KINGSTONE
金 石 礦 業

China Kingstone Mining Holdings Limited
中國金石礦業控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號：1380

2011
Annual Report
年 報

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Chen Tao *(Chairlady and Chief Executive Officer)*
Mr. Lin Yuhua
Mr. Liao Yuanshi
Mr. Xiong Wenjun

Independent Non-executive Directors

Mr. Deng Huiqing
Mr. Liu Yuquan
Mr. Chu Ho Hwa, Howard

AUDIT COMMITTEE

Mr. Chu Ho Hwa, Howard *(Chairman)*
Mr. Deng Huiqing
Mr. Liu Yuquan

REMUNERATION COMMITTEE

Mr. Liu Yuquan *(Chairman)*
Ms. Chen Tao
Mr. Deng Huiqing

NOMINATION COMMITTEE

Ms. Chen Tao *(Chairlady)*
Mr. Liu Yuquan
Mr. Deng Huiqing

AUTHORISED REPRESENTATIVES

Ms. Chen Tao
Mr. Lou Sai Tong

COMPANY SECRETARY

Mr. Lou Sai Tong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS OF BUSINESS IN THE PRC

Zhangjiaba Mine
Zhenjiang Village
Xiangshui County
Jiangyou City
Sichuan Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

41/F. R&F Center,
No. 10 Huaxia Road, Zhujiang New Town
Guangzhou City
Guangdong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 6812–13
The Center
99 Queen's Road Central
Hong Kong

Corporate Information

AUDITOR

Ernst & Young
Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISOR

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Jiangyou City, Jiangyou Branch

Industrial and Commercial Bank of China
Guangzhou Tianpingjia Branch

China Construction Bank
Guangzhou Dongshan Subbranch

Shenzhen Development Bank
Zhujiang New Town Subbranch

Industrial and Commercial Bank of China
(Asia) Ltd. Hong Kong

STOCK NAME

China Kingstone Mining Holdings Limited
(Chi Kingstone)

STOCK CODE

1380

WEBSITE OF THE COMPANY

www.kingstonemining.com

Chairlady's Statement

On behalf of China Kingstone Mining Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), I hereby present the annual results for the year ended 31 December 2011 (the "Year"). On behalf of the board of directors (the "Board"), I would also like to express my heartfelt gratitude to all shareholders and friends of their trusts and supports on the Company.

Chairlady's Statement

Dear Shareholders,

2011 is a year of great significance for the Group with new milestones. On 18 March 2011, the Company successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which has highlighted a new landmark for our development. With the funds raised from our listing, we manage to accelerate our business development and explore markets of great development potential.

During 2011, global economy was mired in weakness and downturn upon the outbreak of European debt crisis, whereas economy in China basically maintained the trend of stable development. Nevertheless, the future development trend of economy in China may slow down. The China government hopes to shift attention to accelerating the way of development via active financial policies and steady monetary policies, placing more emphasis on raising the quality and effectiveness of economic development. In recent years, China has undertaken an active role in promoting urbanization, and the demand driven by the development of infrastructures in urban areas has brought business opportunities for the stone industry. The rapid development of construction and renovation market will greatly boost the growth in the demand for stones in China, and as the national living standard keeps on increasing, the demand and consumption on premium beige marble stones, being a high-end construction and renovation material, would become stronger and higher.

The Group commenced commercial production in September 2010. During the Year, the Group actively enhanced its mining capacities, and captured more quality resources via means such as merger and acquisition and strategic co-operation. We have formulated specific plans for future development with regards to the development trend of our industry. During the Year, the Group has achieved some results. For the year ended 31 December 2011, our turnover amounted to RMB289,424,000, representing an increase of 42.8 times over the previous year; gross profit amounted to approximately RMB174,060,000, with gross profit margin reaching 60.1%, while the total consolidated comprehensive income attributable to shareholders and the basic earnings per share amounted to RMB48,904,000 and RMB2.58 cents, respectively.

During the Year, the Group strived to upgrade its mining capacities, and actively explored high-quality mine resources with a view to put the competitive edges of its own mine resources into full play. The mining capacity of the Group's Zhangjiaba Mine has reached the production capacity target of 45,000 m^3 per annum for 2011. The Group has also planned to establish its own processing plant as one of its business development strategies to optimize the industry chain. The Group has previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant given the policy adjustment on local industry structure, and upon active communication between the Group and the government, in November 2011, the Group has re-signed an intent of co-operation with the government of Jianyou, which would be responsible for providing other suitable sites for the construction of the Group's processing plant.

Apart from maintaining the solid growth of its upstream business, the Group has also made a key step forward to the development of downstream business with the successful acquisition of 49% equity interest in Guangdong Jiapeng Construction Co., Ltd. ("Guangdong Jiapeng Construction") in July 2011. Through establishing the Group's brand awareness in Guangdong Province as well as creating the Group's professional brand image with massive iconic construction projects of Guangdong Jiapeng Construction, the Group seeks for co-operation opportunities with the end-customers of the industry chain, explores the development potential of the high-end stone decoration and construction markets, and directly accesses to scalable high-end target customers. In September 2011, the Group signed supply contracts with two large real estate development companies in Inner Mongolia in China for providing premium decorative stones and other marble related products for various massive construction projects, thereby exploring the market in the northern region in China.

Chairlady's Statement

Looking forward, the Group will continue to strive for becoming the best enterprise in the stone industry. In addition to actively expanding quality mine resources and enhancing its mining and processing capabilities, the Group will keep on exploring the end target market with a view to thoroughly cover the entire industry chain and accelerate its steps towards national deployment. In the future, the Group will also add value to natural stone products via measures including the establishment of its own design team, thereby realizing its concepts on innovative product design. Meanwhile, the Group will establish a more effective sales channel and enhance its sales network via adjusting its marketing model in line with the development trend of the industry.

Due to the influence from the combined factors of the slowdown in the macro-economic development in China, a decrease in the investment in fixed assets and downturn in manufacturing industry as well as the slowdown in global economy under the European debt crisis and weakening domestic economy in the United States, the degree of the overall prosperity in the stone industry in 2011 declined significantly. Nonetheless, the Group has still overcome various difficulties and made good achievements.

The Group believes that the economy in China would still be on the track of stable growth in the future. With continuous promotion of urbanization and determination to create international cities by the China government, it could be expected that the development of various large projects, high-end real estate projects and the construction market at first-tier cities would be blooming, and the tremendous consumption and demand on stones would create more opportunities for the Group. Meanwhile, the significant enhancement in terms of wealth or taste in China over these years also suggests a corresponding increase in the demand for new houses or renovated houses, and thus high-end marbles would be popular items.

Marble stones are valuable natural resources, and the demand for high-end marble stones in China has always been satisfied via import. However, the marble resources produced domestically have begun to attract market attention in recent years. The marble mines owned by the Group are the domestic beige marble mines with the best quality and largest reserve so far as known. At present, the Group has adopted an advanced mechanical mining method, combined with an original "digital three-dimensional mining management system (the "3D mine") with distinct advantages, such as large output, high efficiency and controllable quality making us an excellent supplier for the domestic large-scale municipal projects and real estate development. As the marble stone market in China is highly fragmented, the values of brand and international image have become the essential indicators for leading industry players. Leveraging on its successful listing in the international capital market in Hong Kong for a year, the Group consistently add the value to its brand on the back of its mine resources, and strives to explore the high-end and upstream markets, taking the initiatives to become a comprehensive stone operator. Our target is to develop in conformity with the trend of the marble stone market in China, and our competitive edges would lead us to a further growth in terms of awareness and market share in the stone industry .

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, investors, business partners as well as all management and staff for their continuous supports and trusts on the Group. Looking forward, we would endeavor to promote the Group's business development on our best efforts to achieve a brighter performance and deliver more fruitful rewards to our shareholders and investors.

Chen Tao
Chairlady and Chief Executive Officer

29 March 2012

Management Discussion and Analysis

Our goal is to be the best integrated stone operator in China

Management Discussion and Analysis

1. MARKET REVIEW

i. Promising Prospects for Stone Industry in China

In recent years, the promotion of urbanization has become an important issue of the economic and social development of China. With gradual increase in the demand of stones over years, driven by the construction of infrastructures in urban areas and extensive renovation of old cities, new opportunities are found in the stone industry in China. Currently, stones are among the most important decoration materials in the world. According to the website of China Industrial Information (中國產業資訊網), the growth rate of average annual consumption on stones exceeds 9% in recent years, and the overall development trend of the stone industry in China is promising. China is currently one of the largest countries in the world in terms of block production, stone products processing capacity, stone export and stone consumption. According to the statistics of the website of China Stone (中國石材網), in 2010, the total marble slabs output in China amounted to 56,400,000 m^2, while the total output for the first 7 months in 2011 has already reached 37,502,038 m^2. As stone resources are non-renewable in nature, it is believed that there would still be rooms for appreciation for stone products along with the increasing demand and declining amount of resources. Although a certain degree of impact is imposed on stone export trading under the unresolved global economic crisis in recent years, the entire stone industry would continue to encounter new waves of development opportunities and growth factors on the back of the growth of the development of urban construction projects in China, and thus it is anticipated that the industry will maintain a steady development and gradual upward trend in the future.

ii. Tightening Demand and Supply for High-end Beige Marble Stones

The Group is the sole mining operator in China with focus on the production of premium beige marble stones and processing of marble slabs. Given the scarcity of resources, beige marble stones have always been undersupply. According to the statistics of the website of China Stone (中國石材網), around 85% of beige marble blocks in China are imported from foreign countries, which includes Iran's Royal Batticino, Perlatio Sicilia and Botticino Classico, Cream Marfil and Bianco Botticino from Portugal, etc. China mainly imports beige marbles from countries such as Egypt, Turkey, Italy, Portugal, Spain and Iran. It is expected that the demand and consumption volume for high-end beige marble stones will maintain the track of growth in the future.

iii. Continuous Bloom on Construction and Renovation Markets

Production and consumption volume of stones are closely linked to the entire real estates and renovation markets. Since the economic reform, economy of China has entered into an era of rapid development, and the consumption and demand for stones in China have been directly driven by the rapid development of construction and real estate industries, coupled with the significant improvement in living standard and quality. On average, over half of the marble stone consumption is used as the major raw materials for construction, renovation and decoration. In particular, premium beige marble stones are mainly used for high-end construction market purposes. In 2011, stone sales of construction market in China accounted for approximately 80% of total stone sales, During the 12th Five Year Plan period, under the guidance of national macro-economic policies, the major policies for the development of construction and decoration industry in China is to develop with industrialization as the principle and to enhance innovation and utilization rate of resources with a view to enhance the quality of overall development by the way of transformation, hence realizing the sustainable development of the industry. According to the statistics of the website of construction and decoration of China (中國建築裝飾網), in 2011, the working area of the construction industry in China reached almost 4 billion m^2, representing an increase of around 20% from 2010. Analyzing from the view of gross floor area and calculating by the rate of scheduled annual renewal to renovation of 10% and the rate of construction area to renovation of 80%, an area of almost 8 billion m^2 would be required to decorated and renovated in 2011, which signifies a relatively large growth in terms of the total scale of decoration and renovation projects. In 2011, the total production value for construction renovation projects across China would exceed RMB2,300 billion, and it is anticipated to grow by 10% to 15% from 2010. It is anticipated that the future construction and renovation markets will continue to create a stable market demand for the stone industry.

2. BUSINESS REVIEW

i. Business Overview

The Group, being the largest beige marble producer in China, currently owns and operates two marble mines in Sichuan Province, namely Zhangjiaba Mine and Tujisi Mine. According to the certification issued by China Stone Material Association (中國石材協會), Zhangjiaba Mine is the largest mine in China in terms of beige marble reserves. According to the reserve report as examined and approved by the National Land Resources Bureau of Sichuan Province, Zhangjiaba Mine contains approximately 44,200,000 m^3 of premium beige marble reserves and approximately 16,800,000 m^3 of block reserves. According to the exploration report issued by Chinese Construction Material, Geology, Engineering and Exploration Research Institute (中材地質工程勘查研究院), Tujisi Mine contains marble reserves of approximately 12,213,200 m^3, which is significantly higher than the preliminary estimate of reserves of 6,100,000 m^3 at acquisition. Since September 2010, the Group has conducted commercial production at Zhangjiaba Mine, and began to generate revenue from October 2010. The Group currently holds an extended mining permit to Zhangjiaba Mine, which was granted in February 2011 by the National Land Resources Bureau of Sichuan Province, with an initial term of 10 years, being the longest term which could be granted by the government. Since Zhangjiaba Mine is a massive mine, the Group paid the one-off consideration for the mining permit, which includes a reserve that can be mined for a term of 30 years. In other words, upon the expiry of the 10-year term for the mining permit, it will not be necessary for the Group to pay any fees for its extension.

During the Year, the Group actively expanded the infrastructures in its mines and increased its efforts on mining. Mining platform in Zhangjiaba Mine has reached 23,000 m^2, and the annual mining volume for blocks amounted to approximately 21,849 m^3. During the year, the Group has invested a lot of resources and currently adopted the digital mining management system for marble mines in its Zhangjiaba Mine, which is a set of unique digital practical technique invented in the production process in Zhangjiaba Mine. The system inputs the geological characteristics of the mine into the three-dimensional (the "3D") orientation system, which collects the texture and types of mines found, and establishes the 3D model for the mine. With the 3D orientation numbering on every block and determination of the space and location of blocks, the management on the distance, shape, quality examination, transportation and stocking for blocks is conducted based on such numbering. This is the most precise management method which accurately regulates the design on exploration of the mine, formulation of production planning and quality control of the marble mine. According to our knowledgement, such digitalized mining management system is unprecedented in global stone mining industry, thereby making us the leader in the whole world. In addition, on 29 August 2011, the Group acquired 100% equity interests in Beichuan Lida Mining Co., Ltd. ("Beichuan Lida"), which holds a mining right of Tujisi Mine. We have successfully completed the geographical exploration in October 2011 and the exploration report has been issued. Situated on the same mineral vein as Zhangjiaba Mine, Tujisi Mine contains approximately 12,213,200 m^3 of resources (331+332+333 under Chinese Standard), which is far higher than the preliminary estimate for resources of 6,100,000 m^3 at acquisition. With an anticipated mining capacity for blocks of 50,000 m^3 per annum, such acquisition helps the Group to further enhance its own mining capacity for blocks, in particular, enriching the texture and types of its high-end beige marble series as well as increasing its market competitiveness.

To realize its objectives of becoming the best integrated stone operator, the Group has been planning and identifying suitable area for the construction of its self-owned processing plant with a view to optimize the industry chain. The Group has previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant given the policy adjustment on local industry structure, and upon active communication between the Group and the government, the Group has re-signed an intent of co-operation with the government of Jiangyou in November 2011, under which, the government of Jiangyou would provide other suitable sites for the construction of the Group's processing plant, while undergoing discussion on the possibility of constructing processing plants and trading platforms via new construction and integration with certain important stone industry players in China. Upon the completion of the overall ramp-up plan for production capacity in 2014, it is expected that the Group's annual mining capacity for marble blocks would reach 150,000 m^3, and the processing capacity for marble slabs of the processing facilities is anticipated to reach 3,000,000 m^2. According to the anticipation of China Stone Material Association, upon the completion of the capacity ramp-up plan, the Group would rank first among all beige marble mining companies in China in terms of mining and processing capacities for a single category of mine.

In addition, while members of the Group kept on developing their production capacity and establishing sales channels, idle cash was temporarily used in structured deposits and entrustment loans to generate interest income for the Group during the Year, and thus realized the value maintenance and even appreciation for the capital.

ii. Summary of Production and Sales Performance

The Group has always put the enhancement of mining capacity as its business focus with an aim to enhance business performance and consolidate its leading position in domestic marble stone mining industry. During the Year, we produced a total of 21,849 m^3 of marble blocks in Zhangjiaba Mine, which is a marble mine owned by the Group in Sichuan, and processed a portion of the blocks into an aggregate of

247,486 m^2 of marble slabs, of which, about 85,776 m^2 was Pure Beige marble slabs and approximately 161,710 m^2 was Mixed Beige and other marble slabs. The exploration work for Tujisi Mine, which is owned by the Group, has just been completed, but no mining activities have been duly conducted at present.

As at 31 December 2011, the Group has sold about 7,620 m^3 of self-produced marble blocks and about 214,330 m^2 of self-produced marble slabs, which amounted to approximately RMB61,700,000 and approximately RMB121,392,000 respectively. The Group has also sold about 113,680 m^2 stone products purchased from outside, which amounted to approximately RMB106,332,000. Sales of self-produced marble blocks and marble slabs represented 21.3% and 41.9% of the total revenue for 2011 respectively.

During the Year, the average selling price of each square meter of Pure Beige marble slab was RMB865 and the average selling price of each square meter of Mixed Beige marble slab was RMB568.

Zhangjiaba Mine Marble Resource and Reserve Summary, as of 31 December 2011 (JORC Compliant)

JORC Resource and Reserve Class	(million m^3)
Measured Resource	15.74
Indicated Resource	28.41
Total Resource	44.15
Proved Reserve	5.98
Probable Reserve	10.80
Total Reserve	16.78

Information and Reserve Summary on Marble Stones in Tujisi Mine

Name of the mine:	Tujisi Mine
Location:	Yunlin Village, Xiangquan Country, Beichuan County
Mining permit area:	0.1748 km^2
Mining permit elevation:	980 m to 1,160 m above MSL
Mining permit expiration date:	1 June 2017
Resources (331+332+333 under Chinese Standard):	12,213,200 m^3

Our operation results from January to December 2011 are summarized as follows:

	January-December 2011	January-June 2011	July-December 2011
Marble Block Mining			
Marble block mined (m^3)	21,849	9,371	12,478
Marble Block for Sales & Processing			
Marble blocks for direct sales (m^3)	7,620	7,612	8
Marble blocks for slab processing (m^3)	6,810	2,474	4,336
Subtotal	14,430	10,086	4,344
Marble Slab for Processing & Purchases			
Marble Slabs Processed (m^2)			
Pure Beige (m^2)	85,776	1,338	84,438
Mixed Beige (m^2)	134,391	62,803	71,588
Others (m^2)	27,319	27,319	—
Subtotal	247,486	91,460	156,026
Slab for Sales			
Self-produced (m^2)			
Pure Beige (m^2)	80,924	1,107	79,817
Mixed Beige (m^2)	107,527	61,827	45,700
Others (m^2)	25,879	25,450	429
Purchased outside (m^2)	113,680	—	113,680
Subtotal	328,010	88,384	239,626
Average Selling Prices (Note)			
Self-produced			
Marble block ASP (RMB/m^3)	9,610	9,610	9,610
Marble slab ASP			
Pure Beige (RMB/m^2)	865	865	865
Mixed Beige (RMB/m^2)	568	568	568
Others (RMB/m^2)	539	539	539
Purchased outside (RMB/m^2)	935	—	935

Note: The average selling price includes the value added tax, but excludes the selling price for slabs purchased outside.

iii. Acquisition of Mines and Strategic Co-operation

On 29 August 2011, the Group acquired 100% equity interest in Beichuan Lida which holds a mining right of Tujisi Mine locating in the same mineral vein as our Zhangjiaba Mine, which has resources of approximately 12,213,200 m^3 (331+332+333 under Chinese Standard) and is far higher than the preliminary estimate for resources of 6,100,000 m^3 at acquisition. It is anticipated that the mining capacity for blocks will reach 50,000 m^3 per annum, where new products would be introduced to the market to meet requirements of various customers. Such acquisition helps the Group to further enhance its own mining capacity for blocks, in particular, enriching its texture and types of its high-end beige marble series as well as increasing its market competitiveness.

In September 2011, the Group signed supply contracts with two large real estate development companies in Inner Mongolia in China, providing premium decorative stones including our self-produced marble slabs, granite and other marble related products for their various massive construction projects, including hotels, clubhouses and commodity markets, etc.

During the year, stone experts of the Group conducted continuous research across China to identify suitable stone resources, and actively expanded the resource share of the Group for stone resources, such as precious, high-end marble stones and granite with high amount of consumption.

iv. Development of Downstream Business

To facilitate more effective resources integration and extend its competitive edges on quality mine resources, the Group consistently takes an active role in identifying partnership of development potential with an aim to put synergy effect into full play. In July 2011, the Group successfully acquired 49% equity interests in Guangdong Jiapeng Construction. Guangdong Jiapeng Construction is a professional engineering company on the design and construction of curtain wall engineering as well as decoration for construction, and has gained a certain degree of awareness in Guangzhou and Pearl River delta area. Such acquisition could complement the resources and strengths of both parties, allowing the Group to directly access to large high-end customers, and leverage on landmark construction projects to establish its brand awareness, while expanding the sales channel of its own mine products and increasing its market share.

3. BUSINESS STRATEGIES

It is the Group's goal to become the best integrated stone business operator in China. To achieve this target, the Group will continue to uphold its established strategies:

- **Further expansion of quality mine resources**

  The Group will capture more quality stone resources to enhance its dominance in the stone market, and actively control the flow of quality raw stones of domestic and foreign sources via various means, including merger and acquisition, shareholding and strategic co-operation. The Group will also continue to follow up and make negotiations on the acquisition of mine projects of development potential in the future. Apart from identifying quality mines within China, we will also make distribution agreements with enterprises situated in coastal countries around the Mediterranean Sea, where premium stone resources could be found, to become their general distributors. As natural stone resources are non-renewable, with the increasing consumption of resources in the world and the continuous increase in the pursuit of living environment and quality by consumers, the Group needs to lay a solid resource foundation for its long term development.

- **Establish solid customer base and strengthen existing customer relations**

  Through co-operation with renowned property developers, renovation and decoration companies and construction design companies, we will fully leverage on synergy of resources, mutually complement development strengths and strengthen our core competitiveness, hence achieving a win-win situation. Currently, the Group is taking the initiatives to prepare and establish a stone trading platform in stone distribution centers in China with a view to allow its mine products to penetrate into the market in a rapid and extensive manner. Hence, the acceptance among consumers will be established, while brand awareness and market share will also be enhanced.

- **Active exploration of high-end market**

  The Group would penetrate into markets with long-term development potential and further increase its market share via co-operation with renowned customers. The Group optimized its marketing strategies with focus on sales of slabs last year, and directly accessd to the high-end construction and decoration markets in Guangzhou and Pearl River delta area via the acquisition of Guangdong Jiapeng Construction, thereby curtailing fees arising from the multi-layered intermediate sales channels and boosting up its profits.

- **Perk up mining and processing capacity**

  We will continue to ramp up our mining capacity in order to cater for the raising market demand for stones. Upon the duly commencement of mining in Tujisi Mine, the total annual mining capacity for marble blocks of the Group is anticipated to climb up significantly. Currently, apart from processing the safe production permit, other production and operation permits for Tujisi Mine have been obtained. Meanwhile, the Group will continue to identify suitable area for the construction of its self-owned modern processing plant with a view to assure the quality of its marble products and further optimize the entire industry chain. The Group has previously signed a co-operation agreement with the government of Jiangyou, but the government was unable to provide the original land for the processing plant given the policy adjustment on local industry structure, and upon active communication between the Group and the government, the Group has re-signed an intent of co-operation with the government of Jiangyou in November 2011, under which, the government of Jiangyou would provide other suitable sites for the construction of the Company's processing plant.

- **Create brand of integrated stone operator and enhance added-value of products**

  To realize our objective of becoming the best integrated stone operator, apart from placing its business focus on mining, the Group will actively raise the added-value of its products via measures including innovative product design and selling products purchased outside. As the tightening monetary policy in China imposes a relatively great impact on private enterprises, our target customers should possess risk-aversion capability, such as developers specialized in massive government construction projects. In addition, the Group will help its customers to implement certain combinations of plans. If the necessary raw materials could not be provided by our mines, the Group will directly purchase from mine owners inside and outside China, and also provide our professional advices on stone to customers.

4. FINANCIAL REVIEW

Revenue

We commence commercial production on September 2010 at our Zhangjiaba Mine and generated revenue at October 2010. Throughout the production in 2011, the Group generated revenue amounted RMB289,424,000, of which RMB121,392,000 were from the sales of self-produced marble slabs, and RMB61,700,000 were from the sales of self-produced marble blocks. While RMB106,332,000 were generated from the sales of other marble products and granite purchased outside.

Cost of sales

During 2011, the Group incurred cost of sales amounted RMB115,364,000. Of which RMB3,885,000 were for the costs related to the production of self-produced marble blocks, RMB24,077,000 were for the costs related to the production of self-produced marble slabs and RMB87,402,000 were cost of products purchased outside.

Gross profit and gross margin

Given a full year operation in 2011 compared to a quarter's operation in 2010, the increase of the capacity of production also led to an increase in the gross profit. Gross profit of the Group rose sharply from RMB4,592,000 at 2010 to RMB174,060,000 at 2011, representing an increase approximately 36.9 times. Including in the gross profit, the sales of other marble products and granite purchased outside contributed the gross profit amounted RMB18,930,000.

Gross margin of the Group decreased from 69.4% in 2010 to 60.1% in 2011. We further analyzed the gross margin as follows:

	2011	2010
Sales of self-produced marble blocks and slabs	**84.7%**	69.4%
Sales of marble products purchased outside	**17.8%**	—

Other income and gains

Other income and gains were RMB64,000 for the year ended 31 December 2010, as compared to RMB44,292,000 for the year ended 31 December 2011, of which RMB43,913,000 were the interest income from time deposits, entrustment loans and structured deposits.

Selling and distribution cost

Selling and distribution cost of the Group was RMB477,000 for the year ended 31 December 2010, as compared to RMB1,820,000 for the year ended 31 December 2011. Selling and distribution cost included staff cost, travelling and accommodation for business negotiation and brand-building expense.

Administrative expenses

Administrative expenses of the Group were RMB25,748,000 for the year ended 31 December 2010, as compared to RMB104,272,000 for the year ended 31 December 2011. Substantial increase for the year was related to the professional services for the initial public offer (the "IPO") amounted RMB24,916,000. Moreover, non-cash equity-settled share option expenses of RMB49,843,000 was recorded in the year ended 31 December 2011.

Finance cost

Finance cost of the Group was RMB2,320,000 for the year ended 31 December 2010, as compared to RMB5,428,000 for the year ended 31 December 2011. Since the foreign exchange position did not in line with the Group's development, the Group used an offshore deposit to secure the onshore loan in China which amount to RMB97,000,000. The interest expenses therefore increased in the year.

Other expenses

Other expenses were RMB1,371,000 for the year ended 31 December 2010, as compared to RMB8,517,000 for the year ended 31 December 2011, which mainly consisted of foreign exchange loss and compensation provision for the lawsuit amounting to RMB5,037,000 and RMB3,130,000 respectively.

Income tax expense

Income tax expense of the Group amounted RMB46,310,000 for the year ended 31 December 2011. Compared to the tax benefit amounted RMB4,205,000 for the year ended 31 December 2010, the Group commenced commercial production and generate assessable profit in 2011 and hence income tax expense incurred in the year ended 31 December 2011.

Profit for the year

With a full year operation for the year 2011, the result of the Group has a turnaround from a loss of RMB21,055,000 for the year ended 31 December 2010 to a profit of RMB53,247,000 for the year ended 31 December 2011. The Group also recorded a total consolidated comprehensive income amounted RMB48,904,000 in the year ended 31 December 2011 compare to a consolidated comprehensive loss amounted RMB23,623,000 for the year ended 31 December 2010. While excluded the equity-settled share option expense of RMB49,843,000 and the global offer cost of RMB24,916,000, the total consolidated comprehensive income of the Group for the year ended 31 December 2011 was RMB123,663,000.

Dividend

No dividends were to be proposed for the two years ended 31 December 2010 and 31 December 2011.

Consolidated Statement of Cash Flows

	2011 RMB'000	2010 RMB'000
Cash and cash equivalent at beginning of year	**80,082**	5,670
Net cash flow used in operating activities	**(59,606)**	(23,752)
Net cash flow used in investing activities	**(799,805)**	(68,779)
Net cash flow from financing activities	**915,994**	170,031
Net increase in cash and cash equivalent	**56,583**	77,500
Net foreign exchange difference	**(9,380)**	(3,088)
Cash and cash equivalent at end of year	**127,285**	80,082

Operating activities

Net cash outflow from operating activities for the year ended 31 December 2011 amounted RMB59,606,000 mainly as a result of the profit before tax for the year amounted RMB99,557,000 and respective adjustments, including (i) the non-cash equity-settled share-based expense amounted RMB49,843,000 and (ii) the interest income amounted RMB43,913,000; and (iii) increase of prepayments, deposits and other receivable amounted RMB39,274,000; and (iv) the increase of the trade receivable of RMB101,983,000.

Investing activities

Net cash outflow for investing activities for the year ended 31 December 2011 amounted RMB799,805,000. The cash outflow from investing activities during the year mainly consisted of (i) purchase of property, plant and equipment amounted RMB108,790,000, (ii) placing of structured deposits and entrustment loans amounted RMB170,247,000 and RMB310,000,000 respectively, (iii) amounted RMB107,196,000 was placed as deposit for securing the bank borrowing, (iv) amounted RMB39,109,000 for purchasing the mining rights and (v) RMB6,000,000 and RMB13,500,000 were used to acquiring 100% equity interest of Beichuan Lida and 49% equity interest of Guangdong Jiapeng Construction respectively.

Financing activities

Net cash inflow from financing activities for the year ended 31 December 2011 amounted RMB915,994,000. The Company was listed on the Main Board of Stock Exchange at 18 March 2011. The net proceed from the Company's issue of new share capital (after deducting the expenses related to the issue of the new shares in the IPO and expenses relating generally to the listing of all the shares of the Company, whether existing or new) amounted to approximately HK$1,069,733,000, equivalent to RMB900,437,000.

Cash and cash equivalent

Cash and cash equivalent of the Group increased from RMB80,082,000 as at 31 December 2010 to RMB127,285,000 as at 31 December 2011, with the net foreign exchange difference increased from RMB3,088,000 to RMB9,380,000. Out of the RMB127,285,000, the equivalent of RMB2,904,000 was held in Hong Kong Dollars and the net was held in RMB.

Interest-bearing bank loans

	Group	
	2011	2010
	RMB '000	RMB '000
Repayable within one year		
Bank Loan		
— Unsecured	—	70,000
— Secured	97,000	3,308

Operating lease commitment

As at 31 December 2011, the Group had contracted obligation of operating leases which totalled approximately RMB21,033,000 with approximately RMB7,566,000 due within one year, approximately RMB13,020,000 due between two to five years and the rest of approximately RMB447,000 due after five years.

Financial instruments

The Group does not have any hedging contracts or financial derivatives outstanding for the year ended 31 December 2011 and 31 December 2010.

Capital expenditures

The Group invested approximately RMB108,790,000 capital expenditures mainly for the construction and purchase of property, plant and equipment in the year ended 31 December 2011. In addition, RMB39,109,000 was invested for the purchase of mining rights. The capital expenditure were fully financed by internal resources and proceeds from the Group's IPO.

Segment information

The Group's revenue and contribution to profit were mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan Province and Guangdong Province, China. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Employees and emoluments policy

As at 31 December 2011, there were a total of 223 employees in the Group. The staff cost, including directors' remuneration in form of salary, equity-settled share option expense and allowance were approximately RMB76,556,000.

5. FUTURE PROSPECT

The Group believes that thorough coverage of industry chain is the path of sustainable development of stone enterprises. To become the best enterprise in the stone industry, apart from its self-owned quality mine resources upstream, we also need to equip ourselves with advanced and modern processing equipment for the production process, and ensure that our marble products are of premium quality, while maintaining a strong and solid customer base in terms of sales. Looking forward, the Group will expand its quality mine resources via merger and acquisition of great investment value, which will in turn enrich our marble product types. Currently, the Group has already commenced the establishment of its own renowned design team, which will realize its innovative design concepts in near future, and transform various types of stones into unique and invaluable gems. Meanwhile, the Group will continue to seek for strategic co-operation opportunities of great development potential, which could not only enhance its brand awareness in the market, but also helps the Group to link domestic and foreign resources and markets to fully capitalize on synergy effect. We will keep an eye on global resources and target on global market with an aim to become a large integrated stone operator with dominance in the industry and international competitiveness.

Management Discussion and Analysis

Due to the influence from the combined factors of the slowdown in the macro-economic development in China, a decrease in the investment in fixed assets and downturn in manufacturing industry as well as the slowdown in global economy under the European debt crisis and weakening domestic economy in the United States, the degree of the overall prosperity in the stone industry in 2011 declined significantly. Yet, the Group has still overcome various difficulties and made good achievements.

The Group believes that the economy in China would still be on the track of stable growth in the future. With continuous promotion of urbanization and determination to create international cities by the Chinese Government, it could be expected that the development of various large projects, high-end real estate projects and the construction market at first-tier cities would be blooming, and the tremendous consumption and demand on stones would create more opportunities for the Group. Meanwhile, the significant enhancement in terms of wealth or taste in China over these years also suggests a corresponding increase in the demand for new houses or renovated houses, and thus high-end marbles would become popular items.

Corporate Governance

The Company has adopted the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance. The Company has complied with such code provisions during the year ended 31 December 2011 except for the deviation from code provision A.2.1 as disclosed below. The directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Company so as to achieve effective accountability to the shareholders as a whole. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders. Set out below is a detailed discussion of the corporate governance practices adopted and observed by the Company during the year ended 31 December 2011.

For the purpose of complying with the new code of corporate governance practice as set out in the Appendix 14 of the Listing Rules, which shall take effect from 1 April 2012, the Board has adopted a revised CG Code (the "New CG Code") on 29 March 2012.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the required standard for securities transactions by directors. Having made specific enquiries of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the year ended 31 December 2011.

BOARD OF DIRECTORS

(i) Composition of the Board

The Board currently comprises a combination of executive directors and independent non-executive directors. At least one of the independent non-executive directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. As of the date of this annual report, the composition of the Board is as follows:

Executive Directors
Ms. Chen Tao *(Chairlady and chief executive officer)*
Mr. Lin Yuhua
Mr. Liao Yuanshi
Mr. Xiong Wenjun

Independent non-executive Directors
Mr. Deng Huiqing
Mr. Chu Ho Hwa, Howard
Mr. Liu Yuquan

The executive directors, with the assistance from the senior management, form the core management team of the Company. The executive directors have the overall responsibility for formulating the business strategies and development plan of the Group and the senior management are delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group and are responsible for supervising and executing the plans of the Group. The biographical details of all directors are set out in pages 32 to 40 of this annual report. The composition of the Board is well balanced with the directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive directors and independent non-executive directors bring a variety of experience and expertise to the Company.

(ii) Functions of the Board

The principal functions of the Board is to (i) convene general meetings and report the Board's work at general meetings; (ii) implement the resolutions passed by the shareholders in general meetings; (iii) consider and approve strategies, financial objectives, annual budget, investment proposals of the Group; (iv) formulate the proposals for profit distributions; (v) assume the responsibilities of corporate governance of the Group; and (vi) exercise other powers, functions and duties conferred by the shareholders in general meetings.

(iii) Board Meeting and Attendance Record

The directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association. The company secretary of the Company (the "Company Secretary") will assist the chairlady to prepare the agenda of the meeting and each director may request to include any matters in the agenda for the regular Board meetings. The Company Secretary is responsible for distributing detailed documents to the directors prior to the meetings of the Board, to ensure that the directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient detail, including matters considered and decisions reached by the Board and are open for inspection by directors.

The Company's Articles of Association (the "Articles of Association") contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

During the year ended 31 December 2011, there were four Board meetings held at which the directors approved, among other things, the annual results of the Group for the year ended 31 December 2011. Prior notice convening the Board meeting was despatched to the directors setting out the matters to be discussed. At the meeting, the directors were provided with the relevant documents to be discussed and approved. The Company Secretary is responsible for keeping minutes for the Board meetings.

The following is the attendance record of the Board meetings and general meetings during the year ended 31 December 2011:

	Board meeting	General meeting
Executive Directors		
Ms. Chen Tao *(Chairlady and chief executive officer)*	4/4	1/1
Mr. Lin Yuhua	4/4	1/1
Mr. Liao Yuanshi	4/4	1/1
Mr. Xiong Wenjun	4/4	1/1
Non-executive Director		
Mr. He Ji (resigned at 29 March 2012)	3/4	0/1
Independent non-executive Directors		
Mr. Deng Huiqing	4/4	1/1
Mr. Chu Ho Hwa, Howard	3/4	0/1
Mr. Liu Yuquan	4/4	0/1

None of the meetings set out above was attended by any alternate Director.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years and each of the non-executive directors and independent non-executive directors has entered into a letter of appointment with the Company for an initial term of three years. The service contracts and letters of appointment will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other for the executive directors and one month's notice in writing served by either party on the other for the non-executive director and independent non-executive directors.

In compliance with the code provision in A.4.2 of the CG Code, all directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to the article 84(1) of the articles of association of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Each of Ms. Chen Tao, Mr. Lin Yuhua, Mr. Liao Yuanshi, Mr. Xiong Wenjun, Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan will retire from the office of the directors at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1) and Rule 3.10A of the Listing Rules, the Company has appointed three independent non-executive directors. The Board considers that all independent non-executive directors have appropriate and sufficient industry or finance experience and qualifications to carry out their duties so as to protect the interests of shareholders of the Company.

Prior to their respective appointment, each of the independent non-executive directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company has also received a written confirmation from each of the independent non-executive directors in respect of their independence. The Board considers that all independent non-executive directors are being considered to be independent by reference to the factors stated in the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2011, Ms. Chen Tao was both the Chairlady of the Board and the chief executive officer.

The Board considered that Ms. Chen Tao was instrumental to the development of the Company and was the most appropriate person to manage the Group. Notwithstanding the above, the Board will review the current structure from time to time. When at the appropriate time and if candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may make necessary arrangements.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Lou Sai Tong. Details of the biography of the Company Secretary are set out in the section headed "Profile of Directors and Senior Management" of the annual report. The Company Secretary has been informed of the requirements under Rule 3.29 of the Listing Rules and his compliance with such requirement for the year ending 31 December 2012 will be reported in the corporate governance report in the 2012 annual report of the Company.

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises independent non-executive directors who have been invited to join as members.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 24 January 2011 with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the CG code. The Board has adopted revised terms of reference for the Audit Committee on 29 March 2012. The terms of reference of the Audit Committee are posted on the Stock Exchange and the Company's website. At present, the Audit Committee consists of three members, all of the members are independent non-executive directors, namely Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard and Mr. Liu Yuquan. Mr. Chu Ho Hwa, Howard currently is the chairman of the Audit Committee.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, the review of the financial statements and material advice in respect of financial reporting and the oversight of internal control procedures of the Group. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011 including the accounting principles and practices adopted by the Group, selection and appointment of the external auditors.

During the year ended 31 December 2011, the Audit Committee has two meetings, at which the members of the Audit Committee have reviewed and discussed with the external auditors of the Company the Group's consolidated financial statements for the year ended 31 December 2010 and the interim condensed financial information for the six months ended 30 June 2011. The Audit Committee is of the opinion that such financial statements have complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosure have been made.

The following is the attendance record of the Audit Committee meetings during the year ended 31 December 2011:

	Attendance at the meeting
Mr. Chu Ho Hwa, Howard *(Chairman)*	2/2
Mr. Deng Huiqing	2/2
Mr. Liu Yuquan	2/2

None of the meetings set out above was attended by any alternate Director.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 24 January 2011 with terms of reference in compliance with paragraph B1 of the CG code. The Board has adopted revised terms of reference for the Remuneration Committee on 29 March 2012. The terms of reference of the Remuneration Committee are posted on the Stock Exchange and the Company's website. During the year ended 31 December 2011, the Remuneration Committee consists of three members, namely Ms. Chen Tao, Mr. Liu Yuquan and Mr. Deng Huiqing, majority of the members are independent non-executive directors. On 29 March 2012, Mr. Liu Yuquan has been appointed as the chairman of the Remuneration Committee in place of Ms. Chen Tao. Ms. Chen Tao remains as a member of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all directors and the senior management of the Group, review performance-based remuneration and ensure none of the directors determine their own remuneration.

During the year ended 31 December 2011, the Remuneration Committee has held one meeting, at which the members of the Remuneration Committee have discussed the granted of 20,000,000 share options under the share option scheme adopted by the Company on 24 January 2011.

The following is the attendance record of the Remuneration Committee meetings during the year ended 31 December 2011.

	Attendance at the meeting
Mr. Liu Yuquan *(Chairman)*	1/1
Ms. Chen Tao	1/1
Mr. Deng Huiqing	1/1

None of the meetings set out above was attended by any alternate Director.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 24 January 2011 with terms of reference in compliance with paragraph A5 of the CG Code. The Board has adopted revised terms of reference for the Nomination Committee on 29 March 2012. The terms of reference of the Nomination Committee are posted on the Stock Exchange and the Company's website. At present, the Nomination Committee consists of three members, namely Ms. Chen Tao, Mr. Liu Yuquan and Mr. Deng Huiqing, majority of which are independent non-executive directors. Ms. Chen Tao currently is the chairlady of the Nomination Committee.

As there had been no change to the composition of the Board during the year ended 31 December 2011, no meeting was held by the Nomination Committee during the year ended 31 December 2011.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code Provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of the directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report. Details of the work of the Board in relation to the corporate governance function for the year ending 31 December 2012 will be disclosed in the corporate governance report in the Company's 2012 annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The directors have been informed of the requirement under Code Provision A.6.5 of the CG Code regarding continuous professional development. Details of how each director complies with such requirement for the year ending 31 December 2012 will be set out in the corporate governance report in the Company's 2012 annual report.

AUDITORS' REMUNERATION

During the year ended 31 December 2011, the remuneration paid or payable to the Company's auditor, Ernst & Young, in respect of their audit and non-audit services was as follows:

Type of Services	RMB'000
Audit services	1,964
Non-audit services (listing fee)	2,130
Total	4,094

The Audit Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by its shareholders.

DIRECTOR'S AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company deploys appropriate and sufficient resources to prepare audited accounts. In preparing the financial statements for the year ended 31 December 2011, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate.

The Company has prepared internal control reports for Kingstone (Guangzhou) Stone Industry Co., Ltd. (金石(廣州)石業有限公司) ("Kingstone Guangzhou") and Sichuan Jiangyou Jinshida Stone Industry Co., Ltd. (四川江油金時達石業有限公司) ("Sichuan Jinshida"), covering all material controls, including financial, and operational controls, for the period from 1 January 2011 to 30 April 2011. The said internal control reports compiled by the Company have been brought to the attention of the Board and the Audit Committee and concluded that the Group operated satisfactorily and there was no material discrepancy. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2011 and up to the date of this annual report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board. The Company reviews the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment. The Board believes that the existing internal control system is adequate and effective.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders and the investors. The Board also recognizes that effective communication with the investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all documents on the Company's website at *www.kingstonemining.com*. The Board continues to maintain regular dialogues with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. The directors and the committee members are available to answer questions at annual general meetings of the Company. Separate resolutions would be proposed at general meetings of the Company on each substantially separate issue.

Voting at general meetings of the Company are conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

The last shareholders' meeting was the annual general held on 20 May 2011 for approval of, among others, the general mandates to issue and purchase shares and the re-election of retiring Directors. Particulars of the major items considered at the annual general meeting are set out in the circular dated 15 April 2011. All proposed ordinary resolutions were passed by way of poll at the annual general meeting.

The forthcoming annual general meeting will be held on 22 May 2012. The notice of annual general meeting will be sent to shareholders at least 20 clear business days before the annual general meeting.

Corporate Governance

SHAREHOLDERS' RIGHT

How shareholders can convene an extraordinary general meeting and putting forward proposals at shareholders' meetings

Pursuant to the Articles of Association of the Company, any one or more shareholder holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company by mail at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail at Unit 6812–13, The Center, 99 Queen's Road Central, Hong Kong or by email at ir@kingstonemining.com. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

The results of voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

During the year ended 31 December 2011, there has been no significant change in the Company's constitutional documents.

GOING CONCERN

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Corporate and Social Responsibility

ENVIRONMENTAL PROTECTION

Our operations are subject to a variety of environmental protection laws and regulations in the People's Republic of China ("PRC"or "China"), as well as local environmental protection regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental protection matters, such as mining control, land rehabilitation, air emissions, noise control, discharge of wastewater and pollutants, waste disposal and radioactive element disposal control. The China government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental protection laws and regulations. Our operations generate, among other things, dust and noise pollution. The Environmental Protection Bureau of Jiangyou City (江油市環境保護局), as the competent authority, issued two confirmation letters to confirm that we were in compliance with the relevant environmental protection laws and regulations with respect to our Zhangjiaba Mine as at 14 February 2011 and based on such confirmation letters, we have complied with all relevant laws and regulations in China in all material respects regarding environmental protection as at 14 February 2011. We were not subject to any environmental protection claims, lawsuits, penalties or administrative sanctions.

We are committed to following environmentally responsible practices and have adopted measures to minimize the impact and risk of our operations on the environment. We utilize water with drilling, cutting and sawing activities, water sprays at material transfer points, and water trucks to spray the roads during dry periods to reduce dust from mining operations. The mine site has also been designed to recycle used water for production activities and dust suppression. Production water and rain falling on the mine area are drained to a central sump where the water is settled and cleared of sediment before being recycled back into ongoing production activity. No toxic or hazardous substances are contained in the drainage water. We have a limited amount of tailings because our Zhangjiaba Mine is highly utilizable and, as a result, we do not incur additional handling costs. Methods of noise control include use of silencers, noise and vibration dampening and absorbing materials, isolation and enclosure of noisy equipment, and regular equipment maintenance. We also undertake regular noise, water and air quality monitoring as well as an ongoing reclamation and re-planting program for disturbed areas.

LAND REHABILITATION

Our mining operations may adversely affect surface and underground land and cause landslides and other types of environmental damage. To manage the adverse effects that the mining industry has on the environment, China has promulgated a series of laws and regulations. Through these laws and regulations, China has established national and local environmental protection legal frameworks applicable to land rehabilitation and reforestation. The rehabilitation of mining sites is a priority of the China government. Under the Land Administration Law of China, promulgated on 25 June 1986, as amended, and the Land Rehabilitation Regulations, issued by the State Council which became effective on 1 January 1989, we must undertake measures to restore a mining site to its original state within a prescribed time frame if our mining activities result in damage to arable land, grassland or forestry land. The rehabilitated land must meet rehabilitation standards, as required by law from time to time, and may only be subsequently used upon examination and approval by the land authorities. Any failure to comply with this requirement or failure to restore the mining site to its original state will result in the imposition of fines, rehabilitation fees and/or rejection of applications for land use rights by the local bureau of land and resources.

Land rehabilitation typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, the restoration of land features in mined areas and dumping sites, and contouring, covering and revegetation of waste rock piles and other disturbed areas. In accordance with the relevant laws and regulations in China, we have developed an operational closure planning process for our Zhangjiaba Mine that is in line with China legislative requirements and incorporates recognized international industry practices.

OCCUPATIONAL HEALTH AND SAFETY

We have implemented a corporate safety policy which incorporates national safety standards. We hold a valid safety permit for our Zhangjiaba Mine issued by the Sichuan Provincial Safety and Production Supervision Bureau (四川省安全生產監督管理局) with a validity period from 17 June 2009 to 16 June 2012. We conduct our operations in accordance with the relevant national laws and regulations in relation to occupational health and safety in mining, production, blasting and explosives handling, mineral processing, waste rock disposal, construction, fire protection and fire extinguishment, sanitary provision in material aspects. Mianyang City Health Bureau (綿陽市衛生局) may conduct random inspections pursuant to law.

With respect to matters relating to occupational health and safety, we are subject to, among other laws and regulations in China, the PRC Production Safety Law (中華人民共和國安全生產法), the PRC Labor Law, the PRC Labor Contract Law and the PRC Law on the Prevention and Treatment of Occupational Diseases (中華人民共和國職業病防治法). Under the PRC Production Safety Law, we are required to maintain safe working conditions as provided in the PRC Production Safety Law and other relevant laws, administrative regulations, national standards and industry standards. We are also required to provide production safety training to our employees. The design, manufacture, installation, use, inspection and maintenance of our equipment are required to conform to the applicable national or industry standards.

Under the PRC Labor Law and the PRC Labor Contract Law, we are required to establish a system for labor safety and sanitation, to abide by applicable rules and standards and to provide training to our employees on relevant rules and standards. We are also required to provide our employees with a work environment that complies with labor safety and sanitation standards set forth in relevant regulations and to provide regular health examinations for our employees engaged in hazardous activities.

Pursuant to the Law on the Prevention and Treatment of Occupational Disease in China, we are required to: (i) establish and perfect the responsibility system of occupational disease prevention and treatment, strengthen the administration and improve the level of occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases engendered therefrom; (ii) purchase social insurance for industrial injury; (iii) adopt effective protective facilities against occupational diseases, and provide protective articles to the laborers for personal use against occupational diseases; (iv) set up alarm equipment, allocate on-spot emergency treatment articles, washing equipment, emergency safety exits and safety zones for poisonous and harmful work places where acute occupational injuries are likely to take place; and (v) inform the employees, according to the facts, of the potential harm of occupational disease as well as the consequences thereof and the protective measures and treatment against occupational diseases when signing a labor contract with employees. We have developed and implemented a system to monitor and record employee occupation health and safety statistics.

Profile of Directors and Senior Management

PROFILE OF DIRECTORS

Executive Director

Ms. Chen Tao, *Executive Director*, *Chairlady and Chief Executive Officer*

Ms. Chen, aged 37, was appointed as the executive director, chairlady of the Board and chief executive officer of the Company on 4 August 2010 in view of Ms. Chen's extensive experience in mining enterprise management. She is primarily responsible for business strategies, overall operations, financing and investment activities of the Company. She has over 7 years of experience in corporate finance, capital management and investment in mines, and mine management, including over two years of work experience in Sichuan Jinshida. Before the acquisition of the Zhangjiaba Mine, she assisted in identifying and acquiring the Zhangjiaba Mine. She joined us in August 2008. Since her joining, Ms. Chen has established a high-quality management team, and formulated the overall strategy for the mine development of our Company. She was substantially involved in, among others, the studies of mine geology and exploration of the resources, the preparation of the feasibility report and the Competent Person's Report of the Zhangjiaba Mine, environmental impact assessment, the construction of infrastructure, the design and execution of the ramp-up plan and the marketing strategy. Ms. Chen led a team of experts to carry out a preliminary analysis in respect of the geological conditions of the mining area of Zhangjiaba Mine. Based on the results of this preliminary analysis, Ms. Chen, together with the experts, concluded that the area had a very high potential and should be further explored. Such exploration and discovery led to the expansion of the total permitted mining area of our Zhangjiaba Mine from 0.289 km^2 to 0.495 km^2. Ms. Chen led the process to successfully convert the Zhangjiaba Mine's previous exploration permit and mining permit to a new mining permit in February 2011 and obtained all the material government permits and approvals for the construction and mining of the Zhangjiaba Mine and the construction and operating of the processing facilities. She oversaw the design and construction of the Zhangjiaba Mine and the processing facilities. She also led the management team to successfully commence the commercial production of the Zhangjiaba Mine in September 2010. Ms. Chen has 14 years of working experience and she began her mining career in June 2004. Details of such experience are set out below.

July 1998–May 2004

Credit customer manager and deputy general manager for business development, Industry and Commerce Bank of China Guangdong Branch (中國工商銀行廣東省分行). Ms. Chen was responsible for reviewing and managing bank loans to enterprises.

June 2004–July 2008

Deputy general manager of corporate finance department, Sunshiny Group Co., Ltd. (賢成集團有限公司), a company principally involved in coal mining activities through its subsidiaries.

Deputy general manager, Guangdong Mingcheng Mining Co., Ltd. (廣東明成礦業有限公司), a subsidiary of Sunshiny Group Co., Ltd. and a company principally involved in the exploration and extraction of coal mines.

Ms. Chen was responsible for overseeing investment, financing option and identifying and acquiring mining assets. She was involved in the strategic operations including mine-related transactions, and financing options. During this period, she performed due diligence duties on various coal and stone mines, and she participated in and completed various coal mine projects, including acquisitions or transfer of mining right projects of Guizhou Pan County Baiguo Town Baiping Coal Mine (貴州省盤縣柏果鎮柏平煤礦), Guizhou Pan County Banqiao Senlin Coal Mine (貴州省盤縣板橋森林煤礦), Guizhou Pan County Baiguo Town Yunshang Coal Mine (貴州省盤縣柏果鎮雲尚煤礦), Guizhou Renhuai Zhongshu Jiaotong Guangfu Coal Mine (貴州省仁懷中樞交通光富煤礦) and Guizhou Pan County Laochang Town Selucun Yungui Coal Mine (貴州省盤縣老廠鎮色綠村雲貴煤礦) and was mainly responsible for the exploration and mining rights, commercial negotiations and government liaison for each of the projects.

August 2008–April 2011 *Deputy general manager, Sichuan Jinshida*
April 2011–now *Chairlady of Board of Directors, Sichuan Jinshida*
Since July 2010, she has been a director of Sichuan Jinshida. Ms. Chen has been responsible for establishing a high-quality management team, and formulating the overall strategy for the mine development of our Company. She was substantially involved in the studies of mine geology and exploration of resources, the preparation of the feasibility report and the Competent Person's Report of the Zhangjiaba Mine, environmental impact assessment, the construction of infrastructure, the design and execution of the ramp-up plan and the marketing strategy and etc.

Her broad knowledge and experience in the mining industry and mining companies allows her to coordinate and advise our Directors on the operational, financial and strategic aspects of the Company's business, which is critical to the success of the Company's marble mining activities and operations.

Ms. Chen graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) and received a diploma in international business English in June 1997. She is qualified as an intermediate level economist (中級經濟師) with a certificate issued by the Ministry of Personnel of the PRC (中華人民共和國人事部).

Up to the date of this annual report, Ms. Chen personally holds share options in respect of 34,500,000 underlying shares. Save as aforementioned, Ms. Chen has no interest in the Company within the meaning of Part XV of the Securities and Future Ordinance.

Mr. Lin Yuhua, *Executive Director*, *Head of Geology and Mine Design and Production and Environmental Safety*
Mr. Lin, aged 55, was appointed as an executive director of the Company on 4 August 2010. In April 2009, Mr. Lin joined Sichuan Jinshida as the chief engineer and has been overseeing the geological exploration and construction of the Zhangjiaba Mine and preparation of the geological study and feasibility plan of our mine.

Mr. Lin has approximately 29 years of experience in the mining industry. Details of such experience are set out below.

February 1982–December 1987
Project leader and assistant engineer, Geology Company of the Construction Materials Ministry, Beijing Geological Survey Brigade, Second Team (建材部地質公司北京地質勘探大隊二分隊). Mr. Lin was responsible for conducting exploration and survey of limestone mines and drafting survey report.

January 1988–December 1989
Deputy-captain and engineer, Geology Company of State Construction Materials Bureau, Beijing Geological Survey Brigade, Integrated Team (國家建材局地質公司北京地質勘探大隊綜合隊). Mr. Lin was responsible for geological surveying activities, technology and project management.

Profile of Directors and Senior Management

January 1990–December 1991
Captain and chief engineer, project sponsored by Beijing Geological Survey Brigade, Integrated Team (北京地質勘探大隊綜合隊) and Hainan Tongli Stone Joint Stock Limited Company (海南同利石材股份有限公司). Mr. Lin was responsible for identifying and exploring mine reserves, improving mine extraction technology and skills and overseeing mine operation.

In 1992
Director of the Planning Technical Section, China Construction Materials Industry Geological Survey Center (中國建材工業地質勘查中心北京總隊計劃技術科). Mr. Lin was responsible for managing limestone mine exploration and identifying non-metal mines.

January 1993–January 1994
Deputy director and senior engineer, Mineral Exploration Department of Zhongda Construction Materials and Mineral Resources Company (subordinated to China Construction Materials Industry Geological Survey Center) (中達建材礦產公司(中國建材工業地質勘查中心所屬)礦產開發部). Mr. Lin was responsible for managing extraction activities for non-metal mines and drafting feasibility reports for various mines.

February 1994–October 2001
General manager and the director of chief engineers, Chengde Zhongcheng Stone Co., Ltd. (承德中成石業有限公司) and Mineral Department of Zhongda Construction Materials and Mineral Resources Company (中達建材礦產公司礦產部). Mr. Lin was responsible for managing overall operations of the companies and promoting the popularity of Yanshan green granite produced by the companies.

November 2001–August 2010
Director, Industrial Working Department of CSMA (中國石材協會行業工作部). Mr. Lin was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.

November 2005–December 2009
Standing deputy director and member, Expert Committee of the Mineral Stone Resources of CSMA (中國石材協會礦山石材資源專業委員會). Mr. Lin was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.

June 2006–December 2009
Member, Expert Committee of the Stone Application and Maintenance of CSMA (中國石材協會石材應用護理專業委員會). Mr. Lin was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.

March 2007–now
Expert judicaire, Beijing Guoke Forensic Expertise Center of Intellectual Property (北京國科知識產權司法鑒定中心). Mr. Lin has mainly been responsible for stonerelated test and identification.

December 2008–now
Member, Sub-commission of Codes and Applied Technology of the National Technical Commission of Stone Standardization (全國石材標準化技術委員會管理規範和應用技術及規範分技術委員會). Mr. Lin has mainly been responsible for managing the drafting and revision of stone industry standards and specifications. Member and deputy secretary of the Sub-commission, Special Machines of the National Technical Commission of Stone Standardization (全國石材標準化技術委員會專用機械分技術委員會).

April 2009–March 2011 Chief engineer, Sichuan Jinshida
July 2010–now Director of Sichuan Jinshida
Mr. Lin has been responsible for overseeing the geological exploration and construction of the Zhangjiaba Mine and preparation of the geological study and feasibility plan of the Zhangjiaba Mine.

Apart from serving the above positions, Mr. Lin has also made various accomplishments and achievements since 1993. He drafted a research report named Current Situation of Chinese Quarrying Industry (中國石材開採業現狀) and he edited a tool book of quarrying industry, Standard Illustrating Handbook on National and Foreign Natural Stone (中外天然石材標準圖鑒). Mr. Lin presided over the drafting of Technical Specifications on Open-pit Quarries of Decorative Stone (裝飾石材露天礦山技術規範) (JC/T1081-2008), which has been approved and issued by the NDRC and came into effect on 1 December 2008, as well as the Unit Consumption Standards for Processing of Standard Marble and Granite Slabs (大理石、花崗石規格板材加工貿易單耗標準), which has been jointly approved by the General Administration of Customs of the PRC (中華人民共和國海關總署) and the NDRC and has come into effect on 20 September 2010. He also participated in the drafting of or amendments to various important quarrying industry related literatures, including Research on Checking Method of Unit Consumption of Stone Products (石材產品單耗核定方法的研究與探索), national standards for Uniform Coding of Natural Stones (天然石材統一編號), as well as National Occupational Training Materials for Stone Production Workers (石材生產工國家職業培訓講義). He also participated in drafting National Occupational Standards for Stone Production Workers (國家職業標準 — 石材生產工), which has been submitted to the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) for approval, as well as industry standards for Quarry Stone of Natural Granite (天然花崗石荒料) and Quarry Stone of Natural Marble (天然大理石荒料), which has been submitted to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) for approval.

Mr. Lin received his bachelor's degree in geological survey from Hebei Geological Institute (河北地質學院) (currently known as Shijiazhuang University of Economics (石家莊經濟學院)) in August 1982. Mr. Lin holds the title of senior engineer awarded by State Construction Materials Bureau (國家建築材料工業局) in December 1992. He also holds the title of professorial senior engineer awarded by China National Materials Group Corporation Ltd. (中國中材集團公司) in November 2008.

Up to the date of this annual report, Mr. Lin personally holds share options in respect of 3,300,000 underlying shares. Save as aforementioned, Mr. Lin has no interest in the Company within the meaning of Part XV of the Securities and Future Ordinance

Profile of Directors and Senior Management

Mr. Liao Yuanshi, *Executive Director*, *Head of Mining and Processing*
Mr. Liao, aged 55, was appointed as an executive director of the Company on 4 August 2010. Since January 2010, he has been the technical adviser of Sichuan Jinshida and has been providing specialized instructions on mine construction, mining and selection of quarry machinery and equipment.

Mr. Liao has more than 27 years of experience in mining industry and mining machinery. Details of such experience are set out below.

February 1982–July 1987
Deputy section chief of the technological section, Beijing Machinery Plant (Beijing No. 394 Plant) (北京機械廠(北京394廠)). Mr. Liao was responsible for designing and developing machinery products and overseeing technical management related to production process.

July 1987–March 1991
Engineer and deputy manager of the technology and equipment section, China Jianbei Stone Industry Company (中國建北石材工業公司). Mr. Liao was responsible for the design, development, manufacturing and technical management of stone machinery products and stone machinery equipment, which were used in stone mining and processing.

April 1991–September 1998
Senior engineer and deputy manager of the stone products section, China National Materials Group Co., Ltd. (formerly known as China Nonmetallic Minerals Industrial Corporation) (中國中材集團有限公司、前身為中國非金屬礦工業總公司). Mr. Liao was responsible for technical management of stone machinery equipment which were used in stone mining and processing.

June 1998–December 2003
Product manager and serve engineer, Beijing representative office of Benetti Macchine S.P.A. Mr. Liao was responsible for the sales of stone machinery equipment and providing technical support to the clients.

March 2004–December 2004
Chief engineer, Xinjiang Urumqi Baiqing Industrial Co., Ltd. (新疆烏魯木齊柏青實業有限公司). Mr. Liao was mainly responsible for technical assessment of the exploration of mining resources and management of the mining techniques.

January 2005–January 2010
General manager, Xiamen Xinande Group Co., Ltd. (廈門新安德集團有限責任公司). General manager, Fujian Nanping San Lida Mining Industrial Co., Ltd. (福建南平三立達礦業有限公司). Mr. Liao was responsible for quarrying, mine exploration and mining production, overseeing stone slab production and managing stone export business.

October 2005–now
Expert, Expert Committee of the Mineral Stone Resources of CSMA (中國石材協會礦山石材資源專業委員會). Mr. Liao was responsible for providing advices with regard to the development of mineral resources, mine construction and promoting advanced technologies to stone and mining companies nationwide.

Profile of Directors and Senior Management

December 2004–now
Expert, Materials Expert Committee of China Construction and Decoration Association (中國建築裝飾協會材料委員會). Mr. Liao has been responsible for providing technical advices.

July 2009–now
Expert, Expert Committee of the Stone Machinery and Tools of CSMA (中國石材協會石材機械與工具專業委員會). Mr. Liao has been responsible for providing technical advices with regard to stone machinery and tools and promoting advanced technologies to stone and mining companies nationwide.

April 2010–now
Expert, Work Safety Expert Panel of the Non-coal Mines of Fujian Provincial Administration of Work Safety (福建省安監局非煤礦山安全生產專家組). Mr. Liao has been responsible for providing advices on work safety measures for open-pit mining and use of explosive materials in mining.

January 2010–March 2011 Technical adviser, Sichuan Jinshida
July 2010–now Director of Sichuan Jinshida
Mr. Liao has been responsible for providing specialized instructions on mine construction, mining and selection of quarry machinery and equipment.

Mr. Liao has also made academic achievements by publishing (as author or co-author) more than 20 papers and translation works related to quarrying and stone products processing on several academic magazines and journals, including Stone (石材) and Overseas Nonmetallic Minerals and Stone (國外非金屬礦與寶石). Mr. Liao is the author of the following books: Technologies and Equipment of Quarrying (石材礦山開採技術及設備), Application Techniques of the Diamond Wire Saw in Decorative Stone Slab Production (金剛石串珠鋸在飾面石材生產中的應用技術), Mechanized Mining of Decorative Stone Slabs — Application and Development Diamond Wire Saw (飾面石材的機械化開採 — 金剛石串珠鋸的應用與發展) and Shaped Stone (異型石材).

Mr. Liao received his bachelor's degree in engineering from East China Engineering Institute (華東工程學院), which is currently known as Nanjing University of Science & Technology (南京理工大學), in May 1982. From 1988 to 1989, he obtained a certificate issued by the Department of International Cooperation and Development of the Italian Ministry of Foreign Affairs after studying courses related to stone mining techniques at CARRARA in Italy. Mr. Liao also holds the title of senior engineer awarded by State Construction Materials Bureau (國家建築材料工業局) in 1993.

Up to the date of this annual report, Mr. Liao personally holds share options in respect of 3,300,000 underlying shares. Save as aforementioned, Mr. Liao has no interest in the Company within the meaning of Part XV of the Securities and Future Ordinance

Mr. Xiong Wenjun, *Executive Director*, *Head of Marketing and Sales*
Mr. Xiong, aged 52, was appointed as an executive Director of the Company on 4 August 2010. Mr. Xiong is a deputy general manager of Sichuan Jinshida and is primarily responsible for the marketing and sale of our marble products. Since January 2007, Mr. Xiong has assisted Mr. Huang in identifying and acquiring the Zhangjiaba Mine. He has also been the marketing director of Sichuan Jinshida since August 2007.

Profile of Directors and Senior Management

Mr. Xiong has approximately 29 years of experience in mining industry and geology. Details of such experience are set out below.

July 1982–November 1989
Teaching assistant, China University of Geosciences (中國地質大學). Mr. Xiong was responsible for teaching courses on physical geology.

December 1989–February 1998
Lecturer, China University of Geosciences. Mr. Xiong was responsible for teaching courses on physical geology and marine geology.

March 1998–March 2006
Deputy general manager, Shenzhen Kangli Stone Co., Ltd. (深圳康利石材集團有限公司), one of the largest stone companies in China. Mr. Xiong was responsible for procurement of blocks which requires significant geological and mining knowledge, managing the stone processing and production activities, assisting the Company to obtain ISO9000 system and overseeing domestic sale. During the tenure with Shenzhen Kangli Stone Co., Ltd., he performed due diligence duties on various stone mines throughout the country, which required substantial knowledge and experience in the scales and geological conditions of the different stone mines, the technologies, equipment and techniques used for mining and the stone processing.

August 2007–March 2011
Marketing director, Sichuan Jinshida. Mr. Xiong has been responsible for the marketing and sale of our marble products.

July 2010–now Director of Sichuan Jinshida
In addition to the above positions, Mr. Xiong also provided a range of trainings on geology, stone procurement, stone processing, equipment installment, quality control and marketing to the trainees from various stone, design and decoration companies. Mr. Xiong is a member of the Sub-commission of Products and Auxiliary Materials of the National Technical Commission of Stone Standardization (全國石材標準化技術委員會產品及輔助材料分技術委員會) and participated in reviewing stone industry-related standards. Due to the past academic experiences at top geological university in China and long-term commitment to the management and marketing practice in mineral enterprises, Mr. Xiong has abundant expertise in geological and mining industry as well as practical working experience in stone products marketing. He is familiar with the current stone markets in China and worldwide as well as their developing trends. More than 10 years of managerial experience of mineral enterprises has familiarized him with, among other things, the geological distribution and conditions of marble mines in China, capable of positioning the market and making overall strategic planning.

Mr. Xiong received his bachelor's degree in coal geology from Wuhan College of Geology (武漢地質學院) in July 1982, and master's degree in petrology from China University of Geosciences in June 1989. Mr. Xiong has in-depth experience and knowledge in geology, especially in the areas of the chemical composition and structure of minerals, the exploration and recovery of natural resources, and erosion and deposition of rock particles. He is also a certified constructor in China.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Deng Huiqing, aged 62, was appointed as an independent non-executive director of the Company on 4 August 2010. He has over 20 years of experience working in stone industry. From December 1987 to January 1989, he was the deputy office director in China Jianbei Stone Industry Company (中國建北石材工業公司). From January 1989 to January 1997, he worked as the deputy general manager in Shandong Laizhou Yin Lei Stone Products Co., Ltd. (山東萊州銀磊石材有限公司), and he was responsible for marketing and sales of the stone products. He was appointed as the executive secretary of CSMA from July 1996 to January 1997. From January 1997 to April 2002, he worked in China Nonmetallic Minerals Industrial Corporation (中國非金屬礦工業總公司) and held several positions including the deputy office director from January 1997 to April 1997, the deputy general manager and general manager of the enterprise management department from April 1997 to March 2001 and the director of party relationship department (黨群工作部) from March 2001 to April 2002. Since April 2002, he has been the deputy secretary general, the standing deputy director of the Expert Committee of the stone Application and Maintenance (石材應用護理專業委員會), where he has been responsible for managing the administrative work of the association, identifying different varieties of stones, conducting on-site visits to different stone mines and providing technical consultancy to stone mining and processing companies, and the standing deputy secretary general of the board of National Stone Standardization Technical Committee (全國石材標準化技術委員會) in the CSMA, where he has been responsible for organizing and managing the drafting and revision of stone industry standards and specifications.

Mr. Deng graduated from Beijing Building Materials Industry School (北京建築材料工業學校), currently known as Beijing Jinyu Polytechnic (北京金隅科技學校) majoring in machinery in July 1982 and received a secondary school diploma. He graduated from Beijing Open University (北京廣播電視大學) and received a college diploma in enterprise administration in December 1988. Mr. Deng also holds the title of senior engineer awarded by State Construction Materials Bureau in 1999.

Mr. Chu Ho Hwa, **Howard**, aged 47, was appointed as an independent non-executive director of the Company on 2 September 2010. Mr. Chu has approximately 19 years of experience in finance and investment activities. From September 1992 to August 1999, he worked in ABN AMRO Asia Corporate Finance Limited, and his last position was head of Hong Kong Origination. From February 2001 to February 2006, he worked at the Hongkong and Shanghai Banking Corporation Limited, and his last position was corporate finance director of telecom and media department. From June 2006 to April 2008, he worked as a consultant in Shanghai Century Acquisition Corporation, where he was responsible for sourcing, evaluating and implementing various investment opportunities in China. From September 2008 to June 2009, he was the assistant to the chairman in United Energy Group Limited which is a publicly listed company on the Stock Exchange (stock code: 467), where he was actively involved in the merger and acquisitions. From July 2009 to October 2011, he was the chief financial officer of Trony Solar Holdings Company Limited which is a publicly listed company on the Stock Exchange (stock code: 2468), where he was responsible for the overall financial management of this company. Since May 2010, Mr. Chu has been appointed as an independent non-executive Director in Directel Holding Limited, which is a publicly listed company on the Stock Exchange (stock code: 8337). Since October 2011, he was the chief financial officer of China Smart Electric Group Limited, where he was responsible for the overall financial management of this company.

Mr. Chu received a bachelor's degree in electrical engineering from University of Rochester in May 1986. He received a master's degree in business administration from Columbia University in May 1990. Mr. Chu acquired substantial financial and accounting knowledge during his study in Columbia University for his master's degree in business management. Due to his past academic achievements and working experience in various companies, including four publicly listed companies, Mr. Chu has substantial experience in preparing and reviewing financial statements and financial management.

Profile of Directors and Senior Management

Mr. Liu Yuquan, aged 60, was appointed as an independent non-executive director of the Company on 4 August 2010. Prior to that, from May 1985 to September 1998, he worked in Kenluck Technology Co., Ltd. (建運科技有限公司) as the deputy general manager and the general manager of the company successively, where he was responsible for the market expansion and overall management of this company. From November 1998 to December 2009, he was the chairman of the board of directors in Beijing North Yichuan Technology Co., Ltd. (北京北方儀創科技有限責任公司). From October 1998 to December 2009, he worked as the marketing director of China Energy and Mining Limited (中國能源礦業有限公司). Since January 2010, he worked as the general manager of Straits Telecom Limited (海峽通信有限公司). Mr. Liu received a diploma in Indonesian from Peking University in January 1974.

PROFILE OF SENIOR MANAGEMENT

Mr. Lou Sai Tong, aged 44, was appointed as the chief financial officer and company secretary of the Company on 4 August 2010. He is primarily responsible for the overall financial management and administration of the Company. Mr. Lou has over 18 years of professional experience working in international audit firms and as financial officer in various publicly listed companies. He worked as an accountant from June 1993 to August 1996 in Kwan Wong Tan & Fong (currently known as Deloitte Touche Tohmatsu). He then worked as audit senior and supervisor from August 1996 to October 1998 in Coopers & Lybrand (currently known as PricewaterhouseCoopers), Hong Kong, and his last position was supervisor II in Audit Division. From December 1998 to January 1999, he was the accounting manager at Midas Printing Company Limited (勤達印刷有限公司) (currently known as Midas International Holdings Limited (勤達集團國際有限公司), which is a publicly listed company on the Stock Exchange (stock code: 1172). From June 1999 to May 2000, he was the project analyst of Pillsbury Hong Kong Limited. From June 2000 to July 2004, he worked as the chief financial officer and company secretary of China Everbright Technology Limited (中國光大科技有限公司) (currently known as China Haidian Holdings Limited (中國海澱集團有限公司), which is a publicly listed company on the Stock Exchange (stock code: 256), where he was responsible for the overall accounting, financial, company secretary and administration operation of this company and its subsidiaries. From August 2004 to November 2005, he worked as the chief financial officer and company secretary of China Shineway Pharmaceutical Group Limited (中國神威藥業集團有限公司), which is a publicly listed company on the Stock Exchange (stock code: 2877), where he was responsible for the overall accounting, financial reporting of this company and its subsidiaries. From December 2005 to October 2008, he worked as the chief financial officer of NT Pharma (Group) Company Limited (泰凌醫藥(集團)有限公司).

From October 2008 to July 2010, he worked as the deputy chief financial officer at C&G Environmental Protection Holdings Limited, which is a publicly listed company in Singapore (stock code: SGX: D79). He also assumed the position as chief financial officer at C&G Environmental Protection International Limited during the same period. During the past three years, Mr. Lou did not hold any directorship in listed public companies.

Mr. Lou graduated from University of South Australia and received a master's degree in business administration in October 1996. He is a member of Association of International Accountants (FAIA) as well as a member of Hong Kong Institute of Certified Public Accountants (HKICPA).

Directors' Report

The Board hereby presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

CORPORATE REORGANIZATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 29 March 2010. Through a series of the Group reorganization procedures, the Company became the holding company of the Group on 26 July 2010. The Company's shares were listed on the Main Board of the Stock Exchange on 18 March 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2011.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 58 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2011 (For the year ended 31 December 2010: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2011 in the Group's property, plant and equipment are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year ended 31 December 2011 in the issued share capital of the Company are set out in note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements during the year ended 31 December 2011 in the reserves of the Group are set out in the consolidated statements of changes in equity on page 61 of this annual report.

As at 31 December 2011, the Company's reserves available for distribution to shareholders in accordance with the articles of association of the Company is RMB792.6 million (As at 31 December 2010: RMB121.5 million).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the period from 14 March 2008 to 31 December 2011 are set out on page 117 to page 118 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the Group sold most of its products to one customer, in aggregate represented 98.8% of the Group's total sales. For the year ended 31 December 2011, sales to the Group's five largest customers in aggregate represented 84.6% of the Group's total sales and sales to the single largest customer amounted to approximately 21.7% of the Group's total sales.

For the years ended 31 December 2011 and 2010, our purchases of auxiliary materials from our five largest suppliers accounted for approximately 69% and 63.4% respectively of the Group total purchases. For the year ended 31 December 2011 and 2010, purchases from the single largest supplier accounted to approximately 48.9% and 38.6% of our total purchases respectively.

For the year ended 31 December 2011, none of the directors or any of their associates or any shareholders who, to the knowledge of our Directors, owns more than 5% of the Company's issued capital, had any interest in our five largest suppliers or customers.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2011 were:

Executive Directors

Ms. Chen Tao
Mr. Lin Yuhua
Mr. Liao Yuanshi
Mr. Xiong Wenjun

Non-executive Director

Mr. He Ji (resigned on 29 March 2012)

Independent Non-Executive Directors

Mr. Deng Huiqing
Mr. Chu Ho Hwa, Howard
Mr. Liu Yuquan

In accordance with Article 84(1) of the Articles of Association of the Company, each of Ms. Chen Tao, Mr. Lin Yuhua, Mr. Liao Yuanshi, Mr. Xiong Wenjun, Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard, and Mr. Liu Yuquan will retire from office of directors at the annual general meeting. Ms. Chen Tao, Mr. Lin Yuhua, Mr. Liao Yuanshi, Mr. Xiong Wenjun, Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard, and Mr. Liu Yuquan, the retiring directors, being eligible, will offer themselves for re-election as directors at the annual general meeting. At the annual general meeting, ordinary resolutions will be proposed to re-elect Ms. Chen Tao, Mr. Lin Yuhua, Mr. Liao Yuanshi and Mr. Xiong Wenjun as executive directors, Mr. Deng Huiqing, Mr. Chu Ho Hwa, Howard, Mr. Liu Yuquan as independent non-executive directors.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of our existing executive directors has entered into a service agreement with the Company for an initial fixed term of three years commencing on 18 March 2011.

Each of our existing independent non-executive directors has entered into a letter of appointment with the Company for an initial fixed term of three years commencing on 18 March 2011.

None of the directors proposed for re-election at the forthcoming annual general meeting has entered into any service agreement with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF THE DIRECTORS

The remuneration of each director is approved at general meeting. Other emoluments will be determined by the members of the Remuneration Committee with reference to the duties, responsibilities, performance of the directors and the results of the Group. The remuneration of all directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate.

Details of the remuneration of the directors are set out in note 7 to the consolidated financial statements of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Company are set out on pages 32 to 40 of this annual report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and China, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a share option scheme for its employees.

RETIREMENT BENEFIT SCHEMES

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in China. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) 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 they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

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

Name	Capacity	Number of options Held	Number of underlying shares	Percentage of the issued share capital of the Company
Ms. Chen Tao *(Director)*	Beneficial Owner	34,500,000	34,500,000	1.73%
Mr. Lin Yuhua *(Director)*	Beneficial Owner	3,300,000	3,300,000	0.17%
Mr. Liao Yuanshi *(Director)*	Beneficial Owner	3,300,000	3,300,000	0.17%

Save as disclosed above, as at 31 December 2011, none of the directors and chief executive of the Company or any of their spouses or children under the age of eighteen were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation(within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the directors or chief executive (including their spouses or children under the age of eighteen) of the Company to acquire any interests and short positions of shares or underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

The register of substantial shareholders required to be kept by our Company under Section 336 of Part XV of the SFO shows that as at 31 December 2011, in addition to the interests disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Position in the Shares, Underlying Shares or Debentures of the Company or its Associated Corporations", our Company was notified of the following substantial shareholders' interests and short positions in the shares and underlying shares, being interests of 5% or more.

Name	Capacity	Number of underlying shares	Percentage of the issued share capital of the Company
Mr. Huang Xianyou	Interest in controlled corporation (note 1)	1,226,926,277	61.4%
Wongs Investment Development Holdings Group Limited	Beneficial Owner (note 1)	1,226,926,277	61.4%
Morgan Stanley	Interest in controlled corporation	106,397,722	5.3%

Note:

(1) The entire share capital of Wongs Investment Development Holdings Group Limited, a Company incorporated in the British Virgin Islands with limited liability, was held by Mr. Huang Xianyou.

Save as disclosed above, none of the existing directors is aware that any person (not being a director or chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company as at 31 December 2011.

SHARE OPTIONS

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 shareholder pursuant to the written resolutions of our shareholder 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:

Exercise period	Maximum percentage of options exercisable
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 24 January 2011, no further options will be granted under the Pre-IPO Share Option Scheme on or after the listing date.

2. **Outstanding options granted**

As at 24 January 2011, 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, chairlady 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 Kingstone Guangzhou	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. No further options have been 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 listing date 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.

SHARE OPTION SCHEME

The Company has also adopted a share option scheme on 24 January 2011 (the "Share Option Scheme").

Details of the share options outstanding and movement during the year ended 31 December 2011 are as follows:

			Number of share options			
Name of grantee	Date of grant	Exercise price (HK$)	Granted	Exercised	Lapsed	Balance at 31 December 2011
Director						
Chen Tao	4 November 2011	1.38	4,500,000	—	—	4,500,000
Lin Yuhua	4 November 2011	1.38	3,300,000	—	—	3,300,000
Liao Yuanshi	4 November 2011	1.38	3,300,000	—	—	3,300,000
Others						
Lou Sai Tong	4 November 2011	1.38	2,300,000	—	—	2,300,000
Chen Dongdong	4 November 2011	1.38	3,300,000	—	—	3,300,000
Zhan Ping	4 November 2011	1.38	3,300,000	—	—	3,300,000

The options have an effective period of 10 years, from 4 November 2011 to 3 November 2021.

The options are vested in three tranches in the proportion of ½, ¼ and ¼ at 4 November 2011, 4 November 2012 and 4 November 2013.

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written resolution passed by the sole shareholder on 24 January 2011.

(a) 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 Executive (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.

(b) 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").

(c) 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, excluding shares which may fall to be issued upon the exercise of the Over-allotment Option (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 shareholders 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 shareholders 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 Persons specified by the Company before such approval is obtained. The Company shall issue a circular to our shareholders 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.

(d) 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 Persons would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such Eligible Persons (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 Persons and his associates abstaining from voting. The Company shall send a circular to our shareholders disclosing the identity of the Eligible Persons, the number and terms of the options to be granted (and options previously granted) to such Eligible Persons, 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 Persons must be fixed before the approval of the Company's shareholders 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.

(e) 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.

(f) 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 the shares;

(ii) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(iii) the average closing price of the shares 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.

(g) 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.

(h) 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-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

RIGHTS TO PURCHASES SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Other than the option holdings disclosed above, at no time during the year ended 31 December 2011 had the Company or any of its subsidiaries, holding companies or any fellow subsidiaries entered into any arrangement which enables the existing directors or chief executives and their respective spouse or children under eighteen years old to have the right to acquire benefits by means of acquisition of shares or debentures in the Company or any other legal entities.

MANAGEMENT CONTRACTS

Other than the service contracts of the directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2011.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2011 or at any time during the year ended 31 December 2011.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year ended 31 December 2011 or at any time during the year ended 31 December 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2011 and up to and including the date of this annual report.

CONNECTED TRANSACTION

Details of the connected transactions of the Group are set out in note 34 to the consolidated financial statements of this annual report.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-Competition. The independent non-executive directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the directors. Having made specific enquiry to all the directors of the Company, all the directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Company has adopted the CG Code. The Company is committed to the establishment of good corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company therefore strives to attain and maintain effective corporate governance practices and procedures. According to the provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Up to the date of this annual report, Ms. Chen Tao is both the chairlady of the Board and the chief executive officer of the Group. The Board considers that vesting the roles of chairlady and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of the chief executive officer when necessary. Except for the issues mentioned above, the Company has complied with all the applicable code provisions as set out in the CG Code.

For details of the Corporate Governance Report, please refer to pages 21 to 29 of this annual report.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The listing of the Company's share commenced on 18 March 2011. In 2011, the Company redeemed 3,229,000 of its own shares on Stock Exchange at a price range of HK$1.18 to HK$1.31 per share. These redeemed shares were cancelled accordingly. The issued share capital of the Company was reduced by the nominal value of these redeemed shares. The premium paid on the redemption of shares of RMB2,948,000 was debited to the share premium account. Details of the repurchases are as follows:

Date of Repurchase	Number of shares repurchased	Purchase price per share		Aggregate consideration
		Highest (HK$)	Lowest (HK$)	
18 November 2011	60,000	1.31	1.29	78,200
23 November 2011	234,000	1.23	1.19	283,390
20 December 2011	70,000	1.25	1.24	87,300
21 December 2011	204,000	1.21	1.19	244,570
22 December 2011	575,000	1.22	1.18	686,480
23 December 2011	923,000	1.30	1.18	1,126,240
28 December 2011	1,163,000	1.26	1.21	1,430,370

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2011.

PROCEEDS FROM THE COMPANY'S IPO

The Company was listed on the Main Board of the Stock Exchange on 18 March 2011. The net proceeds from the Company's issue of new shares (after deducting expenses relating specifically to the issue of new shares in the IPO and expenses relating generally to the listing of all the shares of the Company) amounted to approximately HK$1,069,733,000 (equivalent to approximately RMB900,437,000). The Company currently does not have any intention to change its plan for the use of proceeds as stated in the prospectus of the Company dated 7 March 2011.

SUFFICIENCY OF PUBLIC FLOAT

The shares of the Company were listed on 18 March 2011 on the Main Board of the Stock Exchange. Based on the publicly available information and to the best of the directors' knowledge, information and belief and as at the date of this annual report, the Company has maintained sufficient public float since the listing of the shares of the Company on the Main Board of the Stock Exchange on 18 March 2011.

EVENTS AFTER THE REPORTING PERIOD

The details of events after the reporting period are set out in note 36 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the management and external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2011.

AUDITORS

The Company has appointed Ernst & Young as auditors of the Company for the year ended 31 December 2011. Ernst & Young retired and, being eligible, offer themselves for re-appointment. A resolution will be proposed for approval by shareholders at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

Directors' Report

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Friday, 18 May 2012 to Tuesday, 22 May 2012, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company on Tuesday, 22 May 2012 all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 May 2012.

On behalf of the Board
Chen Tao
Chairlady

29 March 2012

Independent Auditors' Report

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

電話: +852 2846 9888
傳真: +852 2868 4432

To the shareholders of
CHINA KINGSTONE MINING HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Kingstone Mining Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 116, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

29 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	5	**289,424**	6,615
Cost of sales		**(115,364)**	(2,023)
Gross profit		**174,060**	4,592
Other income and gains	5	**44,292**	64
Selling and distribution costs		**(1,820)**	(477)
Administrative expenses		**(104,272)**	(25,748)
Other expenses		**(8,517)**	(1,371)
Finance costs	6	**(5,428)**	(2,320)
Share of profit of an associate		**1,242**	—
PROFIT/(LOSS) BEFORE TAX	6	**99,557**	(25,260)
Income tax (expense)/benefit	8	**(46,310)**	4,205
PROFIT/(LOSS) FOR THE YEAR		**53,247**	(21,055)
Other comprehensive loss:			
Exchange differences on translation of non-PRC operations		**(4,343)**	(2,568)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	9	**48,904**	(23,623)
Earnings per share attributable to ordinary equity holders of the Company (RMB cents):			
— Basic	10	**2.58**	N/A
— Diluted	10	**2.56**	N/A

Consolidated Statement of Financial Position

As of 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**200,990**	87,863
Intangible assets	12	**69,970**	23,645
Prepaid land lease payments	13	**2,363**	2,389
Goodwill	15	**2,966**	2,966
Investment in an associate	16	**16,242**	—
Trade receivables	19	**80,138**	—
Deferred tax assets	17	**114**	384
		372,783	117,247
CURRENT ASSETS			
Inventories	18	**9,284**	1,839
Trade receivables	19	**27,520**	5,675
Entrustment loans	20	**310,000**	—
Structured deposits	21	**170,247**	—
Prepayments, deposits and other receivables	22	**57,233**	10,243
Loans to an associate	16	**80,000**	—
Pledged deposits	23	**107,196**	3,308
Cash and cash equivalents	24	**127,285**	80,082
		888,765	101,147
CURRENT LIABILITIES			
Trade payables	25	**1,018**	998
Other payables and accruals	26	**28,210**	16,325
Interest-bearing bank loans	27	**97,000**	73,308
Tax payable		**17,522**	462
		143,750	91,093
NET CURRENT ASSETS		**745,015**	10,054
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,117,798**	127,301
NON-CURRENT LIABILITIES			
Deferred income	28	**194**	207
		194	207
NET ASSETS		**1,117,604**	127,094

Consolidated Statement of Financial Position

As of 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	168,086	—
Reserves	30	949,518	127,094
Total equity		1,117,604	127,094

Chen Tao
Director

Lin Yuhua
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Issued capital RMB'000 (Note 29)	Share premium* RMB'000 (Note 29)	Capital reserve* RMB'000 (Note 30)	Contributed reserve* RMB'000 (Note 30)	Share option reserve* RMB'000 (Note 31)	Foreign currency translation reserve* RMB'000	Retained profits/ (accumulated losses)* RMB'000	Total equity RMB'000
At 1 January 2010	—	—	—	14,480	—	—	(7,121)	7,359
Issue of one share**	—	—	—	—	—	—	—	—
Capital injection	—	—	143,358	—	—	—	—	143,358
Total comprehensive loss for the year	—	—	—	—	—	(2,568)	(21,055)	(23,623)
At 31 December 2010 and 1 January 2011	—	—	143,358	14,480	—	(2,568)	(28,176)	127,094
Issue of shares	42,087	904,871	—	—	—	—	—	946,958
Capitalisation of capital reserve	126,261	17,097	(143,358)	—	—	—	—	—
Share issue expenses	—	(51,985)	—	—	—	—	—	(51,985)
Redemption of shares	(262)	(2,948)	—	—	—	—	—	(3,210)
Equity-settled share option arrangements (note 31)	—	—	—	—	49,843	—	—	49,843
Total comprehensive income/(loss) for the year	—	—	—	—	—	(4,343)	53,247	48,904
At 31 December 2011	168,086	867,035	—	14,480	49,843	(6,911)	25,071	1,117,604

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		99,557	(25,260)
Adjustments for:			
Depreciation of items of property, plant and equipment	11	6,996	1,593
Less: Depreciation capitalized	11	(5,638)	(1,257)
		1,358	336
Amortisation of intangible assets	12	1,257	32
Amortisation of prepaid land lease payments	13	26	9
Loss on disposal of items of property, plant and equipment	6	—	265
Interest on bank loans	6	4,406	2,136
Guarantee costs	6	—	120
Foreign exchange loss	6	5,037	520
Equity-settled share option expenses	31	49,843	—
Interest income	5	(43,913)	(57)
Gain on bargain purchase	32	(35)	—
Share of profit of an associate		(1,242)	—
Deferred income released		(13)	(23)
		116,281	(21,922)
Increase in prepayments, deposits and other receivables		(39,274)	(1,214)
Increase in inventories		(7,445)	(1,839)
Increase in trade receivables		(101,983)	(5,675)
Increase in trade payables		20	998
Increase in other payables and accruals		3,586	5,900
Cash used in operations		(28,815)	(23,752)
Income tax paid		(30,791)	—
Net cash flows used in operating activities		(59,606)	(23,752)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(108,790)**	(63,294)
Proceeds from disposal of items of property, plant and equipment		**—**	164
Purchase of mining rights		**(39,109)**	—
Payment for prepaid land lease payments		**—**	(2,398)
Proceeds from maturity of pledged deposits		**3,308**	—
Placement of pledged deposits		**(107,196)**	(3,308)
Placement of entrustment loans		**(310,000)**	—
Placement of structured deposits		**(170,247)**	—
Loans to an associate		**(80,000)**	—
Acquisition of a subsidiary	32	**(5,264)**	—
Acquisition of an associate	16	**(13,500)**	—
Interest received		**30,993**	57
Net cash flows used in investing activities		**(799,805)**	(68,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank loans		**483,000**	73,308
Net proceeds from issue of shares		**946,958**	143,358
Repayment of interest-bearing bank loans		**(459,308)**	(11,860)
Redemption of shares		**(3,210)**	—
Advance from the ultimate controlling shareholder		**—**	52,260
Repayment to the ultimate controlling shareholder		**—**	(79,679)
Share issue expenses		**(46,521)**	(5,464)
Interest and guarantee costs paid		**(4,925)**	(1,892)
Net cash flows from financing activities		**915,994**	170,031
NET INCREASE IN CASH AND CASH EQUIVALENTS		**56,583**	77,500
Cash and cash equivalents at beginning of year		**80,082**	5,670
Net foreign exchange difference		**(9,380)**	(3,088)
Cash and cash equivalents at end of year		**127,285**	80,082
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**127,285**	80,082

Statement of Financial Position

As of 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	—	—
Due from subsidiaries	14	687,802	137,678
		687,802	137,678
CURRENT ASSETS			
Prepayments, deposits and other receivables	22	10,929	5,464
Structured deposits	21	170,247	—
Cash and cash equivalents	24	111,659	391
		292,835	5,855
CURRENT LIABILITIES			
Other payables and accruals	26	183	3,129
Due to subsidiaries	14	19,784	18,898
		19,967	22,027
NET CURRENT ASSETS/(LIABILITIES)		272,868	(16,172)
TOTAL ASSETS LESS CURRENT LIABILITIES		960,670	121,506
NET ASSETS		960,670	121,506
EQUITY			
Issued capital	29	168,086	—
Reserves	30	792,584	121,506
Total equity		960,670	121,506

Chen Tao
Director

Lin Yuhua
Director

1. CORPORATE INFORMATION

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 principal place of business of the Company in Hong Kong is located at Units 6812 to 6813, The Center, 99 Queen's Road Central, Hong Kong.

During the year ended 31 December 2011, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the production and sale of marble and marble related products. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the holding company of the Company is Wongs Investment Development Holdings Group Limited ("Wongs Investment"), which is incorporated in the British Virgin Islands (the "BVI"), and the ultimate controlling shareholder of the Company is Mr. Huang Xianyou.

2.1 BASIS OF PREPARATION

These financial statements have 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 International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendment	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued on May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1 and IAS 27 included in *Improvements to IFRSs 2010*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IAS 24 (Revised) Related Party Disclosures

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) *Improvements to IFRSs 2010* issued in May 2010 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 *Business Combinations:* The amendment clarifies that the amendments to IFRS 7, IAS 32 and IAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from IAS 27 (as revised in 2008) made to IAS 21, IAS 28 and IAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if IAS 27 is applied earlier.

2.3 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 these consolidated financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 Income Taxes — *Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19 Amendments	*Employee Benefits*[4]
IAS 27 (Revised)	*Separate Financial Statements*[4]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgment to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation — Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10 and IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

Amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IFRIC 20 describes the accounting for waste removal costs incurred during the production phase of a surface mine. To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the costs incurred must be accounted for in accordance with the principles of IAS 2 *Inventories*. To the extent that the benefit is improved access to ore to be mined in future periods and if criteria set out in the interpretation are met, the waste removal costs must be recognized as a stripping activity asset under non-current assets. The Group expects to adopt the interpretation from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associate

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate and is not individually tested for impairment.

The results of an associate are included in the Company's consolidated statement of comprehensive income to the extent of dividends received and receivable. The Group's investment in an associate is treated as a non-current assets and is stated at cost less any impairment losses.

Business combination and goodwill

Merger accounting for business combinations under common control

The consolidated financial statement include the financial statements of the combining entities or businesses over which common control exists are consolidated from the date when the combining entities or businesses first came under the control of controlling parties.

Business combinations not under common control

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the 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 are expensed as incurred.

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 acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill (Continued)

Business combinations not under common control (Continued)

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. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment 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, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

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

Where goodwill 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 (group of cash-generating units) retained.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, goodwill 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 recognised 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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 each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised 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 and capitalised borrowing costs on related borrowed funds 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 capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a UOP basis.

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine ratio. The life of mine ratio is based on economically recoverable reserves of the mine. Changes are accounted for prospectively, from the date of the change.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stripping costs (Continued)

Deferred stripping costs are included as part of "Mining infrastructure". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised 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.

Operating leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised 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 investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

All regular way purchases and sales of financial assets are recognised 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, trade receivables, entrustment loans, structured deposits, loans to an associate, 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 amortised cost using the effective interest rate method less any allowance for impairment. Amortised 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 amortisation is included in other income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised 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 amortisation is included in other income in the statement of comprehensive income. The held-to-maturity represents the structured deposits recorded in the statement of financial position.

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 derecognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or 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 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 amortised cost

For financial assets carried at amortised 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, recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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 recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised 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.

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 recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and interest-bearing bank loans.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank loans are subsequently measured at amortised 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 recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised 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 amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised 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 recognised in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable 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 statement 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 recognised 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 recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 recognised for all taxable temporary differences, except:

- when 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 and an associate, when 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 recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised 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 utilised.

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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised 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 recognised 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 recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income and investment income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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 capitalised 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 capitalised. 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 statements are presented in RMB, as this is the principal currency of the economic environment in which the Group operates. 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 arising on settlement or translation of monetary items are taken to the statement of comprehensive income. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income and of cash flows are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Share-based payment transactions

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting period reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by the 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. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements 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, 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 described below:

(a) Impairment of goodwill

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 2011 and 2010 was RMB2,966,000. The carrying amount of investment in an associate at 31 December 2011 included goodwill on acquisition of RMB5,539,000. Further details are given in notes 15 and 16 to the financial statements.

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Estimation uncertainty (Continued)

(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. When 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 2011 and 2010 were RMB200,990,000 and RMB87,863,000 respectively. The carrying amounts of mining rights as at 31 December 2011 and 2010 were RMB69,970,000 and RMB23,645,000 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 at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in 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) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgments. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables for the years ended 31 December 2011 and 2010.

4. REVENUE AND OPERATING SEGMENT INFORMATION

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's revenue and contribution to profit were mainly derived from its sale of marble and marble related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, the principal assets employed by the Group are located in Sichuan Province and Guangdong Province, the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (Continued)

Entity-wide disclosures

Information about products

The following table sets forth the total revenue from external customers by product and the percentage of total revenue by product during the year:

	2011 RMB'000	2011 %	2010 RMB'000	2010 %
Marble slabs	121,392	41.9	6,533	98.8
Marble blocks	61,700	21.3	82	1.2
Other marble products	65,079	22.5	—	—
Granite	41,253	14.3	—	—
	289,424	100	6,615	100

Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue is set out below:

	2011 RMB'000	2010 RMB'000
Customer A	62,807	—
Customer B	53,202	—
Customer C	53,132	—
Customer D	44,872	—
Customer E	30,965	—
Customer F	*	6,544

* Less than 10% of total revenue of the Group.

5. OTHER INCOME AND GAINS

	2011 RMB'000	2010 RMB'000
Interest income	43,913	57
Gain on bargain purchase (note 32)	35	—
Miscellaneous	344	7
	44,292	64

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		115,364	2,023
Staff costs (including directors' remuneration (note 7)):			
Wages and salaries		20,187	5,326
Equity-settled share option expense	31	49,843	—
Pension scheme contributions			
— Defined contribution scheme		5,072	606
Other staff benefits		1,454	809
		76,556	6,741
Less: Staff costs capitalised		(12,027)	(3,209)
		64,529	3,532
Interest on bank loans wholly repayable within five years		4,406	2,136
Guarantee costs		—	120
Bank charges		1,022	64
Total finance costs		5,428	2,320
Auditors' remuneration		3,055	1
Amortisation of intangible assets	12	1,257	32
Amortisation of prepaid land lease payments	13	26	9
Depreciation of items of property, plant and equipment	11	6,996	1,593
Less: depreciation capitalised	11	(5,638)	(1,257)
		1,358	336
Foreign exchange loss		5,037	520
Global offering costs		24,916	16,117
Operating lease rentals for office		3,072	324
Provision for litigation		3,130	—
Loss on disposal of items of property, plant and equipment		—	265

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "HKSE") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2011 RMB'000	2010 RMB'000
Fees	290	—
Other emoluments:		
Salaries, allowances and benefits in kind	4,742	941
Equity-settled share option expense	36,306	—
Pension scheme contributions	—	—
	41,338	941

During the year ended 31 December 2011, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements.

(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 for the years ended 31 December 2011.

The fees and other emoluments paid to the independent non-executive directors during the year ended 31 December 2011 were as follows:

	Fees		Salaries, allowances and benefits in kind		Equity-settled share option expense	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Mr. Deng Huiqing	79	—	—	—	—	—
Mr. Chu Ho Hwa, Howard	132	—	—	—	—	—
Mr. Liu Yuquan	79	—	—	—	—	—
	290	—	—	—	—	—

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity settled share option expense RMB'000	Total RMB'000
2011					
Executive directors:					
Ms. Chen Tao	—	3,000	—	34,484	37,484
Mr. Lin Yuhua	—	910	—	911	1,821
Mr. Liao Yuanshi	—	478	—	911	1,389
Mr. Xiong Wenjun	—	354	—	—	354
	—	4,742	—	36,306	41,048
Non-executive directors:					
Mr. He Ji	—	—	—	—	—
	—	4,742	—	36,306	41,048

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity settled share option expense RMB'000	Total RMB'000
2010					
Executive directors:					
Ms. Chen Tao	—	818	—	—	818
Mr. Lin Yuhua	—	46	—	—	46
Mr. Liao Yuanshi	—	25	—	—	25
Mr. Xiong Wenjun	—	52	—	—	52
	—	941	—	—	941
Non-executive directors:					
Mr. He Ji	—	—	—	—	—
	—	941	—	—	941

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(c) Five highest paid employees

The five highest paid employees during the year included two (2010: one) directors, details of whose remuneration are set out in note (b) above. Details of the remuneration of the remaining three (2010: four) non-director, highest paid employees for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	4,647	903
Equity-settled share option expense	13,537	—
Pension scheme contributions	—	—
	18,184	903

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2011	2010
Nil to HK$1,000,000	—	4
HK$1,000,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$4,000,000	1	—
HK$4,000,001 to HK$16,500,000	1	—

For the years ended 31 December 2011 and 2010, 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 (EXPENSES)/BENEFIT

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong for the year ended 31 December 2011 and 2010.

The provision for the PRC corporate income tax (the "PRC CIT") is based on the respective PRC CIT rates applicable to the subsidiaries located in PRC as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2011 and 2010. The Group's subsidiaries located in PRC are subject to the PRC CIT rate of 25%.

8. INCOME TAX (EXPENSES)/BENEFIT (Continued)

The major components of income tax expense/(benefit) for during the two years ended 31 December 2011 were as follows:

	2011 RMB'000	2010 RMB'000
Current — the PRC		
Charge for the year	47,851	462
Deferred (note 17)	(1,541)	(4,667)
Total tax charge (credit) for the year	46,310	(4,205)

A reconciliation of income tax expense/(benefit) applicable to profit/(loss) before tax at the applicable income tax rate in the PRC to income tax expense/(benefit) of the Group is as follows:

	2011 RMB'000	2010 RMB'000
Profit/(loss) before tax	99,557	(25,260)
Tax at the applicable tax rate of companies within the Group	24,889	(6,315)
Profits attributable to an associate	(311)	—
Expenses not deductible for tax*	21,732	2,110
Income tax charged/(credit) at the Group's effective rate	46,310	(4,205)

* Expenses not deductible for tax mainly represent: (i) equity-settled share option expense which cannot be deductible for tax; (ii) global offering costs, incurred by the Company for the year ended 31 December 2010 and 2011, which are not expected to be tax deductible.

9. TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated total comprehensive income attributable to owners of the Company for the year ended 31 December 2011 includes a loss of approximately RMB63,700,000 (2010: RMB17,619,000), which has been dealt with in the financial statements of the Company (note 30).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to the ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,894,596,000 in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011 **RMB'000**
Earnings	
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	48,904

	2011 **'000**
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,894,596
Effects of dilution — weighted average number of ordinary shares:	
Share options	16,283
	1,910,879

No loss per share information for the year ended 31 December 2010 is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the fact that only one share was issued by the Company for the year ended 31 December 2010.

Notes to Financial Statements

31 December 2011

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
31 December 2011							
Cost:							
At 1 January 2011	3,879	28,863	378	6,366	27,302	23,448	90,236
Additions	—	1,376	567	2,334	—	115,846	120,123
Transfers	4,320	5,004	—	—	18,478	(27,802)	—
At 31 December 2011	8,199	35,243	945	8,700	45,780	111,492	210,359
Accumulated depreciation:							
At 1 January 2011	132	1,846	98	251	46	—	2,373
Provided for the year	267	1,822	465	3,252	1,190	—	6,996
At 31 December 2011	399	3,668	563	3,503	1,236	—	9,369
Net carrying amount:							
At 1 January 2011	3,747	27,017	280	6,115	27,256	23,448	87,863
At 31 December 2011	7,800	31,575	382	5,197	44,544	111,492	200,990
31 December 2010							
Cost:							
At 1 January 2010	389	6,127	174	594	—	17,440	24,724
Additions	35	22,736	238	6,272	—	36,792	66,073
Transfers	3,482	—	—	—	27,302	(30,784)	—
Disposals	(27)	—	(34)	(500)	—	—	(561)
At 31 December 2010	3,879	28,863	378	6,366	27,302	23,448	90,236
Accumulated depreciation:							
At 1 January 2010	75	696	67	74	—	—	912
Provided for the year	62	1,150	52	283	46	—	1,593
Disposals	(5)	—	(21)	(106)	—	—	(132)
At 31 December 2010	132	1,846	98	251	46	—	2,373
Net carrying amount:							
At 1 January 2010	314	5,431	107	520	—	17,440	23,812
At 31 December 2010	3,747	27,017	280	6,115	27,256	23,448	87,863

The amount of depreciation capitalised during the year ended 31 December 2011 was RMB5,638,000 (2010: RMB1,257,000).

12. INTANGIBLE ASSETS

Group

	Mining rights RMB'000
Cost:	
At 1 January 2010, 31 December 2010 and 1 January 2011	23,677
Additions	39,109
Acquisition of a subsidiary (note 32)	8,473
At 31 December 2011	71,259
Accumulated amortisation:	
At 1 January 2010	—
Provided for the year	(32)
At 31 December 2010 and 1 January 2011	(32)
Provided for the year	(1,257)
At 31 December 2011	(1,289)
Net carrying amount:	
At 1 January 2011	23,645
At 31 December 2011	69,970

The mining rights represent rights for the mining of marble reserves in the Zhangjiaba Mine and the Tujisi Mine which are located in Jiangyou County and Beichuan County, respectively, Sichuan Province, the PRC. These Mines are operated by the Company's indirectly wholly-owned subsidiary, Sichuan Jiangyou Jinshida Stone Co., Ltd. ("Sichuan Jinshida") and Beichuan Lida Mining Co., Ltd. ("Beichuan Lida"). The local government granted mining permits to Sichuan Jinshida for a term of 10 years ending 1 February 2021 and Beichuan Lida for a term of 10 years ending 1 June 2017.

13. PREPAID LAND LEASE PAYMENTS

Group

	2011 RMB'000	2010 RMB'000
Carrying amount at 1 January	2,389	—
Additions	—	2,398
Amortisation for the year (note 6)	(26)	(9)
Carrying amount at 31 December	2,363	2,389

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

14. INVESTMENTS IN SUBSIDIARIES

Company

	2011 RMB'000	2010 RMB'000
At cost:		
Kingstone Industrial Investment Limited ("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 directors of the Company are of the opinion that the amount due from subsidiaries as at 31 December 2011 will not be collected within the next twelve months.

Particulars of the Company's subsidiaries 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
Directly held:				
Kingstone Industrial	the BVI 7 April 2010	US$1	100	Investment holding
Indirectly held:				
Kingstone (HK) Group Limited	Hong Kong 14 April 2010	HK$10,000	100	Investment holding
Kingstone (Guangzhou) Stone Industry Co., Ltd. ("Kingstone Guangzhou ")	the PRC 26 May 2010	US$40,134,739	100	Processing and trading of construction materials
Sichuan Jinshida	the PRC 20 September 2005	RMB10,000,000	100	Mining, processing and trading of construction materials
Beichuan Lida	the PRC 12 December 2006	RMB10,000,000	100	Mining, processing and trading of construction materials

15. GOODWILL

Group

	2011 RMB'000	2010 RMB'000
At cost:		
At beginning and end of year	**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

Goodwill acquired through a business combination has been allocated to the Sichuan Jinshida cash-generating unit for impairment testing.

The recoverable amount of the Sichuan Jinshida cash-generating unit 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 rights, i.e., 1 February 2021, approved by senior management. The discount rate applied to the cash flow projections is 13.36%.

Key assumptions were used in the value-in-use calculation of the Sichuan Jinshida cash-generating unit for 31 December 2011 and 31 December 2010. 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 31 December 2011.

Estimated production volume and cost — the basis used to determine the value assigned to the estimated production volume and cost are 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 post-tax and reflects specific risks relating to the relevant unit.

16. INVESTMENT IN AN ASSOCIATE

Group

	2011 RMB'000	2010 RMB'000
Share of net assets	10,703	—
Goodwill on acquisition	5,539	—
	16,242	—

On 29 July 2011, Guangzhou Kingstone, the Company's indirect wholly-owned subsidiary, and two independent third parties entered into a share purchase agreement whereby the Group acquired 49% equity interests in Guangdong Jiapeng Construction Co., Ltd. ("Guangdong Jiapeng Construction") at a cash consideration of RMB15,000,000, of which RMB13,500,000 has been paid up to 31 December 2011.

As at 31 December 2011, loans to the associate included in the Group's current assets of RMB80,000,000 (2010: not applicable) are secured by the trade receivables of Guagndong Jiapeng Construction, and bear interest at the rate of 7.216% per annum and are repayable within one year.

Particulars of the associate are as follows:

Name	Registered capital	Place of incorporation	Percentage of ownership interest indirectly attributable to the Group 2011	2010	Principal activities
Guangdong Jiapeng Construction	RMB10,000,000	the PRC	49%	—	Design and construction of architecture decoration and curtain wall, wholesale and retail of construction materials and construction machine rental service

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts or financial statements:

	RMB'000
Assets	178,523
Liabilities	161,865
Revenue	133,364
Profit after tax	6,272

17. DEFERRED TAX

The movements in deferred tax assets are as follows:

Group

	Excess tax depreciation over book value of property, plant and equipment RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profit from inter-group transactions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	23	829	—	—	852
Deferred tax credited/(charged) to the consolidated statement of comprehensive income (note 8)	(23)	4,432	264	—	4,673
At 31 December 2010 and 1 January 2011	—	5,261	264	—	5,525
Deferred tax credited to the consolidated statement of comprehensive income (note 8)	—	(5,261)	6,794	179	1,712
At 31 December 2011	—	—	7,058	179	7,237

The movements in deferred tax liabilities are as follows:

Group

	Fair value adjustments arising from acquisition of a subsidiary RMB'000
At 1 January 2010	5,135
Deferred tax charged to the consolidated statement of comprehensive income (note 8)	6
At 31 December 2010 and 1 January 2011	5,141
Acquisition of a subsidiary (note 32)	1,811
Deferred tax charged to the consolidated statement of comprehensive income (note 8)	171
At 31 December 2011	7,123

Deferred tax assets and liabilities related to the PRC subsidiaries have been provided at an enacted corporate income tax rate of 25%.

17. DEFERRED TAX (Continued)

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

	2011 RMB'000	2010 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**7,237**	5,525
Deferred tax liabilities recognised in the consolidated statement of financial position	**(7,123)**	(5,141)
	114	384

18. INVENTORIES

Group

	2011 RMB'000	2010 RMB'000
At cost:		
Marble blocks and slabs	**7,719**	719
Materials and supplies	**1,565**	1,120
	9,284	1,839

19. TRADE RECEIVABLES

Group

	2011 RMB'000	2010 RMB'000
Trade receivables		
— current portion	**27,520**	5,675
— non-current portion	**80,138**	—
	107,658	5,675

19. TRADE RECEIVABLES (Continued)

An aged analysis of trade receivables, as at the end of the reporting periods based on the goods delivery date, is as follows:

	2011 RMB'000	2010 RMB'000
Within 30 days	2,650	5,675
31–90 days	105,008	—
	107,658	5,675

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month, except for certain customers developed by the Group at the beginning of its commercial operation were granted a period of 18 months. In view of the fact that the Group sells most of its products to several major customers, there is a high level of concentration of credit risk. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing. As at 31 December 2011, all trade receivables were neither past due nor impaired, included in the trade receivables of RMB105,008,000 was secured by certain properties with fair value aggregating to RMB650,000,000.

20. ENTRUSTMENT LOANS

Group

	Notes	2011 RMB'000	2010 RMB'000
Entrustment loans to:			
— Guangzhou Huasheng Realty Ltd. (廣州華勝實業有限公司)	(a)	240,000	—
— Guangzhou Star Property Ltd. (廣州星光置業有限公司)	(b)	70,000	—
		310,000	—

Notes:

(a) On 2 August 2011 and 4 August 2011, the Group placed entrustment loans through Shenzhen Development Bank to Guangzhou Huasheng Realty Ltd., an independent third party with the respective principal amounts of RMB220,000,000 and RMB20,000,000, which bear interest at fixed rates ranging from 1.5% to 2.25% per month, and maturity dates on 3 March 2012 and 4 March 2012 respectively. Subsequent to the end of the reporting period, the Group received the repayment of those entrustment loans and interest in full.

(b) On 17 August 2011, the Group placed an entrustment loan through Shenzhen Development Bank to Guangzhou Star Property Ltd., an independent third party, with a principal amount of RMB70,000,000, which bears interest at fixed rates ranging from 2% to 3% per month, and with the maturity date on 18 March 2012. Subsequent to the end of the reporting period, the Group received the repayment of the entrustment loan and interest in full.

21. STRUCTURED DEPOSITS

As at 31 December 2011, structured deposits are denominated in Hong Kong dollars, earn interest at a fixed rate of 1.7% (net of service charges rate of 0.3%) per month and have a maturity of 3 months. Subsequent to the end of reporting period, the Group received the repayment of the structured deposits and interest in full.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Prepayments consisted of:				
Purchase of				
— Raw materials	**37,054**	19	**—**	—
— Utilities	**572**	199	**—**	—
Deferred global offering costs	**—**	5,464	**—**	5,464
Prepaid operating lease rentals to be amortised within one year				
— Office	**109**	31	**—**	—
Deposits	**2,451**	44	**—**	—
Deductable VAT	**3,908**	3,143	**—**	—
Interest receivable	**12,920**	—	**10,929**	—
Other receivables	**219**	1,343	**—**	—
	57,233	10,243	**10,929**	5,464

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

23. PLEDGED DEPOSITS

As at 31 December 2011, deposits of US$16,800,000 (equivalent to approximately RMB107,196,000) were pledged as security for short-term bank loans of RMB97,000,000 (note 27).

As at 31 December 2010, deposits of US$500,000 (equivalent to approximately RMB3,308,000) was pledged as security for short-term bank loans of US$500,000 (note 27).

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**127,285**	80,082	**111,659**	391

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

	RMB equivalent	
	2011	2010
	RMB'000	RMB'000
Cash and bank balances:		
HK$	**2,904**	2,877
US$	**—**	62,838

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 authorised to conduct foreign exchange business.

25. TRADE PAYABLES

Group

	2011	2010
	RMB'000	RMB'000
Trade payables	**1,018**	998

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:

	2011	2010
	RMB'000	RMB'000
Outstanding balances with ages:		
Within 180 days	**1,018**	998

26. OTHER PAYABLES AND ACCRUALS

Group

	Note	2011 RMB'000	2010 RMB'000
Advances from customers		**47**	106
Payable relating to:			
Property, plant and equipment		**12,618**	6,923
Taxes other than income tax		**1,927**	636
Payroll and welfare		**4,835**	2,587
Interest of bank loans		**—**	519
Global offering costs		**—**	3,398
Rental		**1,699**	—
Acquisition of an associate		**1,500**	—
Deposits received		**135**	82
Payable for rehabilitation		**900**	900
Provision for litigation	(a)	**3,130**	—
Others		**1,419**	1,174
		28,210	16,325

Note:

(a) The Group involved in economic litigation for the delay in stripping activities on platform No.3 and platform No.4 of Zhangjiaba Mine with an amount of RMB3,130,000. The lawsuit was still in process and the litigation has not yet been finalised up to the date of issuing the financial statements and the management estimated that a full provision should be recorded as at 31 December 2011.

Company

	2011 RMB'000	2010 RMB'000
Payables relating to:		
Payroll and welfare	**183**	—
Global offering costs	**—**	3,129
	183	3,129

27. INTEREST-BEARING BANK LOANS

Group

	Notes	2011 RMB'000	2010 RMB'000
Bank loans			
Secured			
— Within one year	(a)	97,000	3,308
Unsecured			
— Within one year		—	70,000
		97,000	73,308

(a) As at 31 December 2011, the secured bank loan of RMB97,000,000 bears interest at a fixed rate of 6.1% per annum and was secured by the pledge of the Group's time deposit amounting to US$16,800,000 (equivalent to approximately RMB107,196,000) (note 23).

As at 31 December 2010, the secured bank loan of US$500,000 (equivalent to approximately RMB3,308,000) bears interest at 2% per annum above the London Interbank Overnight Rate. It is secured by the pledge of the Group's time deposit amounting to US$500,000 (equivalent to approximately RMB3,308,000) (note 23).

28. DEFERRED INCOME

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

29. SHARE CAPITAL

Shares

	2011 RMB'000	2010 RMB'000
Authorised:		
5,000,000,000 (2010: 3,800,000) ordinary shares of HK$0.1 each	420,875	334
Issued and fully paid:		
1,996,771,000 (2010: 1) ordinary shares of HK$0.1 each	168,086	—

During the year, the movements in the Company's share capital were as follows:

	Notes	Number of shares in issue	Issued capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2010, at 31 December 2010 and at 1 January 2011		1	—	—	—
Issue of shares	(a)	500,000,000	42,087	904,871	946,958
Capitalisation of capital reserve	(a)	1,499,999,999	126,261	17,097	143,358
Redemption of shares	(b)	(3,229,000)	(262)	(2,948)	(3,210)
		1,996,771,000	168,086	919,020	1,087,106
Share issue expenses		—	—	(51,985)	(51,985)
At 31 December 2011		1,996,771,000	168,086	867,035	1,035,121

29. SHARE CAPITAL (Continued)

(a) On 18 March 2011, pursuant to the written resolution of the Company's shareholders, an aggregate of 1,499,999,999 shares of HK$0.10 each of the Company were allotted and issued, credited as fully paid at par to the Company's shareholder at the date.

In connection with the global offering, 500,000,000 shares of HK$0.10 each were issued at a price of HK$2.25 per share for a total cash consideration, before offering costs, of HK$1,125,000,000.

(b) In 2011, the Company redeemed 3,229,000 of its own shares on Stock Exchange at a price range of HK$1.18 to HK$1.31 per share. These redeemed shares were cancelled accordingly. The issued share capital of the Company was reduced by the nominal value of these redeemed shares. The premium paid on the redemption of shares of RMB2,948,000 was debited to the share premium account.

30. RESERVES

(a) Capital reserve

For the year ended 31 December 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 injection 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

It represents the aggregate amount of the consideration of RMB24,480,000 paid to the former owners of Sichuan Jinshida by the ultimate controlling shareholder to obtain the control over Sichuan Jinshida by 14 March 2008 after netting off the investment cost of RMB10,000,000 paid by the Group on the acquisition of the entire equity interest in Sichuan Jinshida from the ultimate controlling shareholder pursuant to the reorganisation, as if the acquisition had been completed from the beginning of the year ended 31 December 2010. The corresponding liability of the investment cost of RMB10,000,000 payable to the ultimate controlling shareholder arising from the acquisition pursuant to the reorganization was classified as a current liability as at 31 December 2009 and the balance was settled in November 2010.

30. RESERVES (Continued)

Company

The amounts of the Company's reserves and the movements therein for the year ended 31 December 2011 are as follows:

	Share premium RMB'000	Accumulated losses RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Foreign currency translation reserve RMB'000	Total RMB'000
At 1 January 2010	—	—	—	—	—	—
Capital injection	—	—	143,358	—	—	143,358
Total comprehensive loss for the year	—	(17,619)	—	—	(4,233)	(21,852)
At 31 December 2010 and at 1 January 2011	—	(17,619)	143,358	—	(4,233)	121,506
Issue of shares	904,871	—	—	—	—	904,871
Share issue expenses	(51,985)	—	—	—	—	(51,985)
Redemption of shares	(2,948)	—	—	—	—	(2,948)
Capitalization of capital reserve	17,097	—	(143,358)	—	—	(126,261)
Equity-settled share option arrangements	—	—	—	49,843	—	49,843
Total comprehensive loss for the year	—	(63,700)	—	—	(38,742)	(102,442)
At 31 December 2011	867,035	(81,319)	—	49,843	(42,975)	792,584

31. SHARE OPTION SCHEME

Pre-IPO share option scheme

The Company has adopted the Pre-IPO share option scheme on 24 January 2011 for the purpose of giving its employees, directors, 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 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. Under the Pre-IPO share option scheme, 40,000,000 share options were granted to two senior executives of the Company on 24 January 2011. The exercise price per share under the Pre-IPO share option scheme is HK$0.6, being a discount of 73.33% to the global offering price. Those share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. No further options have been granted under the Pre-IPO share option scheme after the date of listing on Main Board of the Hong Kong Stock Exchange the ("Listing Dates").

The exercise price and exercise period of those share options under the Pre-IPO share option scheme outstanding as at 31 December 2011 (31 December 2010: not applicable) are as follows:

Number of options '000	Exercise price per share HK$	Exercise period
40,000	0.6	From 18 March 2012 to 18 March 2016

The fair value of those share options under the Pre-IPO share option scheme granted during the year ended 31 December 2011 was HK$64,400,000 (equivalent to approximately RMB54,460,504) or HK$1.61 each (equivalent to approximately RMB1.36 each) (2010: not applicable) of which the Group recognized a share option expense of HK$52,411,000 (equivalent to approximately RMB44,330,000) during the year ended 31 December 2011 (2010: not applicable).

The fair value of equity-settled share options granted on 24 January 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	—
Expected volatility (%)	55.94
Risk-free interest rate (%)	1.784

No other feature of the options granted under the Pre-IPO Share Option Scheme was incorporated into the measurement of fair value.

31. SHARE OPTION SCHEME (Continued)

Share Option Scheme

The Company has also adopted a share option scheme on 24 January 2011 for the purpose of giving its employees, directors, advisers, consultants and business partner an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing 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 the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions

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 Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date (i.e. a maximum of 200,000,000 shares). 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 twelve month period exceeds 1% of the Company's issued share capital from time to time.

The exercise price and exercise period of those share options under the share option scheme outstanding as at 31 December 2011 (31 December 2010: not applicable) are as follows:

Number of options '000	Exercise price per share HK$	Exercise period
20,000	1.38	From 4 November 2011 to 3 November 2021

The fair value the share options granted during the year under Share option scheme was HK$12,224,000 (equivalent to approximately RMB9,957,000) (2010: not applicable) of which the Group recognized a share option expense of HK$6,777,000 (equivalent to approximately RMB5,513,000) (2010: not applicable) during the year ended 31 December 2011.

The fair value of equity-settled share options granted under share option scheme during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	4 November 2011
Dividend yield (%)	0
Volatility (%)	49.96
Risk-free interest rate (%)	1.36

No other features of the options granted under the share option scheme were incorporated into the measurement of fair value.

31. SHARE OPTION SCHEME (Continued)

Share Option Scheme (Continued)

As at 31 December 2011, the Company had 60,000,000 share options outstanding under the share option scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares of the Company and additional share capital of HK$6,000,000 and share premium of HK$45,600,000 (before issue expense).

At the date of approval of these financial statements, the Company had 60,000,000 share options outstanding under share option scheme, which represented approximately 3% of the Company's shares in issue as at that date.

32. BUSINESS COMBINATION

On 29 August 2011, the Group acquired entire equity interest of Beichuan Lida from independent third parties. Beichuan Lida is engaged in the mining development, and mineral processing and the trading of construction materials. The acquisition was made as part of the Group's strategy to expand its mineral reserves. The purchase consideration for the acquisition was fully paid in the form of cash before 31 December 2011.

The fair value of the identifiable assets and liabilities of Beichuan Lida as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Intangible asset — mining right	8,473
Cash and cash equivalents	736
Other receivables	260
Deferred tax liabilities	(1,811)
Other payable and accruals	(1,623)
Total identifiable net assets at fair value	6,035
Gain on bargain purchase recognized as other income and gains	(35)
Satisfied by cash	6,000

32. BUSINESS COMBINATION (Continued)

Analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	6,000
Cash and bank balances acquired	(736)
Net outflow of cash and cash equivalents included in the cash flows from investing activities	5,264

As Beichuan Lida is still in its mining development stage, since the acquisition, it did not contribute any revenue to the Group's revenue and it incurred a loss of RMB422,000 for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year, the profit after tax of the Group for the year would have been RMB53,236,000.

33. COMMITMENTS AND CONTINGENCY

(a) Capital commitments

As at 31 December 2011 and 31 December 2010, the Group had the following capital commitments principally for the construction and purchase of property, plant and equipment.

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for	1,204	404

(b) Operating lease arrangements

As lessee

The Group leases certain land premises and buildings under operating lease arrangements, with leases negotiated for terms ranging from 2 to 15 years with an option for renewal after that date, at which time all terms will be renegotiated.

33. COMMITMENTS AND CONTINGENCY (Continued)

(b) Operating lease arrangements (Continued)

As lessee (Continued)

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

	2011 RMB'000	2010 RMB'000
Within one year	7,566	132
In the second to fifth years, inclusive	13,020	366
After five years	447	552
	21,033	1,050

34. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2011 and 2010, the Group had the following material transactions with related parties:

(i) Jiucheng Mining, a related party controlled by the ultimate controlling shareholder of the Company, provided a counter-guarantee free of charge, to a third party guarantee company, which provided a 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.

(ii) Mr. Huang Xianyou is the ultimate controlling shareholder of the Company. Pursuant to a financial support agreement entered into between Mr. Huang and Sichuan Jinshida on 14 March 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 ultimate 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.

(iii) As mentioned in note 16, as at 31 December 2011, the loans to an associate included in the Group's current assets totaling RMB80,000,000 (2010: nil) are secured by the trade receivables of Guangdong Jiapeng Construction, bear interest at the rate of 7.216% per annum and were repayable within one year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and bank balances, pledged deposits, loans to an associate, trade receivables, entrustments loans, structured deposits and other receivables. Financial liabilities of the Group mainly include advances from customers, trade payables, other payables and interest-bearing bank loans.

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 summarised 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 bank loans and its own funding sources.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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 2011

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Interest-bearing bank loans	—	1,529	97,493	—	99,022
Trade payables	—	1,018	—	—	1,018
Financial liabilities under other payables	—	28,163	—	—	28,163
	—	30,710	97,493	—	128,203

31 December 2010

	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Interest-bearing bank loans	—	3,900	72,725	—	76,625
Trade payables	—	998	—	—	998
Financial liabilities under other payables	—	12,322	—	—	12,322
	—	17,220	72,725	—	89,945

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's pledged deposits, entrustment loans, and interest-bearing bank loans. The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 27 to the financial statements. The Group manages its interest rate exposure from all of its interest-bearing borrowings through the use of fixed rates.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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 for the years ended 31 December 2011 and 2010.

Credit risk

Substantial amounts of the Group's cash and cash equivalents are held in major reputable financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality. The credit risk of the Group's other financial assets, which comprise trade receivables, other receivables and amounts due from an associate, structured deposit and entrustment loans arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group has no other financial assets which carry significant exposure to credit risk.

As disclosed in note 4, the Group sells most of the products to a small number of customers in the property development industry, and marble distributors. As a result, it faces a high level of concentration of credit risk. The Group manages this risk by offering standardised credit terms to its customers of marble products for an approved credit term of 30 days except for two major customers who are granted credit terms of 18 months. The Group maintains strict control over its outstanding receivables and senior management regularly reviews the overdue balances, and requires major customers who are granted a long credit term to pledge their properties to secure their receivables to the Group. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which customers operate.

Foreign currency risk

The Group's exposure to foreign currency risk relates to the Group's bank deposits, pledged bank deposits and structured deposits which are denominated in HK$ or 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity to a 5% change in RMB against US$ and HK$. The 5% 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.

	2011 RMB'000	2010 RMB'000
Increase/(decrease) in profit before tax:		
If RMB weakens against US$	**5,342**	3,142
If RMB strengthens against US$	**(5,342)**	(3,142)
If RMB weakens against HK$	**9,163**	—
If RMB strengthens against HK$	**(9,163)**	—

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 except for the non-current trade receivable approximated to their fair values due to the short-term maturity at each year end.

The carrying amounts of the Group's non-current trade receivables approximate to their fair values because their carrying amounts are discounted based on the prevailing interest rates available for loans with similar maturities during the 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. To maintain sufficient internal resources and funds, the Group may adjust the dividend payment or retain the internally generated fund to maintain Group's growth of operation and to manage 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it 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 for the years ended 31 December 2011 and 2010.

36. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group has no events after the reporting period that needs to be disclosed.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 29 March 2012.

Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Period from 14 March 2008 to 31 December 2008 (RMB'000)	Year ended 31 December 2009 (RMB'000)	Year ended 31 December 2010 (RMB'000)	**Year ended 31 December 2011 (RMB'000)**
Revenue	—	—	6,615	**289,424**
(Loss)/profit before tax	(2,005)	(5,610)	(25,260)	**99,557**
Income tax benefit/(expenses)	253	241	4,205	**(46,310)**
(Loss)/profit for the period/year	(1,752)	(5,369)	(21,055)	**53,247**
Other comprehensive loss:				
Exchange differences on translation of non-PRC operations	—	—	(2,568)	**(4,343)**
Total consolidated comprehensive (loss)/income for the year attributable to owners of the Company	(1,752)	(5,369)	(23,623)	**48,904**
Earnings per share attributable to ordinary equity holders of the Company (RMB cents):				
— Basic	N/A	N/A	N/A	**2.58**
— Diluted	N/A	N/A	N/A	**2.56**

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Non-current assets	40,389	50,455	117,247	**372,783**
Current assets	1,071	6,092	101,147	**888,765**
Current liabilities	24,208	44,675	91,093	**143,750**
Net current assets/(liabilities)	(23,137)	(38,583)	10,054	**745,015**
Total assets less current liabilities	17,252	11,872	127,301	**1,117,798**
Non-current liabilities	4,524	4,513	207	**194**
Net assets	12,728	7,359	127,094	**1,117,604**
Total equity	12,728	7,359	127,094	**1,117,604**

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