

A. FURTHER INFORMATION ABOUT THE COMPANY**1. *Incorporation***

The Company was incorporated in the Cayman Islands as an exempted company under the Companies Law on 29 March 2010. The Company has established a place of business in Hong Kong and was registered with the Companies Registry as a non-Hong Kong company in Hong Kong with the Company's principal place of business in Hong Kong at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong under Part XI of the Companies Ordinance on 3 September 2010. Mr. Lou Sai Tong of House No. 2, 22 Tsing Sai Road, Siu Lam, N.T., Hong Kong, a Hong Kong resident, has been appointed as the authorized representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong. The Company changed its name from China Kingstone Mining Holdings Ltd. to China Kingstone Mining Holdings Limited 中國金石礦業控股有限公司 on 26 April 2010.

As the Company is incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and to its constitutional documents comprising the Memorandum and the Articles. A summary of various provisions of its constitutional documents and relevant aspects of the Companies Law is set out in Appendix VI to this Prospectus.

2. *Changes in share capital of the Company*

The Company was incorporated in the Cayman Islands on 29 March 2010 with an authorized share capital of HK\$380,000 divided into 3,800,000 Shares of HK\$0.1 each, one of which was allotted and issued for cash at par to Codan Trust Company (Cayman) Limited. The Share was transferred to Wongs Investment on the same date. On 24 January 2011 the authorized share capital of the Company was increased to HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each.

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to the exercise of the Pre-IPO Share Option Scheme and the Share Option Scheme), the authorized share capital of the Company will be HK\$500,000,000 divided into 5,000,000,000 Shares, of which 2,000,000,000 Shares will be issued fully paid or credited as fully paid, and 3,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 24 January 2011" in this Appendix and pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme, our Directors do not have any present intention to issue any of the authorized but unissued share capital of the Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this Prospectus, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the sole Shareholder passed on 24 January 2011

Pursuant to the written resolutions of our sole Shareholder entitled to vote at general meetings of the Company, which were passed on 24 January 2011, among other matters:

- (a) the authorized share capital of the Company was increased from HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each to HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each by the creation of 4,996,200,000 Shares of HK\$0.10 each which rank *pari passu* in all respects with the Shares in issue as at the date of passing of the written resolutions;
- (b) conditional on the share premium account of the Company being credited as a result of the Global Offering, our Directors were authorized to capitalize the sum of HK\$149,999,999.90 and apply towards paying up in full at par 1,499,999,999 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company as at the close of business on 24 January 2011 (or as they may direct) in proportion (as nearly as possible without involving fractions) to its then existing shareholdings in the Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares;
- (c) conditional on the conditions as stated in the section headed “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus having been fulfilled:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares on and subject to the terms and conditions stated in this Prospectus and in the relevant Application Forms and our Directors were authorised to do all things and execute all documents in connection with or incidental to the Global Offering with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;
 - (ii) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the paragraph headed “Pre-IPO Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorized to take all such actions as they consider necessary and/or desirable to implement and give effect to the Pre-IPO Share Option Scheme and to grant options to subscribe for Shares thereunder and to issue, allot and deal with Shares pursuant to the exercise of options granted thereunder;
 - (iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to (1) administer the Share Option Scheme; (2) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (3) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (4) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (5) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; (6) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme; and (7) sign the Share Option Scheme offer letters;

- (d) a general unconditional mandate was given to our Directors to exercise all the powers of the Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Company and/or any of its subsidiaries or rights to acquire Shares or pursuant to a specific authority granted by the Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;

For the purpose of this paragraph, “Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company);

- (e) a general unconditional mandate was given to our Directors to exercise all powers of the Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme;
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue; and
- (g) the adoption of the Articles.

Each of the general mandates referred to in paragraphs (d), (e) and (f) above will remain in effect until whichever is the earliest of:

- (1) at the conclusion of the Company's next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- (2) upon the expiry of the period within which the Company is required by any applicable law of the Cayman Islands or the Articles to hold our next annual general meeting; or
- (3) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

4. Corporate Reorganization

In preparation for the Listing, our Company underwent the Corporate Reorganization. A diagram showing the corporate structure of our Company after the Corporate Reorganization is set out in the section headed "History and Corporate Development" in this Prospectus.

Details of the Corporate Reorganization undertaken are as follows:

- (a) On 29 March 2010, the Company was incorporated in the Cayman Islands as an exempted company under the Companies Law.
- (b) On 7 April 2010, Kingstone Industrial was incorporated under the laws of the BVI by the Company as an investment holding company.
- (c) On 14 April 2010, Hong Kong Kingstone was incorporated under the laws of Hong Kong by Kingstone Industrial as an investment holding company.
- (d) On 26 May 2010, Guangzhou Kingstone was established in Guangzhou under the laws of the PRC by Hong Kong Kingstone as a limited liability company with its registered capital of US\$30.0 million.
- (e) On 26 July 2010, Guangzhou Kingstone, Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao entered into four equity transfer agreements, respectively, pursuant to which Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao transferred 59%, 20%, 15% and 6% of the equity interests in Sichuan Jinshida, respectively, to Guangzhou Kingstone for the considerations of RMB5.9 million, RMB2.0 million, RMB1.5 million and RMB0.6 million, respectively.

5. *Changes in share capital of subsidiaries*

The Company's subsidiaries are listed in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

The following alterations in the share capital of a subsidiary of the Company took place within the two years immediately preceding the date of this Prospectus:

Sichuan Jinshida

On 26 July 2010, Guangzhou Kingstone, Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao entered into four equity transfer agreements, pursuant to which Jiucheng Mining, Mr. Zhang Lin, Ms. Li Xiaohong and Ms. Bai Yanxiao transferred the equity interest of 59%, 20%, 15% and 6% of the equity interests, respectively, in Sichuan Jinshida to Guangzhou Kingstone for the considerations of RMB5.9 million, RMB2.0 million, RMB1.5 million and RMB0.6 million, respectively.

Save as disclosed in this Prospectus and except for as referred to in the paragraph headed "Corporate Reorganization" above in this Appendix, there has been no changes in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this Prospectus.

6. *Salient features of the Company's subsidiaries established in the PRC*

The salient features of the Company's subsidiaries established in the PRC are as follows:

(a) Guangzhou Kingstone

Nature of the company:	limited liability company (wholly foreign owned enterprise)
Date of establishment:	26 May 2010
Registered capital:	US\$30.0 million
Term of operation:	30 years
Scopes of businesses:	wholesale, commission agency (exclusive of auction) and import and export of building stone projects and building materials; provision of after-sales services and related consulting services (no shop operation). The business of those goods subject to quota license or special administration should be conducted in accordance with the relevant state regulations (except for the products exclusively operated or controlled by the state)
The Company's attributable percentage interest:	100%
Owner of the registered capital:	Hong Kong Kingstone

(b) Sichuan Jinshida

Nature of the company:	limited liability company
Date of establishment:	20 September 2005
Registered capital:	RMB10.0 million
Term of operation:	6 years
Scopes of businesses:	business activities requiring pre-licensing: open-pit exploitation of limestone used in cement and decorative stone (until 16 June 2012 and can only be conducted by branch company); general business activities: stone processing and sales; installation of stone projects
The Company's attributable percentage interest:	100%
Owner of the registered capital:	Guangzhou Kingstone

7. Repurchase by the Company of its own securities

This section sets out information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary Listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval in relation to a particular transaction.

On 24 January 2011, our Directors were granted a general unconditional mandate to repurchase the Shares as referred to in the paragraph headed “A. Further Information About the Company — 3. Written resolutions of the sole Shareholder passed on 24 January 2011” above in this Appendix on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue but before the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, (the “Repurchase Mandate”). The Repurchase Mandate will be exercisable upon Listing and will expire at the conclusion of next annual general meeting of the Company, or the expiration of the period within which next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws to be held, or when varied or revoked by an ordinary resolution of the Shareholders, whichever shall first occur (the “Relevant Period”).

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Trading restrictions*

The total number of Shares which the Company may repurchase on the Stock Exchange is the number of Shares representing up to a maximum of 10% of the aggregate number of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering. The Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the Company is prohibited from repurchasing its securities on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from repurchasing its securities which will result in Shares held by the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the Company as the Stock Exchange may require.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable.

(v) Suspension of repurchase

The Company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the Company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if the Company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, the Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate price paid.

(vii) Connected persons

The Company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a Director, chief executive or substantial shareholders of the Company or any of its subsidiaries or their associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his/her securities to the Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of the Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to repurchase securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and our Shareholders as a whole.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this Prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell Shares to the Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No purchase of Shares has been made by the Company within six months prior to the date of this Prospectus.

If, as a result of a repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Company within the two years preceding the date of this Prospectus and are or may be material:

- (a) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Jiucheng Mining transferred 59% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB5.9 million;
- (b) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Mr. Zhang Lin transferred 20% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB2.0 million;
- (c) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Ms. Li Xiaohong transferred 15% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB1.5 million;
- (d) an equity transfer agreement in Chinese dated 26 July 2010, pursuant to which Ms. Bai Yanxiao transferred 6% of the equity interests in Sichuan Jinshida to Guangzhou Kingstone for a consideration of RMB0.6 million;
- (e) a note purchase agreement dated 13 August 2010 between MS China 3, the Company, Mr. Huang and Wongs Investment, pursuant to which MS China 3 agreed to purchase the Exchangeable Note;
- (f) a deed of share charge dated 19 August 2010, pursuant to which the Company created a charge in favor of MS China 3 the security of such charge consisting of all of the issued and outstanding ordinary shares of Kingstone Industrial and all proceeds deriving from the legal or beneficial ownership of such shares as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (g) a deed of share charge dated 19 August 2010, pursuant to which Kingstone Industrial created a charge in favor of MS China 3 the security of such charge consisting of all of the issued and outstanding ordinary shares of Hong Kong Kingstone and all proceeds deriving from the legal or beneficial ownership of such shares as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (h) an agreement on pledge of equity interest in Chinese dated 19 August 2010, pursuant to which Hong Kong Kingstone pledged in favor of MS China 3 its 20% equity interests in Guangzhou Kingstone and all proceeds deriving from such interests as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (i) a shareholders' and noteholder's agreement dated 19 August 2010 among MS China 3, the Company, Mr. Huang and Wongs Investment setting out certain rights of MS China 3 as noteholder of the Exchangeable Note and the management and operation of the Company and of other subsidiaries of the Company;
- (j) a shareholder loan agreement in Chinese dated 24 August 2010 between Hong Kong Kingstone as the lender and Guangzhou Kingstone as the borrower for a shareholder's loan of US\$15 million;





- (k) a deed of shareholder loan assignment dated 24 August 2010 between Hong Kong Kingstone, MS China 3 and Guangzhou Kingstone, pursuant to which Hong Kong Kingstone has agreed to assign, among others, its rights under the shareholder loan agreement to MS China 3 as security for the obligations in connection with the purchase of the Exchangeable Note by MS China 3;
- (l) an agreement on release of pledge of equity interests in Chinese dated 24 February 2011, pursuant to which Hong Kong Kingstone, Guangzhou Kingstone and MS China 3 agreed to release the pledge of the 20% equity interests in Guangzhou Kingstone and all proceeds deriving from such interest in favor of MS China 3;
- (m) the Deed of Non-competition;
- (n) the Hong Kong Underwriting Agreement; and
- (o) the Deed of Indemnity.

2. Intellectual property rights





The following intellectual property rights are or may be material in relation to our Company's business:

(a) Trademarks

As at the Latest Practicable Date, our Company was the registered owner of the following trademarks:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry Date
	Sichuan Jinshida	Hong Kong	19	301714798	13 September 2020
	Sichuan Jinshida	Hong Kong	37	301714798	13 September 2020
	Sichuan Jinshida	Hong Kong	40	301714798	13 September 2020
	Sichuan Jinshida	Hong Kong	42	301714798	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	19	301714806	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	37	301714806	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	40	301714806	13 September 2020
KINGSTONE 金石礦業	Sichuan Jinshida	Hong Kong	42	301714806	13 September 2020

As at the Latest Practicable Date, our Company applied for registration of the following trademarks, the registration of which have not yet been granted:

Trade mark	Applicant	Place of Registration	Application Date	Class	Application Number
	Sichuan Jinshida	PRC	17 August 2010	19	8582362
	Sichuan Jinshida	PRC	17 August 2010	37	8582377
	Sichuan Jinshida	PRC	23 August 2010	40	8596158
	Sichuan Jinshida	PRC	17 August 2010	42	8582400

(b) Domain Names

As at the Latest Practicable Date, our Company registered the following domain name:

Domain name	Registered Owner	Expiry Date
jsmarble.com	Sichuan Jinshida	24 July 2011
kingstonemining.com	Guangzhou Kingstone	11 August 2011
kingstonemining.com.cn	Guangzhou Kingstone	27 August 2011
kingstonemining.cn	Guangzhou Kingstone	27 August 2011
kingstonemining.com.hk	Hong Kong Kingstone	6 September 2013
kingstonemining.hk	Hong Kong Kingstone	3 September 2013

(c) Mining rights

Details of our Company's mining rights are set out in the section headed "Business — Our Mineral Resources and Mining Rights" in this Prospectus.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Disclosure of interests****(a) Interests and short positions of our Directors in our share capital and our associated corporations following the Global Offering and the Capitalization Issue**

Immediately following completion of the Global Offering and the Capitalization Issue and the sale of the Sale Shares (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to exercise of the Pre-IPO Share Option Scheme and the Share Option Scheme), the interests or short positions of our Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Interests and short positions in the Shares, underlying Shares and debentures and associated corporations:

<u>Name of Director</u>	<u>Capacity/Number of Shares</u>	<u>Number of Shares issuable pursuant to options granted under the Pre-IPO Share Option Scheme</u>	<u>Approximate percentage of issued Shares immediately after the Capitalization and the Global Offering</u>
Ms. Chen Tao	30,000,000	30,000,000	1.5%

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be taken up under the Global Offering or which may be allotted and issued pursuant to exercise of the Over-allotment Option, the Pre-IPO Share Option Scheme and the Share Option Scheme), in addition to the interests disclosed under paragraph (a) above, so far as the Directors are aware, the following persons are expected to have interests or short positions in our shares or underlying shares which are required to be disclosed to the provisions of Divisions 2 and 3 of Part XV of the SFO or, are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company.

Interests and short positions in our Shares and underlying Shares:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of interest in the Company immediately upon completion of the Capitalization Issue, the Global Offering and the exchange of the Exchangeable Note by MS China 3 in full (assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option is not exercised)
Mr. Huang ^{(1), (2), (3) and (4)}	Interest in controlled corporation	1,313,926,277	65.7%
Wongs Investment ^{(1), (2), (3) and (4)} . .	Beneficial Owner	1,313,926,277	65.7%
MS China 3 ^{(5) and (6)}	Beneficial Owner	106,073,723	5.3%

Notes:

- (1) Wongs Investment is wholly owned and controlled by Mr. Huang and Mr. Huang is therefore deemed to be interested in the Shares held by Wongs Investment.
- (2) Assuming the Global Offering is based on an Offer Price at the lowest point of the indicative Offer Price range, and the Over-allotment Option is exercised in full, Wongs Investment will remain interested in an aggregate of 1,226,926,277 Shares, representing approximately 61.3% of the entire issued share capital of the Company.
- (3) Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is not exercised, Wongs Investment will remain interested in an aggregate of 1,348,756,455 Shares, representing approximately 67.4% of the entire issued share capital of the Company.
- (4) Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is exercised in full, Wongs Investment will remain interested in an aggregate of 1,261,756,455 Shares, representing approximately 63.1% of the entire issued share capital of the Company.
- (5) MS China 3 is a wholly-owned subsidiary of Morgan Stanley Emerging Markets Inc., which in turn is wholly-owned by Morgan Stanley. Morgan Stanley is therefore deemed to be interested in the Shares held by MS China 3. Assuming the Global Offering is based on an Offer Price at the highest point of the indicative Offer Price range, and the Over-allotment Option is not exercised, MS China 3 will be interested in an aggregate of 71,243,545 Shares, representing approximately 3.6% of the entire issued share capital of the Company.
- (6) For the purpose of calculating the number of Shares to be exchanged by MS China 3, the exchange rate was made at US\$1.00 to HK\$7.7882 which was mutually agreed to between us and MS China 3.

2. Substantial Shareholders

Information on persons, not being Directors or chief executive of the Company, who will have, immediately following the Global Offering, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO is set out in the section headed “Substantial Shareholders” in this Prospectus.

3. *Directors' service contracts*

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Other than our non-executive Directors, each of our Directors is entitled to a basic salary or director's fee. Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year of our Company may not exceed 5% of audited consolidated or combined net profit of (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the performance-based bonus payable to him/her.

<u>Name</u>	<u>Annual Amount</u>
Ms. Chen Tao	RMB2.0 million
Mr. Lin Yuhua	RMB0.52 million
Mr. Liao Yuanshi	RMB0.48 million
Mr. Xiong Wenjun	RMB0.45 million

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. *Directors' remuneration during the Track Record Period*

The Company's principal policies concerning remuneration of executive Directors are to enable our Company to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives. Under the policy, a Director is not allowed to approve his/her own remuneration. The principal elements of our Company's executive remuneration package include salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

For each of the period from 14 March 2008 to 31 December 2008, the year ended 31 December 2009, none of the executive Directors and independent non-executive Directors of the Company received remuneration from our Company. For the eleven months ended 30 November 2010, the aggregate remuneration paid to our executive Directors by our Company amounted to RMB744,000.

Under the current arrangements, our Directors is entitled to receive an estimate of the aggregate remuneration which, for the financial year ending 31 December 2011, with an amount to RMB5.5 million, excluding the discretionary bonuses payable to our Directors.

The independent non-executive Directors have been appointed for an initial term of three years subject to early termination as stipulated in the appointment letters and the Articles, including retirement by way of rotation at each annual general meeting. Save for Director's fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as independent non-executive Directors.

5. Agency fees or commissions

Save as disclosed in this Prospectus, within the two years preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

6. Disclaimers

Save as disclosed in this Prospectus,

- (a) Save as disclosed in the paragraph headed “Disclosure of interests” in this Appendix, none of our Directors or chief executive of the Company has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer in the Listing Rules, will be required to be notified to the Company and the Stock Exchange, in each case once the Shares are listed;
- (b) Save as disclosed in the paragraph headed “Disclosure of interests” in this Appendix, our Directors are not aware of any person (not being our Director or chief executive officer) who will, immediately following completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of options or the exercise granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company;
- (c) none of our Directors nor the experts named in the paragraph headed “F. Other Information — 7. Consents of experts” below in this Appendix is interested in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of our Company, or are proposed to be acquired or disposed of by or leased to any member of our Company;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting as at the date of this Prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Company taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “F. Other Information — 7. Consents of experts” below in this Appendix has any shareholding in any member of our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company;

- (f) save in connection with the Underwriting Agreements, none of the experts named in the paragraph headed “F. Other Information — 7. Consents of experts” below in this Appendix is materially interested in any contract or arrangement subsisting as at the date of this Prospectus which is significant in relation to the business of our Company taken as a whole;
- (g) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this Prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this Prospectus;
- (h) so far as is known to our Directors, none of our Directors or their associates (as defined in the Listing Rules), or the existing Shareholders who are expected to be interested in 5% or more of the issued shares capital of the Company has any interest in any of the five largest customers or the five largest suppliers of our Company; and
- (i) none of our Directors are interested in any business apart from our Company’s business which competes or is likely to compete, directly or indirectly, with the business of our Company.

D. PRE-IPO SHARE OPTION SCHEME

1. *Summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to give our employees, advisers, consultants and business partners an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to our Company and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such employees, advisers, consultants and business partners who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Company. The principal terms of the Pre-IPO Share Option Scheme, approved by our Shareholders pursuant to the written resolutions of our Shareholders dated 24 January 2011, are substantially the same as the terms of the Share Option Scheme except that:

- (a) the subscription price per Share under the Pre-IPO Share Option Scheme shall be HK\$0.6; and
- (b) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner and, in any event, cannot be exercised for a period of twelve months after the Listing:

<u>Exercise period</u>	<u>Maximum percentage of options exercisable</u>
Any time after the first anniversary of the Listing Date	100% of the total number of options granted

The option period shall commence on the first anniversary of the Listing Date and expire on the fifth anniversary of the Listing Date.

The total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 40,000,000 Shares, representing approximately 2% of the enlarged issued share capital of the Company immediately following completion of the Global Offering and the Capitalization Issue. Save for the options which were granted as at the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the 40,000,000 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

2. Outstanding Options granted

As at the Latest Practicable Date, options to subscribe for an aggregate of 40,000,000 Shares (representing approximately 2% of the enlarged issued share capital of the Company immediately following completion of the Global Offering and the Capitalization Issue) at an exercise price of HK\$0.6 were conditionally granted to two participants by the Company under the Pre-IPO Share Option Scheme. All the options under the Pre-IPO Share Option Scheme were granted on 24 January 2011 at a consideration of HK\$1.0 paid by each grantee and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date.

A full list of such grantees containing all the details in respect of each option required under paragraph 10 of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix I to the Listing Rules is set out below:

No.	Name of grantee	Title	Address	Date of joining our Company	Number of Shares to be issued upon full exercise of the Pre-IPO Share Option entitlement	Percentage of total issued share capital of the Company
Director						
1.	Ms. Chen Tao . . .	executive Director, chairman of the Board and chief executive officer of the Company	Room 1503, No 8, Lantingjie, Huangzhuangnan Road, Baiyun District, Guangzhou, China	August 2008	30,000,000	1.5%
Other employee						
2.	Ms. Chen Dong Dong	director and general manager of Guangzhou Kingstone	Room 401, No. 19, Lane 630, Xuchang Road Shanghai, China	August 2008	10,000,000	0.5%

The total number of Shares to be issued under all options granted under the Pre-IPO Share Option Scheme represents approximately 2% of the Company's enlarged issued share capital immediately following completion of the Global Offering and the Capitalization Issue. If all options are exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 0.6% and a dilutive effect of approximately HK\$0.0003 on loss per Share such that the forecast loss per Share for the financial year ended 31 December 2010 will be diluted from HK\$0.013 to HK\$0.013. However, as

the options are exercisable for a period of up to the fifth anniversary of the Listing Date, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

Our Directors have undertaken to our Company that they will not exercise the options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering and Capitalization Issue will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

E. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of our sole Shareholder passed on 24 January 2011 and adopted by a resolution of the Board on 24 January 2011 (the “Adoption Date”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to our Company and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Company, and additionally in the case of Executives (as defined below), to enable our Company to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (i) subject to (ii) and (iii) below, the approval and adoption of the Share Option Scheme by the sole Shareholder of the Company;
- (ii) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 200,000,000 Shares to be allotted and issued pursuant to the exercise of the Options (as defined below) in accordance with the terms and conditions of the Share Option Scheme; and
- (iii) the commencement of dealing of the Shares on the Main Board of the Stock Exchange on the Listing Date.

3. Who may join

The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Company (“Executive”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Company (“Employee”);
- (ii) a director or proposed director (including an independent non-executive director) of any member of our Company;
- (iii) a direct or indirect shareholder of any member of our Company;
- (iv) a supplier of goods or services to any member of our Company;
- (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Company;
- (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Company; and
- (vii) an associate of any of the persons referred to in paragraphs (i) to (v) above.

(the persons referred above are the “Eligible Persons”):

4. Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not in aggregate exceed 10% of the Shares in issue (a maximum of 200,000,000 Shares) as at the Listing Date (the “Scheme Mandate Limit”) provided that:

- (i) The Company may at any time as the Board may think fit seek approval from our Shareholder to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as at the date of approval by Shareholder in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (ii) The Company may seek separate approval from our Shareholder in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by the Company before such approval is obtained. The Company shall issue a circular to our Shareholder containing the details and information required under the Listing Rules.

- (iii) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company shall not exceed 30% of the Company's issued share capital from time to time. No options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

5. *Maximum Entitlement of each Participant*

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12 month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholder of the Company in general meeting with such Eligible Person and his associates abstaining from voting. The Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Company's Shareholder and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

6. *Offer and Grant of Options*

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

7. *Granting Options to Connected Persons*

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder of the Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of the Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option). Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director of the Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and

- (ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by the Shareholders of the Company (voting by way of a poll). The Company shall send a circular to the Shareholders containing the information required under the Listing Rules. All connected persons of the Company must abstain from voting in favor at such general meeting.

Approval from the Shareholders of the Company is required for any change in the terms of Options granted to an Eligible Person who is a substantial shareholder of the Company or an independent non-executive Director of the Company, or any of their respective associates.

8. *Offer Period and Number Accepted*

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HK\$1.0 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date (the “Acceptant Date”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

9. *Restriction on the Time of Grant of Options*

The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until an announcement of such price sensitive information has been published in accordance with Listing Rules. In particular, no Option shall be granted during the period commencing two months immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

10. *Minimum Holding Period, Vesting and Performance Target*

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations

relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

11. *Amount Payable for Options*

The amount payable on acceptance of an Option is HK\$1.0.

12. *Subscription price*

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of Share;
- (ii) the closing price of Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (iii) the average closing price of Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

13. *Exercise of Option*

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the Option Period in the manner as set out in this Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(iv) Subject as hereinafter provided:

- (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;
- (b) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Company) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Company at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Company by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (c) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of Shareholder of the Company (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;
- (d) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the Option Period (in respect of any particular Option, the period commencing immediately after the Business Day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Share Option Scheme);
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court,exercise in whole or in part his Option.

- (e) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

14. *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

15. *Life of Share Option Scheme*

Subject to the terms of this Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

16. *Lapse of Share Option Scheme*

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (iii) subject to the period mentioned in paragraph headed “Exercise of option” in this section, the date of the commencement of the winding-up of the Company;

- (iv) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the Share Option Scheme; or
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

17. *Adjustment*

In the event of any alteration to the capital structure of the Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the share capital of the Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (a) the maximum number of Shares subject to the Share Option Scheme; and/or
- (b) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a Capitalization Issue), the auditors appointed by the Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (a) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (b) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (c) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Share Option Schemes); and
- (d) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

18. *Cancellation of Options not Exercised*

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the “Cancellation Date”):

- (a) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (b) the grantee makes a written request to the Board for the Option to be canceled; or
- (c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

19. *Termination*

The Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

20. *Transferability*

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Scheme may be registered), except with the prior written consent of the Board from time to time. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

21. *Amendment*

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of the shareholders of the Company in general meeting: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Scheme); (ii) any alteration to the provisions of the Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; and (iii) any alteration to the aforesaid termination provisions.

F. OTHER INFORMATION**1. *Estate duty, tax and other indemnity***

The Controlling Shareholders (the “Indemnifiers”) have entered into the Deed of Indemnity with and in favor of the Company (for itself and as trustee for each of its subsidiaries) to provide indemnities in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Company and/or its associated companies by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Company on or before the date on which the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of our subsidiaries under the laws of the Cayman Islands and the BVI, being jurisdictions in which one or more of the companies comprising our Company are incorporated.

Under the Deed of Indemnity, the Indemnifiers have also jointly and severally kept our Company indemnified against taxation which might result from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Global Offering become unconditional.

2. *Litigation*

As at the Latest Practicable Date, no member of our Company was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Company.

3. *Sole Sponsor*

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including any Shares falling to be issued pursuant to exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The Sole Sponsor has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

4. *Preliminary expenses*

The estimated preliminary expenses of the Company are HK\$41,900 and are borne by the Company.

5. *Promoter*

The Company has no promoter.

6. Qualifications of experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Citigroup Global Markets Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO
Ernst & Young	Certified public accountants
Jones Lang LaSalle Sallmanns Limited.	Property valuers
Commerce & Finance.	PRC legal adviser
Conyers Dill & Pearman.	Cayman Islands Attorneys-at-law
Behre Dolbear.	Independent Technical Consultant
Hatch.	Independent Industry Consultant
China Stone Material Association	Independent Industry Association

7. Consents of experts

Each of Citi, Ernst & Young, Jones Lang LaSalle Sallmanns Limited, Commerce & Finance, Conyers Dill & Pearman, Behre Dolbear, Hatch and CSMA has given and has not withdrawn their respective written consents to the issue of this Prospectus with inclusion of their reports and/or valuation report and/or letters and/or opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

8. No material adverse change

Our Directors confirm that save as disclosed in this Prospectus, there has been no material adverse change in the financial position or trading position of our Company since 30 November 2010 (being the date to which our latest audited consolidated financial statements were made up).

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. *The Latest Financial Period Reported on by the Reporting Accountants Required Under the Listing Rules and the Companies Ordinance*

According to the Listing Rules and the Companies Ordinance, the Company is required to disclose certain financial information in relation to certain financial periods. In this regard, the Company has applied for (i) a waiver from strict compliance with the disclosure requirements under Rule 4.04(1) to the Listing Rules (which the Stock Exchange has granted) and (ii) an exemption from strict compliance with the disclosure requirements of paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance (which the SFC has granted). Further details of such waiver and exemption are set out in the section headed “Waivers from Strict Compliance with the Listing Rules and the Companies Ordinance” in this Prospectus.

11. *Bilingual Prospectus*

The English language and the Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. *Miscellaneous*

- (a) Save as disclosed in this Prospectus,
 - (i) within the two years preceding the date of this Prospectus, no Share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) none of our Directors or any of the persons whose names are listed in the paragraph headed “F. Other Information — 6. Qualifications of experts” above in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Company within the two years preceding the date of this Prospectus;
 - (iii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
 - (v) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
 - (vi) the Company has no outstanding convertible debt securities or debentures;
 - (vii) within the two years preceding the date of this Prospectus, no commission has been paid or payable (except commission to Underwriters) to any persons for subscription or purchase, agreeing to subscribe or purchase, procuring subscription or purchase or agreeing to procure subscription or purchase of any Shares in the Company;

- (viii) there has been no material adverse change in the financial or trading position of our Company since 30 November 2010 (being the date to which the latest audited consolidated financial statements of our Company were made up); and
- (ix) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a significant effect on the financial position of our Company in the 12 months proceeding date of this Prospectus.
- (b) As at the Latest Practicable Date, there was no restriction in Hong Kong affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

13. *Particulars of the Selling Shareholder*

The Selling Shareholder of the Sale Shares is Wongs Investment, an investment holding company with registered office at Palm Grove House, P.O. Box 438, Road Town, Tortola, the BVI.

The number of Shares for sale by the Selling Shareholder is 80,000,000 (assuming the Over-allotment Option is not exercised). The number of Shares for sale by the Selling Shareholder is 167,000,000 (assuming the Over-allotment Option is exercised in full).

Wongs Investment is wholly-owned by Mr. Huang, our Controlling Shareholder.

None of our Directors are interested in the Sale Shares.