

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with the generally accepted accounting principles applicable to enterprises established in the People's Republic of China. In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

Tianjin Monocon Refractories Co., Ltd.

Audited Financial Statements

31 December 2009

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Auditors' Report

Changkuaijinshenzi(2010) No.10005

To the Board of Directors of Tianjin Monocon Refractories Co., Ltd.:

We have audited the accompanying financial statements of Tianjin Monocon Refractories Co., Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2009, the income and profit appropriation statement and cash flow statement for the year then ended and notes to the financial statements.

Management's Responsibility for the Financial Statements

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the State. This responsibility includes (1) designing, implementing and maintaining the internal control relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on the performance of our auditing procedures. We have performed audit in accordance with the Independent Auditing Standards issued by the Chinese Institute of Certified Public Accountants (hereinafter "Audit Standards"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures tailored depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Auditors' Report (continued)

Opinion

In our opinion, the financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises, and present fairly, in all material aspects, the financial position of the Company as of 31 December 2009 and the results of its operations and its cash flows for the year then ended.

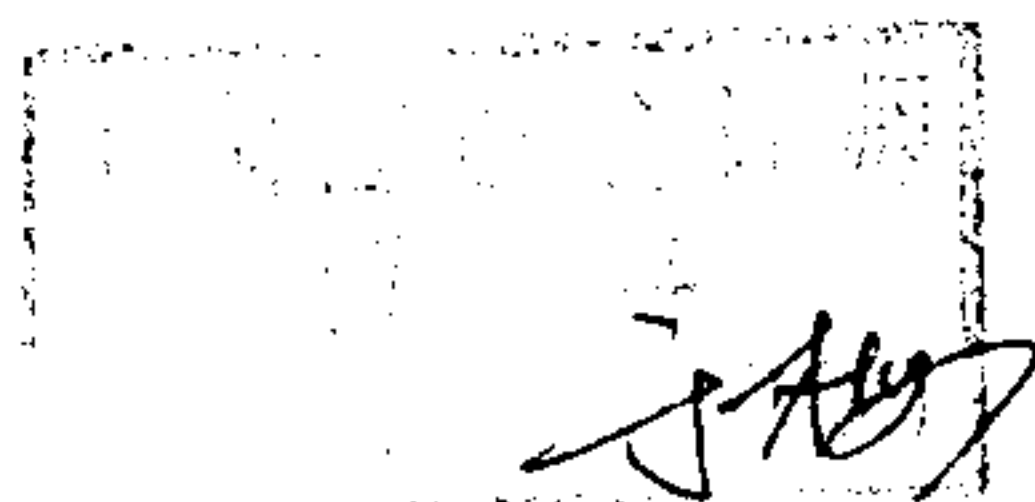
Great Wall Certified Public Accountants Co., Ltd. Tianjin Branch

Tianjin, P. R. China

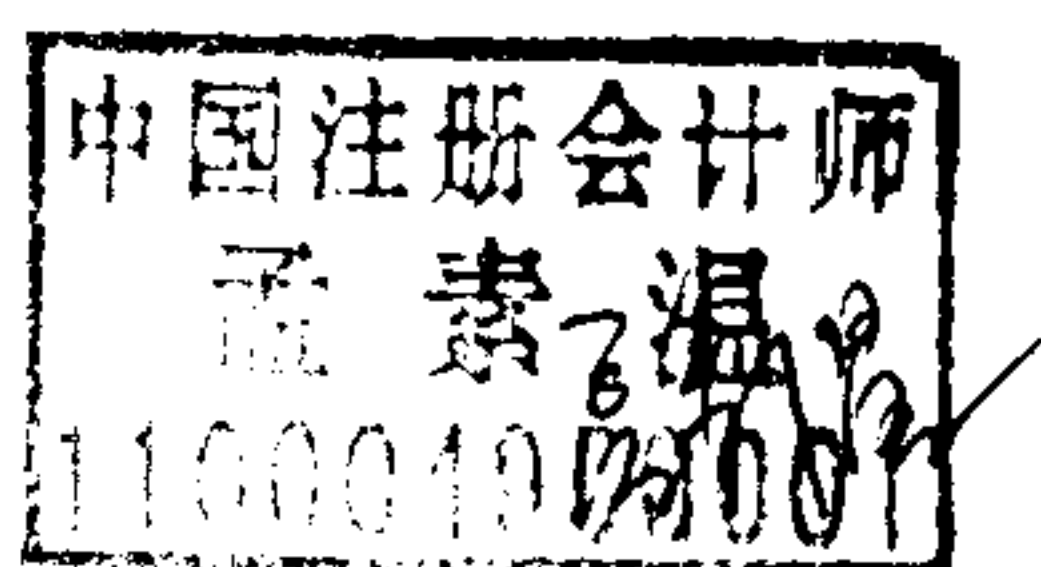
20 February 2010



Certified Public Accountant:



Certified Public Accountant:



Balance Sheet (I)

Prepared by: Tianjin Monocon Refractories Co., Ltd.

Unite:RMB Yuan

ASSETS	NOTES	31 Dec 2009	31 Dec 2008
CURRENT ASSETS:			
Monetary funds	III.1	2,626,274.65	3,313,233.07
Financial assets for trade			
Notes receivable			
Accounts receivable	III.2	13,536,548.32	12,176,250.97
Less: provision for bad debts for accounts receivable		0.00	0.00
Net value of accounts receivable		13,536,548.32	12,176,250.97
Advances to suppliers	III.3	199,274.31	66,743.00
Interest receivable			
Dividends receivable			
Other receivables	III.4	659,930.00	2,077,944.37
Less: provision for bad debts of other receivable		0.00	0.00
Net value of other receivables		659,930.00	2,077,944.37
Inventories	III.5	3,274,033.37	2,536,401.68
Less: impairment provision for inventories		0.00	0.00
Net value of inventories		3,274,033.37	2,536,401.68
Non-current assets due within one year			
Other current assets	III.6	24,017.07	
TOTAL CURRENT ASSETS		20,320,077.72	20,170,573.09
NON-CURRENT ASSETS			
Available-for-sale financial assets			
held-to-maturity investments			
Less: impairment provision for held-to-maturity investment			
Net value of held-to-maturity investments			
Long-term receivables			
Long-term equity investments			
Less: impairment provision for long-term equity investments			
Net value of long-term equity investments			
Investment property			
Fixed assets	III.7	2,155,358.88	1,819,524.12
Less: accumulated depreciation	III.7	1,152,779.95	972,848.41
Less: impairment provision for fixed assets		0.00	0.00
Net value of fixed assets		1,002,578.93	846,675.71
Construction in progress			
Less: impairment provision for construction in progress			
Net value of construction in progress			
Project materials			
Disposal of fixed assets			
Intangible assets			
Less: accumulated amortization			
Less: impairment provision for intangible assets			
Net value of intangible assets			
Development expenditure			
Goodwill			
Less: impairment provision for goodwill			
Net value of goodwill			
Long term deferred and prepaid expenses			
Deferred tax assets			
Other non-current assets			
TOTAL NON-CURRENT ASSETS		1,002,578.93	846,675.71
TOTAL ASSETS		21,322,656.65	21,017,248.80

General Manager: Manoj Rakhecha

Financial Manager: Manoj Rakhecha

Prepared by: Tracy Chu

Balance Sheet (II)

Prepared by: Tianjin Monocon Refractories Co., Ltd.

Unite:RMB Yuan

LIABILITIES AND OWNERS EQUITY	NOTES	31 Dec 2009	31 Dec 2008
CURRENT LIABILITIES:			
Short-term loans			
Transaction financial liabilities			
Notes payable			
Accounts payable	III.8	10,667,641.37	7,419,971.93
Advances from customers			
Welfare payable	III.9	320,042.00	251,639.35
Payroll payable			
taxes payable	III.11	476,394.69	218,538.83
Interest payable			
Dividends payable	III.10	6,771,862.62	10,001,340.33
Other payables	III.12	114,762.80	153,805.19
Non-current liabilities due within one year			
Other current liabilities			
TOTAL CURRENT LIABILITIES		18,350,703.48	18,045,295.63
NON-CURRENT LIABILITIES:			
Long-term loans			
Bonds payable			
Long-term payable			
Special payable			
Accrued liabilities			
Deferred tax liabilities			
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES			
TOTAL LIABILITIES		18,350,703.48	18,045,295.63
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):			
Paid in capital (or share capital)	III.13	1,655,373.00	1,655,373.00
Capital surplus			
Less: treasury stock			
Surplus reserve	III.14	1,316,580.17	1,316,580.17
General risk provision			
Undistributed profit	III.15	0.00	0.00
Currency translation differences			
Parent company interest			
Minority interest			
TOTAL OWNERS' EQUITY		2,971,953.17	2,971,953.17
TOTAL LIABILITIES AND OWNERS' EQUITY		21,322,656.65	21,017,248.80

General Manager: Manoj Rakhecha

Financial Manager: Manoj Rakhecha

Prepared by: Tracy Chu

Statement of Profit and Appropriation

Prepared by: Tianjin Monocon Refractories Co., Ltd.

Unite: RMB Yuan

Items	Notes	2009	2008
1. Operating Revenue	III.16	53,055,176.75	66,229,903.75
Less: Operating cost	III.17	35,318,141.14	38,077,774.04
Tax and levies on operations			
Selling expenses		7,688,157.81	16,895,180.41
Administrative expenses		1,380,464.20	2,166,362.80
Financial expenses	III.18	105,833.93	780,658.76
Asset impairment losses			
Add: proceeds from disturbance of fair value			
Investment income			
include: investment income from associated enterprise and joint ventures			
2. Operating profit		8,562,579.67	8,309,927.74
Add: non-operating gain	III.19	590.68	
Less: non-operating loss	III.19		7,500.00
Inc: Losses on disposal of non-current assets			
3. Total profit		8,563,170.35	8,302,427.74
Less: income tax expenses	III.20	1,722,905.08	1,495,830.77
4. Net profit		6,840,265.27	6,806,596.97
Add: undistributed profits at the beginning of the year		0.00	0.00
5. Profit available for distribution		6,840,265.27	6,806,596.97
Less: Staff and workers' bonus and welfare fund	III.15	68,402.65	68,065.97
Reserve fund		0.00	0.00
6. Profit available for investors' distribution		6,771,862.62	6,738,531.00
Less: dividends payable	III.10	6,771,862.62	6,738,531.00
7. Undistributed profit		0.00	0.00

General Manager: Manoj Rakhecha

Financial Manager: Manoj Rakhecha

Prepared by: Tracy Chu

Cash Flow Statement

Prepared by: Tianjin Monocon Refractories Co., Ltd.

Unit: RMB Yuan

Items	2009
1. Cash flows from operating activities:	
Cash received from sales of goods or rendering of services	51,641,033.25
Refunded tax	
Other cash received relating to operating activities	54,436.83
Sub-total of cash inflows	51,695,470.08
Cash paid for goods and services	36,536,207.10
Cash paid to and on behalf of employees	970,898.61
Tax paid	3,705,844.20
Other cash paid relating to operating activities	832,303.50
Sub-total of cash outflows	42,045,253.41
Net cash flows from operating activities	9,650,216.67
2. Cash flows from investing activities:	
Proceeds of disposal of investments	
Cash received from distribution of dividends or profits	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	
Other cash received relating to investing activities	
Sub-total of cash inflows	0.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	335,834.76
Cash paid to investment	
Other cash paid relating to investing activities	
Sub-total of cash outflows	335,834.76
Net cash flows from investing activities	(335,834.76)
3. Cash flows from financing activities:	
Proceeds from issuing shares	
Proceeds from borrowings	
Other proceeds relating to financing activities	
Sub-total of cash inflows	0.00
Cash repayment of amounts borrowed	
Cash payments for distribution of dividends, profits or interest expenses	10,001,340.33
Other cash payments relating to financing activities	
Sub-total of cash outflows	10,001,340.33
Net cash flows from financing activities	(10,001,340.33)
4. Effect of foreign exchange rate changes on cash	
5. Net increase in cash and cash equivalents	(686,958.42)

General Manager: Manoj Rakhecha

Financial Manager: Manoj Rakhecha

Prepared by: Tracy Chu

Cash Flow Statement (continued)

Prepared by: Tianjin Monocon Refractories Co., Ltd.

Unit: RMB Yuan

Items	2009
1.Reconciliation of operating to cash flows from net profit:	
Net profit	6,840,265.27
Add: Minority interest	
Less: Unidentified investment loss	
Add: provision for impairment of assets	
Depreciation of fixed assets	179,931.54
Amortization of intangible assets	
Amortization of long-term expenses	
Decrease of deferred expenses (less: increase)	
Increase of accrued expenses (less: decrease)	
Loss of disposal of fixed assets, intangible assets and other long-term assets(less:gain)	
Loss of fixed assets discarding	
Finance expense	
Investment loss (less: gain)	
Deferred tax credit (less: debit)	
Decrease of inventories(less: increase)	(737,631.69)
Decrease of operating items receivables(less: increase)	(1,360,297.35)
Increase of operating items payable(less: decrease)	4,470,093.04
Others	257,855.86
Net cash flow from operating activities	9,650,216.67
2.Investment&borrowing activities not including cash in or out	
Capital converted from debt	
Convertible company bonds due within one year	
Fixed assets under finance lease	
Others	
3.Net Increase of cash and cash equivalent	
Cash at the end of period	2,626,274.65
Less: cash at the beginning of the period	3,313,233.07
Add: cash equivalent at the end of period	
Less: cash equivalent at the beginning of the period	
Net increase cash & cash equivalent	(686,958.42)

General Manager: Manoj Rakhecha

Financial Manager: Manoj Rakhecha

Prepared by: Tracy Chu

Notes to Financial Statements for the Year Ended December 31, 2009

I. General Profile

Tianjin Monocon Refractories Co., Ltd (hereinafter “the company”) is a wholly foreign owned company established on September 18, 2002. The company obtained the approval certification “Shang Wai Zi Jin Wai Jin Zi [2002] No 0153” and the company’s business license is “Qi Du Jin Zong Zi 014514” issued by the State Administration Of Industry and Commerce of Tianjin .The registered capital of the company is USD200,000.00 with operating term of 20 years, Certified by Tianjin Tongxin CPA firms with capital Verification Report “Jin Tong Kuai Yan Zi (2002) No 65”.

It is mainly engaged in producing, processing and selling refractory materials and providing relating services.

II. Significant Accounting Policies and Accounting Estimates Adopted by the Company

The financial statements have been prepared on going concern basis based on the following accounting policies and estimates:

1. The applicable accounting regulation:

The Accounting policies adopted by the Company are in accordance with the Accounting Standards for Enterprises of the People’s Republic of China & “Accounting System for Business Enterprises” and the relevant supplementary regulations.

2. The fiscal year:

The Company adopts the calendar year as its accounting year from 1 January to 31 December.

3. Reporting currency

The Company’s reporting and presentation currency is the Renminbi (“RMB”). Unless otherwise stated, the unit of the currency is Yuan.

4. Basis of accounting and measurement basis

The Company’s accounts have been prepared on an accrual basis using the historical cost as the basis of measurement.

5. Foreign currency transactions

The amount of transactions in foreign currencies occurred in the reporting year were translated into Renminbi at the applicable rate of exchange prevailing at the dates of transactions quoted by People’s Bank of China (“benchmark exchange rate”) .

Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the rate of exchange prevailing at the balance sheet date .Exchange gains and losses on foreign currency translations are dealt with in the income statement.

6. Cash equivalents

The cash equivalents are defined as those items meeting all of the 4 criteria listed below: (1) short term (due within 3 months since purchased); (2) with strong liquidity; (3) can be easily converted into known amount of cash; and (4) bears low risk of fluctuation in value.

7. Provision for bad debts

Criteria for recognition for bad debts are:

The debtor is deceased or has been declared bankrupt and the debts remain uncollectible after considering the assets of the bankrupt or the estate of the deceased debtor;

Debts that are long overdue and there is also evidence indicating that the debts are uncollectible or the possibility of collection is remote.

8. Inventories

Classification of inventories

Inventories are assets held for sale in the ordinary course of business or in the process of production for such sale; or in the form of materials or supplies to be consumed in the production process or in the rendering of services. The inventories of the Company are classified into the following groups: raw materials, packages, work-in-process, finished products. Inventories are valued at the actual cost when acquired which includes costs of purchase and processing and those overheads that have been incurred in bringing the inventories to their present location and condition.

Actual cost is applied for the record of movement of inventories and is recognized on a weighted average basis. Low value consumables are expensed on a one-off write-off basis.

Inventories are measured at the lower of cost and net realizable value at the balance sheet date. The impairment of inventories is made when the net realizable value is lower than the cost. Net realizable value represents the balance of the estimated selling price less the estimated cost of the completion, the estimated cost of marketing and the relevant taxes and levies in the ordinary cost.

9. Accounting for fixed assets and accumulated depreciation

(1) Definition and recognition criteria of fixed assets

Fixed assets are tangible assets with high unit costs held by the Company for use in production of goods and supply of services, and are expected to be used for more than one year.

(2) Classification of Fixed assets

Fixed assets are classified into the following categories: manufacturing equipment, office equipment, motor vehicle, assistant equipment.

(3) Accounting for Fixed Assets

Fixed Assets are records at actual cost on acquisition.

At the end of each period, fixed assets are measured at the lower of their carrying amounts and their recoverable amounts. Where the recoverable amount of any fixed assets is lower than its carrying amount, an impairment loss is recognized for the difference. Recoverable amount represents the higher of the net selling price of the asset and its value in use. Value in use is the present value of the future cash flows expected to be derived from the use of the assets less costs to sell.

The net gains and losses arising from the disposal of the fixed assets are recorded as non-operating revenues or expenses in the income statement.

(4) Accounting for Depreciation

The fixed assets are depreciated on straight-line basis over their estimated useful lives based on the original cost and estimated useful lives. The depreciable amount of a fixed asset equals its original cost less estimated residual value. The residual value is estimated at 10 % of the original cost.

The depreciation rates for each category of fixed assets are as follows:

Item	Estimated useful life (in years)	Depreciation rate p. a.(%)
Manufacture Equipment	10	9%
Office Equipment	5	18%
Motor Vehicle	5	18%
Assistant Equipment	5	18%

10. Recognition of revenue

Sales of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; it is probable that the economic benefits associated with the transaction will flow to the Company; and the relevant amount of revenue and costs can be measured reliably.

11. Accounting for corporate income tax

Taxation payable method under the tax effect accounting standard is adopted for corporate income tax. According to the tax laws and regulations, the income tax rate for enterprises in the year under consideration is 20%.

III. Major Items in the Financial Statements

1. Cash and Cash Equivalents

Item	Dec 31, 2009	Dec 31, 2008
Cash in hand	8,128.80	7,015.49
Cash at bank	2,618,145.85	3,306,217.58
Total	2,626,274.65	3,313,233.07

Cash at Bank is held as follows :

Bank Name & Branch	Account No	Dec 31, 2009
RMB Bank Account		
Bank of China – Tianjin Binhai Branch	08685108091001	2,064,856.76
HSBC Tianjin TED Sub Branch	725-000699-011	240,970.90
Bank of China – Tianjin Binhai Branch	08685108096001	75,017.82
USD Bank Account		
HSBC Tianjin TED Sub Branch	105-000699-055	237,300.37

