Less: Staff costs capitalized	(724)	(1,965)	(1,771)	(2,838)
	528	675	554	2,687
Global offering costs	—	—	—	14,848
Interest on borrowings wholly repayable within five years	22	1,946	1,690	1,959
Guarantee costs*	—	80	80	120
Bank charges	3	16	10	50
Total finance costs	25	2,042	1,780	2,129
Auditors' remuneration	1	1	1	1
Amortization of intangible assets	—	—	—	1
Amortization of prepaid land lease payments	—	—	—	6
Depreciation of items of property, plant and equipment *(Note 10)*	345	873	805	1,235
Less: Depreciation capitalized	(287)	(793)	(733)	(1,047)
	58	80	72	188
Foreign exchange loss	—	—	—	435
Operating lease rentals for office	23	31	28	274
Loss on disposal of items of property, plant and equipment	337	666	169	256

* Guarantee costs represented guarantee fees paid to third party guarantors who provided guarantee for the Group's interest-bearing bank loans (Note 19)

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—
Other emoluments:				
Salaries, allowances and benefits in kind	—	—	—	744
Pension scheme contributions	—	—	—	—
	—	—	—	744

(a) ***Independent non-executive directors***

The independent non-executive directors are Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) ***Executive directors and non-executive directors***

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Eleven months ended 30 November 2010:				
Executive:				
Chen Tao	—	651	—	651
Lin Yuhua	—	34	—	34
Liao Yuanshi	—	19	—	19
Xiong Wenjun	—	40	—	40
	—	744	—	744

(c) ***Five highest paid employees***

The five highest paid employees during the Relevant Periods fall into the following categories:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
Directors	—	—	—	1
Non-directors	5	5	5	4
	5	5	5	5

Details of directors' remuneration are set out in Note 7 (b) above.

Details of the remuneration of the remaining non-director, highest paid employees during the Relevant Periods are as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	244	369	255	784
Pension scheme contributions	37	64	41	—
	281	433	296	784

The remuneration of each of the individuals in each year/period during the Relevant Period is below HK$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the persons who are directors of the Company, or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

8. INCOME TAX BENEFIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for the PRC corporate income tax ("CIT") is based on the respective CIT rates applicable to the subsidiaries located in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the Relevant Periods. The Group's subsidiaries located in Mainland China are subject to the PRC CIT rate of 25% from 2008.

The major components of income tax benefit for the Relevant Periods are as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current — Mainland China				
PRC CIT for the year/period	—	—	—	—
Deferred tax movement *(Note 15)*	(253)	(241)	(193)	(4,143)
Total tax credit for the year/period	(253)	(241)	(193)	(4,143)

A reconciliation of income tax benefit applicable to loss before tax at the applicable income tax rate in the PRC to income tax benefit of the Group for each of the Relevant Periods is as follows:

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November 2009	Eleven months ended 30 November 2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before tax	(2,005)	(5,610)	(4,406)	(25,378)
Tax at the applicable tax rate of companies within the Group	(501)	(1,403)	(1,102)	(6,345)
Expenses not deductible for tax*	248	1,162	909	2,202
Income tax credit at the Group's effective rate	(253)	(241)	(193)	(4,143)

* Expenses not deductible for tax mainly represent: (i) individual income tax concerning the interest of loans from independent third party individuals. The Company did not withhold the individual income tax when paying the interests for the loans from independent third party individuals. As a result, such provision for individual income tax cannot be deductible for tax; (ii) global offering costs, incurred by the Company for the eleven months ended 30 November 2010 are not expected to be tax deductible.

9. LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2 above.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Mining infrastructure	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 14 March 2008	362	2,195	144	403	—	4,314	7,418
Additions	—	6,270	18	—	—	3,534	9,822
Transfers	27	—	—	—	—	(27)	—
Disposals	—	(498)	—	—	—	—	(498)
At 31 December 2008 and 1 January 2009	389	7,967	162	403	—	7,821	16,742
Additions	—	464	17	292	—	9,632	10,405
Disposals	—	(2,304)	(5)	(101)	—	(13)	(2,423)
At 31 December 2009 and 1 January 2010	389	6,127	174	594	—	17,440	24,724
Additions	35	22,318	211	5,787	—	32,795	61,146
Transfers	3,137	—	—	—	21,908	(25,045)	—
Disposals	(27)	—	(2)	(500)	—	—	(529)
At 30 November 2010	3,534	28,445	383	5,881	21,908	25,190	85,341
Accumulated depreciation:							
At 14 March 2008	6	354	19	56	—	—	435
Provided for the period	29	264	19	33	—	—	345
Disposals	—	(101)	—	—	—	—	(101)
At 31 December 2008 and 1 January 2009	35	517	38	89	—	—	679
Provided for the year	40	754	31	48	—	—	873
Disposals	—	(575)	(2)	(63)	—	—	(640)
At 31 December 2009 and 1 January 2010	75	696	67	74	—	—	912
Provided for the period	48	902	46	225	14	—	1,235
Disposals	(5)	—	(5)	(88)	—	—	(98)
At 30 November 2010	118	1,598	108	211	14	—	2,049
Net carrying amount							
At 14 March 2008 *(Note 26)*	356	1,841	125	347	—	4,314	6,983
At 31 December 2008	354	7,450	124	314	—	7,821	16,063
At 31 December 2009	314	5,431	107	520	—	17,440	23,812
At 30 November 2010	3,416	26,847	275	5,670	21,894	25,190	83,292

As at 31 December 2009, certain property, plant and equipment of the Group with a net carrying amount of approximately RMB4,963,000 were pledged to non-related party guarantors who provided guarantee for the Group's interest-bearing bank loans (Note 19).

11. INTANGIBLE ASSETS

	Mining rights
	RMB'000
Cost:	
At 14 March 2008	21,360
Additions	—
At 31 December 2008 and 1 January 2009	21,360
Additions	2,317
At 31 December 2009 and 1 January 2010	23,677
Additions	—
Transfers	—
At 30 November 2010	23,677
Accumulated amortization:	
At 14 March 2008, 31 December 2008, 31 December 2009	—
Provided for the period	(1)
At 30 November 2010	(1)
Net carrying amount:	
At 14 March 2008 *(Note 26)*	21,360
At 31 December 2008	21,360
At 31 December 2009	23,677
At 30 November 2010	23,676

The mining rights represent rights for the mining of marble reserves in the Zhangjiaba Mine which is located in Jiangyou County, Sichuan Province, the PRC. The Mine is operated by Sichuan Jinshida. The local government granted the mining permit to Sichuan Jinshida for a term of 10 years to 1 June 2017.

12. PREPAID LAND LEASE PAYMENTS

	Prepaid land lease payments
	RMB'000
Cost:	
At 14 March 2008, 31 December 2008, 31 December 2009	—
Additions	2,398
At 30 November 2010	2,398
Accumulated amortization:	
At 14 March 2008, 31 December 2008, 31 December 2009	—
Provided for the period	(6)
At 30 November 2010	(6)
Net carrying amount:	
At 14 March 2008, 31 December 2008 31 December 2009	—
At 30 November 2010	2,392

Prepaid land lease payments represent the acquisition cost of state-owned land use rights in Mainland China, which is held under a medium term lease.

13. INVESTMENTS IN SUBSIDIARIES

	30 November 2010
	RMB'000
At cost:	
Kingstone Industrial*	—

* The cost of the investment in Kingstone Industrial is US$1.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

The Directors of the Company are of the opinion that the amount due from subsidiaries will not be collected within the next twelve months.

14. GOODWILL

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At cost:			
At beginning and end of year/period *(Note 26)*	2,966	2,966	2,966

Goodwill arose on the acquisition of Sichuan Jinshida which represented the excess of the cost of the business combination over the Group's interest in the net fair value of Sichuan Jinshida's identifiable assets and liabilities as at the date of the acquisition. Goodwill has been allocated to the Sichuan Jinshida cash-generating unit.

Impairment testing of goodwill

The recoverable amount of the cash-generating unit to which goodwill is allocated has been determined based on value-in-use calculation, using cash flow projections based on financial budgets covering a period to the expiry of the existing mining right, i.e., 1 June 2017. The discount rate applied to the cash flow projections is 13.36%.

Key assumptions were used in the value-in-use calculation of the cash-generating unit for each end of reporting period. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Estimated prices — the basis used to determine the value assigned to the estimated prices is based on market research and sales contracts signed with potential customers subsequent to 30 November 2010.

Estimated production volume and cost — the basis used to determine the value assigned to the estimated production volume and cost based on the current mining and processing development plan.

Estimated gross margins — the basis used to determine the value assigned to the estimated gross margins is based on estimated prices less production costs determined as explained above.

Discount rates — the discount rate used is before tax and reflects specific risks relating to the relevant unit.

15. DEFERRED TAX

The movements in deferred tax assets are as follows:

	Excess tax depreciation over book value of property, plant and equipment	Losses available for off-setting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000
At 14 March 2008 *(Note 26)*	50	321	371
Deferred tax credited to the consolidated statement of comprehensive income during the period *(Note 8)*	13	245	258
At 31 December 2008 and 1 January 2009	63	566	629
Deferred tax credited/(charged) to the consolidated statement of comprehensive income during the year *(Note 8)*	(40)	263	223
At 31 December 2009 and 1 January 2010	23	829	852
Deferred tax credited to the consolidated statement of comprehensive income during the period *(Note 8)*	(21)	4,170	4,149
At 30 November 2010	2	4,999	5,001

The movements in deferred tax liabilities are as follows:

	Fair value adjustments arising from acquisition of a subsidiary
	RMB'000
At 14 March 2008 *(Note 26)*	(5,148)
Deferred tax charged to the consolidated statement of comprehensive income during the period *(note 8)*	(5)
At 31 December 2008 and 1 January 2009	(5,153)
Deferred tax credited to the consolidated statement of comprehensive income during the year *(Note 8)*	18
At 31 December 2009 and 1 January 2010	(5,135)
Deferred tax credited to the consolidated statement of comprehensive income during the period *(Note 8)*	(6)
At 30 November 2010	(5,141)

As mentioned in Note 8, deferred tax assets and liabilities related to the PRC subsidiaries have been provided at an enacted corporate income tax rate of 25%.

For the presentation purpose, deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2008	31 December 2009	30 November 2010
	RMB'000	RMB'000	RMB'000
Deferred tax assets recognized in the consolidated statements of financial position	629	852	5,001
Deferred tax liabilities recognized in the consolidated statements of financial position	(5,153)	(5,135)	(5,141)
	(4,524)	(4,283)	(140)

16. CASH AND CASH EQUIVALENTS

Group

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at banks	739	5,670	86,741

The Group's cash and bank balances are all denominated in RMB at each end of reporting period, except for the following:

	RMB equivalent		
	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash at banks (HK$)	—	—	69
Cash at banks (US$)	—	—	67,809

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Company

	RMB equivalent 30 November 2010
	RMB'000
Cash at banks (HK$)	9
Cash at banks (US$)	386
Cahs at banks	395

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the consolidated statements of financial position approximate to their fair values.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Prepayments:			
Prepayment for purchase of			
— Raw materials	7	87	267
— Utilities	10	68	133
— Deferred global offering costs	—	—	4,863
Prepaid operating lease rentals to be amortized within one year			
— Office	21	30	44
Deposits	108	102	—
Deductable VAT	—	—	3,946
Other receivables	186	135	584
Total	332	422	9,837

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

Deferred global offering costs represent legal and other professional fees relating to the proposed issuance of the shares of the Company, which will be listed on the main board of the Stock Exchange, and they will be deducted from equity when the Company completes the listing of its shares (the "Listing").

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

Company

As at November 30, 2010, prepayments, deposits and other receivables mainly represent deferred global offering costs amounting to RMB4,863,000. Deferred global offering costs represent legal and other professional fees relating to the Listing which will be deducted from equity when the Company completes the Listing.

18. INVENTORIES

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At cost:			
Marble blocks and slabs	—	—	294
Materials and supplies	—	—	418
Total inventories	—	—	712

19. INTEREST-BEARING BORROWINGS

		31 December		30 November
		2008	2009	2010
	Notes	RMB'000	RMB'000	RMB'000
Repayable within one year:				
Bank loans				
— unsecured	(a)	—	—	70,000
— secured and guaranteed	(b)	—	4,000	—
Other borrowings — unsecured	(c)	800	7,860	—
		800	11,860	70,000

At each end of reporting period, all interest-bearing borrowings of the Group are denominated in RMB. The carrying amounts of the Group's bank loans approximate to their fair values.

(a) These unsecured bank loans are borrowed from Guangdong Development Bank and China Construction Bank, with amounts of RMB60,000,000 and RMB10,000,000, respectively, and bear interest at fixed rate per annum in the range from 4% to 5%.

(b) As at 31 December 2009, bank loans bore interest at a fixed interest rate of 6.903% per annum and was guaranteed by Jiangyou Yintong Credit Guarantee Co., Ltd. (江油銀通信用擔保有限公司), which is a non-related party engaged in the guarantee business. In accordance with the guarantee agreement entered into among Sichuan Jinshida, Jiangyou Yintong Credit Guarantee Co., Ltd. and Guangzhou Jiucheng Mining Co., Ltd. ("Jiucheng Mining"), a related party of the Company, Sichuan Jinshida agreed to pay guarantee costs at a rate of 2% of the guaranteed loan principal, and to secure certain of its property, plant and equipment with a net carrying amount of approximately RMB4,963,000 (Note 10) to Jiangyou Yintong Credit Guarantee Co., Ltd.; and Jiucheng Mining agreed to provide a counter-guarantee to Jiangyou Yintong Credit Guarantee Co., Ltd. free of charge.

The guarantee was fully released in August 2010 when the Group fully repaid this bank loan.

(c) The other borrowings were borrowed from several independent third party individuals and bore interest at a fixed interest rate of 36% per annum. The other borrowings were fully repaid in June 2010.

20. TRADE PAYABLES

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Trade payables	—	—	124

The carrying amounts of trade payables closely approximate to their fair values.

Trade payables are non-interest-bearing and are normally settled in 180 days.

An aged analysis of trade payables, based on the invoice date, is as follows:

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Outstanding balances with ages:			
Within 180 days	—	—	124

21. OTHER PAYABLES AND ACCRUALS

Group

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Advances from customers	97	97	116
Accruals related to:			
Property, plant and equipment	2,967	1,758	3,589
Taxes other than income tax	37	423	578
Payroll and welfare	559	1,368	3,161
Interest of borrowings	22	155	227
Global offering costs	—	—	3,786
Deposits received	400	100	176
Payable for rehabilitation	2,100	1,400	1,302
Other payables	26	95	103
	6,208	5,396	13,038

Company

	30 November 2010
	RMB'000
Accruals related to:	
Payroll and welfare	796
Global offering costs	3,786
	4,582

Other payables and accruals are non-interest-bearing and have average terms of one to three months.

The carrying amounts of other payables and accruals approximate to their fair values.

22. BALANCES WITH RELATED PARTIES

Group and Company

Balances with related parties are interest-free, unsecured and have no fixed term of repayment.

The carrying amounts of the balances with related parties approximate to their fair values.

The balances with the holding company as at 30 November 2010 were fully settled at the end of 2010.

23. DEFERRED INCOME

Deferred income balance represents government grants in relation to certain machinery with a useful life of 10 years.

24. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 29 March 2010, with authorized share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.10 each. Save for the Reorganization, the Company has not conducted any business since the date of its incorporation. As at 30 November 2010, one ordinary share was issued and fully paid by the holding company, with a par value of HK$0.1.

25. RESERVES

(a) ***Capital reserve***

During the period ended 30 November 2010, the holding company has made additional capital injections aggregating to US$21 million. However, the Company has not issued new ordinary shares to the holding company and temporarily recorded the capital injections in the capital reserve. Pursuant to a written resolution of the sole shareholder on 24 January 2011, the Directors of the Company are authorized to allot and issue a total of 1,499,999,999 shares credited as fully paid at par to the holders of shares on the register of members of the Company at the close of business on 24 January 2011 (or as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a share) by way of capitalization of the sum of HK$149,999,999.90 standing to the credit of the share premium account of the Company and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares.

(b) ***Contributed reserve***

The contributed reserve of the Group resulted from the preparation of the Financial Information on the basis of preparation set out in Note 2 of Section II. It represents the aggregate amount of the consideration of RMB24,480,000 paid to the former owners of Sichuan Jinshida by the controlling shareholder to obtain the control over Sichuan Jinshida by 14 March 2008 after netting off the investment cost of RMB10 million paid by the Group on the acquisition of the entire equity interest in Sichuan Jinshida from the controlling shareholder pursuant to the Reorganization, as if the acquisition had been completed from the beginning of the Relevant Periods. The corresponding liability of the investment cost of RMB10 million payable to the controlling shareholder arising from the acquisition pursuant to the Reorganization was classified as a current liability as at 31 December 2008 and 2009 and the balance was settled in November 2010.

26. BUSINESS COMBINATION

On 14 March 2008, the controlling shareholder completed the acquisition of a 100% equity interest in Sichuan Jinshida from independent third parties and Sichuan Jinshida was then under the control of the controlling shareholder. The total consideration for the acquisition was in the form of cash of RMB24,480,000 that was determined by an arm's length negotiation among the acquisition parties by reference to the then prevailing market price of marble and the mining reserve stated in the mining certificate.

The fair values of the identifiable assets and liabilities of Sichuan Jinshida as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognized on acquisition	Previous carrying value
		RMB'000	RMB'000
Property, plant and equipment	10	6,983	7,360
Intangible assets	11	21,360	391
Deferred tax assets	15	371	371
Cash and cash equivalents		972	972
Prepayments, deposits and other receivables		271	271
Other payables and accruals		(3,090)	(3,090)
Due to the controlling shareholder		(205)	(205)
Deferred tax liabilities	15	(5,148)	—
Net assets		21,514	6,070
Goodwill on acquisition	14	2,966	
Satisfied by cash		24,480	

27. COMMITMENTS AND CONTINGENCY

(a) *Capital commitments*

The Group did not have capital commitments at 31 December 2008 and 2009. As at 30 November 2010, The Group had the following capital commitments principally for the construction and purchase of property, plant and equipment.

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Authorized, but not contracted for	—	—	—
Contracted, but not provided for	—	—	363

(b) *Operating lease arrangements*

As lessee

The Group leases certain land premises under operating lease arrangements, with leases negotiated for terms ranging from 8 to 15 years with an option for renewal after that date, at which time all terms will be renegotiated.

At each end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December		30 November
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within one year	14	27	249
In the second to fifth years, inclusive	100	173	399
After five years	180	259	554
	294	459	1,202

(c) *Contingency*

On 13 August 2010, MS China 3 Limited ("MS China 3") entered into the Note Purchase Agreement with the Company, its holding company, Wongs Investment, and the controlling shareholder of the Company, pursuant to which MS China 3 agreed to purchase the Exchangeable Note in the aggregate principal amount of US$15 million issued by Wongs Investment, exchangeable into the shares of the Company owned and held by Wongs Investment.

Pursuant to the Note Purchase Agreement, the Company has indemnified each of MS China 3's stakeholder and their directors, officers and agents (collectively, the "Indemnified Persons") against any losses, claims, damages, liabilities, judgments, fines, obligations, expenses and liabilities of any kind or nature whatsoever, including any investigative, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any pending or threatened legal action or proceeding (collectively, "Losses") that any Indemnified Person may at any time become subject to or liable for in connection with claims by third parties by reason of the status of such stakeholder as stakeholder of the Company or of such director as a director of the Company, as the case may be, other than Losses arising from the gross negligence, willful misconduct, fraud or dishonesty of such Indemnified Person.

Moreover, the Company, Wongs Investment and the controlling shareholder have undertaken to jointly and severally indemnify, defend and hold harmless MS China 3 from and against any Losses resulting from or arising out of any claims against the Company or the Group relating to any tax liabilities that arose before the date of the Note Purchase Agreement (whether or not (i) such claims have been disclosed to MS China 3, (ii) such claims arise before or after the date hereof or (iii) MS China 3 has actual or constructive knowledge of such claims) for which full provision or reserve has not been made in the accounts and the management accounts of the Group as provided to MS China 3 prior to the date of the Note Purchase Agreement. All of the indemnify obligations will be terminated upon Listing.

28. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the Group had the following material transactions with related parties:

(i) As mentioned in Note 19, Jiucheng Mining, a related party controlled by the controlling shareholder of the Company, provided a counter-guarantee free of charge, to a third party guarantee company, which provided guarantee for the Group's bank loans with a carrying amount of RMB4,000,000 as at 31 December 2009. The Directors consider that the counter-guarantee provided by a related party was conducted based on terms more favorable than terms available from an independent third party. These guarantees were fully released in August 2010 and the Company does not expect to obtain guarantee from third parties after the Listing.

(ii) Mr. Huang Xianyou is the controlling shareholder of the Company. Pursuant to a financial support agreement entered into between Mr. Huang and Sichuan Jinshida on 1 April 2008, Mr. Huang agreed to provide interest-free funding with a cap amount of RMB100 million to Sichuan Jinshida for its mining development for five years from 14 March 2008. The Directors consider that the interest-free financial support provided by the controlling shareholder was conducted based on terms more favorable than terms available from an independent third party. The above financial support agreement was terminated on 3 March 2011.

(b) Outstanding balances with related parties:

Details of the Group's balances with related parties at each end of reporting period are disclosed in Note 22.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include advances from customers, other payables, amounts due to the controlling shareholder, and interest-bearing borrowings.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarized below.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings and advances from the controlling shareholder.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payment, is as follows:

31 December 2008

	On demand	less than 3 months	3 to less than 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank and other borrowings	—	—	1,064	—	1,064
Financial liabilities under other payables and accruals	—	5,489	—	—	5,489
Due to the controlling shareholder	17,200	—	—	—	17,200
	17,200	5,489	1,064	—	23,753

31 December 2009

	On demand	less than 3 months	3 to less than 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank and other borrowings	—	4,644	8,864	—	13,508
Financial liabilities under other payables and accruals	—	3,413	—	—	3,413
Due to the controlling shareholder	27,419	—	—	—	27,419
	27,419	8,057	8,864	—	44,340

30 November 2010

	On demand	less than 3 months	3 to less than 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest bearing bank and other borrowings	—	—	73,905	—	73,905
Trade payables	—	124	—	—	124
Financial liabilities under other payables and accruals	—	8,853	—	—	8,853
	—	8,977	73,905	—	82,882

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's bank deposits and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing borrowings are disclosed in Note 19. The Group manages its interest rate exposure from all of its interest-bearing borrowings through the use of fixed rates.

In addition, the Group does not consider that it has any significant exposure to the risk of changes in market interest rates from its bank deposits as a reasonably possible change of 25 basis points in the interest rates would have no material impact on the Group's consolidated statements of comprehensive income during the Relevant Periods.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's cash and cash equivalents are mainly deposits with state-owned banks in Mainland China. The credit risk of the Group's other financial assets, which comprise other receivables, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

During the Relevant Periods, the Group had no concentration of credit risk with any single counterparty.

Foreign currency risk

The Group's exposure to foreign currency risk relates to the Group's bank deposits denominated in US$.

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. Management monitors the Group's foreign currency exposure and will consider hedging significant foreign currency exposure when the needs arise.

The following table demonstrates the sensitivity to a 5.0% change in RMB against US$. The 5.0% is the rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign currency rate. The sensitivity analyses of the Group's exposure to foreign currency risk at the end of each reporting period have been determined based on the adjustment of translation of the monetary assets at the end of each reporting period for a 5.0% of change in RMB against US$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of cash and cash equivalents denominated in US$).

	Period from 14 March to 31 December 2008	Year ended 31 December 2009	Eleven months ended 30 November	
			2009	2010
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Increase/(decrease) in profit before tax:				
If RMB weakens against US$	—	—	—	3,390
If RMB strengthens against US$	—	—	—	(3,390)

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values due to the short-term maturity at each end of reporting period.

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Directors review the capital structure on a regular basis. During the start-up stage of the Group, the equity holders of the Company contributed capital based on the needs of the Group. The dividend policy will be established when the Group starts to generate significant revenues from its activities. Management will regularly review the capital structure.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital risk during the Relevant Periods.

30. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2011, written sole shareholder's resolutions were passed to approve matters described in the paragraph headed "Statutory and General Information — Further Information about the Company — Written Resolutions of the sole Shareholder passed on 24 January 2011" attached as Appendix VII to the Prospectus.

In February 2011, the Group obtained a new mining permit that covers substantially the same mining area as the permit obtained in 2009. This mining permit covers a mining area of 0.44 km^2 with an elevation from 590 m to 938 m above mean sea level.

On 3 March 2011, Mr. Huang Xianyou, the controlling shareholder of the Company, and Sichuan Jinshida signed an agreement to terminate the financial support agreement dated 1 April 2008.

III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF SICHUAN JINSHIDA

Pre-acquisition financial information of Sichuan Jinshida for the year ended 31 December 2007 and the period ended 13 March 2008 (the date prior to the effective date of acquisition of Sichuan Jinshida) (the "Pre-acquisition Periods") has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred hereafter as the "Financial Information of Sichuan Jinshida".

Sichuan Jinshida was established in the PRC on 20 September 2005 as a limited liability company. Sichuan Jinshida was in its preliminary marble mining development stage during the Pre-acquisition Periods.

1. FINANCIAL INFORMATION

Statements of comprehensive income

	Notes	Year ended 31 December 2007 RMB'000	Period from 1 January to 13 March 2008 RMB'000
Revenue	2.2	—	—
Cost of sales		—	—
Gross profit		—	—
Other income	2.2	14	5
Selling and distribution costs		(30)	—
Administrative expenses		(828)	(502)
Other expenses		(8)	(20)
Finance costs	2.3	(1)	—
Loss before tax	2.3	(853)	(517)
Income tax benefit	2.4	175	122
Loss for the year and total comprehensive loss for the year/period attributable to owners of the Company		(678)	(395)

Statements of financial position

	Notes	31 December 2007 RMB'000	13 March 2008 RMB'000
Non-current assets			
Property, plant and equipment	2.5	5,452	7,360
Intangible assets	2.6	391	391
Deferred tax assets	2.7	249	371
		6,092	8,122
Current assets			
Cash and cash equivalents	2.8	2,833	972
Prepayments, deposits and other receivables	2.9	98	271
		2,931	1,243
Current liabilities			
Other payables and accruals	2.10	2,353	3,090
Due to the controlling shareholder	2.11	205	205
		2,558	3,295
Net current assets/(liabilities)		373	(2,052)
Total assets less current liabilities		6,465	6,070
Net assets		6,465	6,070
Equity			
Equity attributable to owners of the Company			
Share capital		10,000	10,000
Accumulated losses		(3,535)	(3,930)
Total equity		6,465	6,070

Statements of changes in equity

	Share capital RMB'000	Accumulated losses RMB'000	Total equity RMB'000
At 1 January 2007	4,000	(2,857)	1,143
Capital injection	6,000	—	6,000
Total comprehensive loss for the year	—	(678)	(678)
At 31 December 2008 and 1 January 2008	10,000	(3,535)	6,465
Total comprehensive loss for the period	—	(395)	(395)
At 13 March 2008	10,000	(3,930)	6,070

Statements of cash flows

	Notes	Year ended 31 December 2007 RMB'000	Period from 1 January to 13 March 2008 RMB'000
Cash flows from operating activities			
Loss before tax		(853)	(517)
Adjustments for:			
Depreciation of property, plant and equipment	2.3, 2.5	260	92
Less: Depreciation capitalized	2.3	(255)	(87)
		5	5
Interest income	2.2	(14)	(5)
Decrease/(increase) in prepayments, deposits and other receivables		389	(173)
Increase/(decrease) in other payables and accruals		(173)	84
Net cash flows from operating activities		(646)	(606)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(3,234)	(1,260)
Purchase of mining rights		(391)	—
Interest received		14	5
Net cash flows used in investing activities		(3,611)	(1,255)
Cash flows from financing activities			
Proceeds from capital injection		6,000	—
Advance from the controlling shareholder		205	—
Net cash flows from financing activities		6,205	—
Net increase/(decrease) in cash and cash equivalents		1,948	(1,861)
Cash and cash equivalents at beginning of year/period		885	2,833
Cash and cash equivalents at end of year/period		2,833	972
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	2.8	2,833	972

2. NOTES TO THE FINANCIAL INFORMATION OF SICHUAN JINSHIDA

2.1 Principal accounting policies

The financial information of Sichuan Jinshida has been prepared in accordance with the accounting policies set out in Section II, Note 3.3 of this report: Summary of significant accounting policies.

2.2 Revenue and other income

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable. As Sichuan Jinshida had not commenced commercial production, there were no revenue, trade discounts or returns during the Pre-acquisition Periods.

Other income represents bank interest income during the Pre-acquisition Periods.

2.3 Loss before tax

Sichuan Jinshida's loss before tax is arrived at after charging:

	Year ended 31 December 2007	Period from 1 January to 13 March 2008
	RMB'000	RMB'000
Staff costs:		
Wages and salaries	493	245
Pension scheme contributions		
— Defined contribution scheme	84	61
Other staff benefits	65	66
	642	372
Less: Staff costs capitalized	(252)	(116)
	390	256
Bank charges	1	—
Auditors' remuneration	7	1
Depreciation of items of property, plant and equipment *(Note 2.5)*	260	92
Less: Depreciation capitalized	(255)	(87)
	5	5
Operating lease rentals for office	12	7

2.4 Income tax benefit

In accordance with the relevant PRC income tax rules and regulations, prior to 1 January 2008, Sichuan Jinshida was subject to the PRC corporate income tax ("CIT") at a statutory rate of 33% on its taxable income.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the new PRC CIT Law was approved and became effective on 1 January 2008. The new PRC CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic-invested and foreign-invested enterprises at 25%.

The major components of income tax benefit for the Pre-acquisition Periods are as follows:

	Year ended 31 December 2007	Period from 1 January to 13 March 2008
	RMB'000	RMB'000
Current — Mainland China		
PRC CIT for the year/period	—	—
Deferred tax movement *(Note 2.7)*	(175)	(122)
Total tax credit for the year/period	(175)	(122)

A reconciliation of income tax benefit applicable to loss before tax at the applicable income tax rate in the PRC to income tax benefit of Sichuan Jinshida for each of the Pre-acquisition Periods is as follows:

	Year ended 13 December 2007	Period from 1 January to 13 March 2008
	RMB'000	RMB'000
Loss before tax	(853)	(517)
Tax at the applicable tax rate of Sichuan Jinshida	(281)	(129)
Expenses not deductible for tax	106	7
Income tax credit at Sichuan Jinshida's effective rate	(175)	(122)

2.5 Property, plant and equipment

	Buildings	Plant and machinery	Office equipment	Motor vehicles	CIP	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2007	—	921	124	37	965	2,047
Additions	417	741	333	93	2,187	3,771
Transfers	—	7	—	—	(7)	—
At 31 December 2007 and 1 January 2008	417	1,669	457	130	3,145	5,818
Additions	—	565	—	6	1,429	2,000
At 13 March 2008	417	2,234	457	136	4,574	7,818
Accumulated depreciation:						
At 1 January 2007	—	(94)	(11)	(1)	—	(106)
Provided for the year	(9)	(207)	(33)	(11)	—	(260)
At 31 December 2007 and 1 January 2008	(9)	(301)	(44)	(12)	—	(366)
Provided for the period	(7)	(63)	(15)	(7)	—	(92)
At 13 March 2008	(16)	(364)	(59)	(19)	—	(458)
Net carrying amount:						
At 1 January 2007	—	827	113	36	965	1,941
At 31 December 2007	408	1,368	413	118	3,145	5,452
At 13 March 2008	401	1,870	398	117	4,574	7,360

As at 31 December 2007 and 13 March 2008, there were no pledged property, plant and equipment.

2.6 Intangible assets

	Mining rights
	RMB'000
Cost:	
At 1 January 2007	—
Additions	391
At 31 December 20007 and 1 January 2008	391
Additions	—
At 13 March 2008	391
Accumulated amortization:	
At 1 January 2007 and 13 March 2008	—
Net carrying amount:	
At 1 January 2007	—
At 31 December 2007	391
At 13 March 2008	391

The mining rights represent rights for the mining of marble reserves in the Zhangjiaba Mine which is located in Jiangyou County, Sichuan Province, the PRC. The Mine is operated by Sichuan Jinshida. The local government granted the mining permit to Sichuan Jinshida for a term of 10 years to 30 April 2017. No amortization was made as the mine had not yet commenced commercial production.

2.7 Deferred tax

The movements in deferred tax assets are as follows:

	Excess tax depreciation over book value of property, plant and equipment	Losses available for off-setting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2007	12	62	74
Deferred tax credited to statement of comprehensive income during the year *(Note 2.4)*	24	151	175
At 31 December 2007 and 1 January 2008	36	213	249
Deferred tax credited to statement of comprehensive income during the period *(Note 2.4)*	14	108	122
At 13 March 2008	50	321	371

As mentioned in Note 2.4, deferred tax assets that are expected to be realized and settled in 2008 and onwards have been provided at an enacted CIT rate of 25%.

2.8 Cash and cash equivalents

	31 December 2007	13 March 2008
	RMB'000	RMB'000
Cash at banks	2,833	972

Sichuan Jinshida's cash and bank balances are all denominated in RMB at each end of Pre-acquisition Periods.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the statement of financial position approximate to their fair values.

2.9 Prepayments, deposits and other receivables

	31 December 2007	13 March 2008
	RMB'000	RMB'000
Prepayments:		
Prepayment for purchase of		
— Raw materials	2	144
— Utilities	9	36
Prepaid operating lease rentals to be amortized within one year		
— Office	19	12
Deposits	3	1
Other receivables	65	78
Total	98	271

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

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

2.10 Other payables and accruals

	31 December 2007	13 March 2008
	RMB'000	RMB'000
Advances from customers	97	97
Accruals related to:		
Property, plant and equipment	—	622
Taxes other than income tax	11	18
Payroll and welfare	124	214
Deposits received	2	2
Payable for rehabilitation	2,100	2,100
Other payables	19	37
	2,353	3,090

Other payables and accruals are non-interest-bearing and have average terms of one to three months.

The carrying amounts of other payables and accruals approximate to their fair values.

2.11 Balances with the controlling shareholder

Balances with the controlling shareholder are interest-free, unsecured and have no fixed terms of repayment.

The carrying amounts of balances with the controlling shareholder approximate to their fair values.

2.12 Related party transactions

(a) During the Pre-acquisition Periods, Sichuan Jinshida had no material transactions with related parties.

(b) Outstanding balances with the controlling shareholder:

Details of the Group's balances with the controlling shareholder at each end of Pre-acquisition Periods are disclosed in Note 2.11.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 30 November 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong