

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 2010

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Auditors' Report

Jinliancheng Shenzi (2011) No.060

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 2010, 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 2010 and the results of its operations and its cash flows for the year then ended.


Liancheng Certified Public Accountants Co., Ltd.
Tianjin, P. R. China
15 March 2011

Certified Public Accountant:



Certified Public Accountant:



Balance Sheet (I)

Prepared by: Tianjin Monocon Refractories Co., Ltd.

Unite:RMB Yuan

ASSETS	NOTES	31 Dec 2010	31 Dec 2009
CURRENT ASSETS:			
Monetary funds	III.1	968,201.47	2,626,274.65
Financial assets for trade			
Notes receivable			
Accounts receivable	III.2	12,892,916.07	13,536,548.32
Less: provision for bad debts for accounts receivable		0.00	0.00
Net value of accounts receivable		12,892,916.07	13,536,548.32
Advances to suppliers	III.3	113,238.44	199,274.31
Interest receivable			
Dividends receivable			
Other receivables	III.4	630,702.81	659,930.00
Less: provision for bad debts of other receivable		0.00	0.00
Net value of other receivables		630,702.81	659,930.00
Inventories	III.5	3,148,335.94	3,274,033.37
Less: impairment provision for inventories		0.00	0.00
Net value of inventories		3,148,335.94	3,274,033.37
Non-current assets due within one year			
Other current assets	III.6	21,185.17	24,017.07
TOTAL CURRENT ASSETS		17,774,579.90	20,320,077.72
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	4,348,438.90	2,155,358.88
Less: accumulated depreciation	III.7	1,476,907.54	1,152,779.95
Less: impairment provision for fixed assets		0.00	0.00
Net value of fixed assets		2,871,531.36	1,002,578.93
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		2,871,531.36	1,002,578.93
TOTAL ASSETS		20,646,111.26	21,322,656.65

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 2010	31 Dec 2009
CURRENT LIABILITIES:			
Short-term loans			
Transaction financial liabilities			
Notes payable			
Accounts payable	III.8	8,713,374.97	10,667,641.37
Advances from customers			
Welfare payable	III.9	338,726.64	320,042.00
Payroll payable			
taxes payable	III.11	488,540.66	476,394.69
Interest payable			
Dividends payable	III.10	7,944,455.39	6,771,862.62
Other payables	III.12	189,060.43	114,762.80
Non-current liabilities due within one year			
Other current liabilities			
TOTAL CURRENT LIABILITIES		17,674,158.09	18,350,703.48
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		17,674,158.09	18,350,703.48
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		20,646,111.26	21,322,656.65

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	2010	2009
1. Operating Revenue	III.16	50,470,173.07	53,055,176.75
Less: Operating cost	III.17	38,076,085.37	35,318,141.14
Tax and levies on operations			
Selling expenses		7,492,494.91	7,688,157.81
Administrative expenses		2,038,555.08	1,380,464.20
Financial expenses	III.18	361,564.36	105,833.93
Asset impairment losses			
Add: proceeds from disturbance of fair value			
Investment income			
include investment income from associated enterprise and joint ventures			
2. Operating profit		2,501,473.35	8,562,579.67
Add: non-operating gain	III.19		590.68
Less: non-operating loss	III.19	1,405.00	
Inc: Losses on disposal of non-current assets			
3. Total profit		2,500,068.35	8,563,170.35
Less: income tax expenses	III.20	631,604.68	1,722,905.08
4. Net profit		1,868,463.67	6,840,265.27
Add: undistributed profits at the beginning of the year		0.00	0.00
5. Profit available for distribution		1,868,463.67	6,840,265.27
Less: Staff and workers' bonus and welfare fund	III.15	18,684.64	68,402.65
Reserve fund		0.00	0.00
6. Profit available for investors' distribution		1,849,779.03	6,771,862.62
Less: dividends payable	III.10	1,849,779.03	6,771,862.62
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	2010
1. Cash flows from operating activities:	
Cash received from sales of goods or rendering of services	51,076,106.61
Refunded tax	
Other cash received relating to operating activities	13,979.61
Sub-total of cash inflows	51,090,086.22
Cash paid for goods and services	40,098,500.23
Cash paid to and on behalf of employees	1,298,288.94
Tax paid	7,076,665.50
Other cash paid relating to operating activities	1,404,438.45
Sub-total of cash outflows	49,877,893.12
Net cash flows from operating activities	1,212,193.10
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	2,193,080.02
Cash paid to investment	
Other cash paid relating to investing activities	
Sub-total of cash outflows	2,193,080.02
Net cash flows from investing activities	(2,193,080.02)
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	677,186.26
Other cash payments relating to financing activities	
Sub-total of cash outflows	677,186.26
Net cash flows from financing activities	(677,186.26)
4. Effect of foreign exchange rate changes on cash	
5. Net increase in cash and cash equivalents	(1,658,073.18)

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	2010
1.Reconciliation of operating to cash flows from net profit:	
Net profit	1,868,463.67
Add: Minority interest	
Less: Unidentified investment loss	
Add: provision for impairment of assets	
Depreciation of fixed assets	324,127.59
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)	125,697.43
Decrease of operating items receivables(less: increase)	643,632.25
Increase of operating items payable(less: decrease)	(1,761,873.81)
Others	12,145.97
Net cash flow from operating activities	1,212,193.10
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	968,201.47
Less: cash at the beginning of the period	2,626,274.65
Add: cash equivalent at the end of period	
Less: cash equivalent at the beginning of the period	
Net increase cash & cash equivalent	(1,658,073.18)

General Manager: Manoj Rakhecha

Financial Manager: Manoj Rakhecha

Prepared by: Tracy Chu

Tianjin Monocon Refractories Co., Ltd:

Notes to Financial Statements for the Year Ended December 31, 2010

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 22%.

III. Major Items in the Financial Statements

1. Cash and Cash Equivalents

Item	Dec 31, 2010	Dec 31, 2009
Cash in hand	4,369.16	8,128.80
Cash at bank	963,832.31	2,618,145.85
Total	968,201.47	2,626,274.65

Cash at Bank is held as follows :

Bank Name & Branch	Account No	Dec 31, 2010
RMB Bank Account		
Bank of China – Tianjin TEDA Branch	279160055780	70,110.56
HSBC Tianjin TED Sub Branch	725-000699-011	25,694.02
Bank of China – Tianjin Binhai Branch	277860055789	821,303.39
USD Bank Account		
HSBC Tianjin TEDA Sub Branch	105-000699-055	46,724.34

2. Accounts Receivable

(1) Age of Accounts

Item	Dec 31, 2010			Dec 31, 2009		
	Amount	Percentage	Provision for Bad Debts	Amount	Percentage	Provision for Bad Debts
Within 1 year	12,653,316.71	98.14%	0.00	11,312,333.02	83.57%	0.00
1-2 years	239,599.36	1.86%	0.00	2,224,215.30	16.43%	0.00
Total	12,892,916.07	100.00%	0.00	13,536,548.32	100.00%	0.00

(2) The amount due from related party as on Dec 31, 2010 is as follows :

- Monocon International Refractories Ltd, UK	9,293,849.55
- IFGL Refractories Ltd, India	2,684,233.89
- Mono Ceramics Inc	404,182.72

(3) The company has not made any provision for bad debts, but has bad debts from one of the customers amounting to RMB 365,632.11 due to quality issue.

3. Advances to suppliers

(1) Age of Accounts

Item	Dec 31, 2010			Dec 31, 2009		
	Amount	Percentage	Provision for Bad Debts	Amount	Percentage	Provision for Bad Debts
Within 1 year	107,856.44	95.25%	0.00	199,274.31	100.00%	0.00
1-2 years	5,382.00	4.75%	0.00			
Total	113,238.44	100.00%	0.00	199,274.31	100.00%	0.00

(2) The amount due from related party as on Dec 31, 2010 is as follows :

None.

4. Other receivables

(1) Age of Accounts

Item	Dec 31, 2010			Dec 31, 2009		
	Amount	Percentage	Provision for Bad Debts	Amount	Percentage	Provision for Bad Debts
Within 1 year	178,722.81	28.34%	0.00	639,030.00	96.83%	0.00
1-2 years	451,980.00	71.66%	0.00	20,900.00	3.17%	0.00
Total	630,702.81	100.00%	0.00	659,930.00	100.00%	0.00

(2) The amount due from related party as on Dec 31, 2010 is as follows :

None.

5. Inventories and Provision for Impairment Loss on Inventories.

Category	Dec 31, 2010		Dec 31, 2009	
	Amount	Provn. For Loss	Amount	Provn. For Loss
Raw Material	1,543,050.09	0.00	2,652,253.99	0.00
Packaging Materials	138,646.00	0.00	129,777.63	0.00
Semi products	7,872.04	0.00	0.00	0.00
Finished Goods	1,458,767.81	0.00	492,001.75	0.00
Total	3,148,335.94	0.00	3,274,033.37	0.00

6. Other Current Assets

Categories	Jan 1, 2010	Increase	Decrease	Dec 31, 2010
Deferred expenses	24,017.07	166,732.48	169,564.38	21,185.17
Total	24,017.07	166,732.48	169,564.38	21,185.17

7. Fixed Asset and Accumulated Depreciation

Category	Jan 1,2010	Increase	Decrease	Dec 31, 2010
Original Value :				
Manufacture Equipment	1,166,707.00	1,216,650.71		2,383,357.71
Office Equipment	134,723.64	7,238.85		141,962.49
Motor Vehicle	182,858.00			182,858.00
Accessory Equipment	671,070.24	676,190.46		1,347,260.70
Other equipment		293,000.00		293,000.00
Total - Original Value	2,155,358.88	2,193,080.02		4,348,438.90
Accumulated Depreciation				
Manufacture Equipment	743,775.50	136,397.48		880,172.98
Office Equipment	93,490.56	11,870.81		105,361.37
Motor Vehicle	93,040.83	32,914.44		125,955.27
Accessory Equipment	222,473.06	134,805.97		357,279.03
Other equipment		8,138.89		8,138.89
Total – Accumulated Dep.	1,152,779.95	324,127.59		1,476,907.54
Net value	1,002,578.93			2,871,531.36

8. Accounts Payable

(1) Age of Accounts

Item	Dec 31, 2010		Dec 31, 2009	
	Amount	Percentage	Amount	Percentage
Within 1 year	7,533,473.91	86.46%	8,408,618.06	78.82%
1-2 years	1,179,901.06	13.54%	2,259,023.31	21.18%
Total	8,713,374.97	100.00%	10,667,641.37	100.00%

(2) The amount payable to related party as on Dec 31, 2010 is as follows :

- Monocon International Refractories Ltd, UK RMB 49,930.72

9. Welfare payable

Item	Dec 31, 2010
Opening Balance	320,042.00
Add : Welfare fund drawn from current year profit	18,684.64
Less : Pay-out for staffs and employees	0.00
Closing Balance	338,726.64

10. Dividend Payable

Category	Dec 31, 2010	Dec 31, 2009
Dividend - 2009	6,094,676.36	6,771,862.62
Dividend - 2010	1,849,779.03	
Total	7,944,455.39	6,771,862.62

11. Taxes Payable

Category	Dec 31, 2010	Dec 31, 2009
VAT	255,455.66	-4,515.11
Corporate Income Tax	199,487.45	475,659.02
Individual Income Tax	5,497.43	5,250.78
Urban construction maintenance fee	17,881.90	
Educational Surtax	7,663.67	
Flood control fee	2,554.55	
Total	488,540.66	476,394.69

12. Other Payables

Age of Accounts

Item	Dec 31, 2010		Dec 31, 2009	
	Amount	Percentage	Amount	Percentage
Within 1 year	169,660.43	89.70%	104,062.80	90.70%
1-2 years	19,400.00	10.30%	10,700.00	9.30%
Total	189,060.43	100.00%	114,762.80	100.00%

13. Paid-in Capital

Investor	Dec 31, 2010		Dec 31, 2009	
	Amount	Percentage	Amount	Percentage
IFGL Worldwide Holdings Limited	1,655,373.00	100%	1,655,373.00	100%
Total	1,655,373.00	100.00%	1,655,373.00	100.00%

14. Surplus reserve

Items	Jan 1, 2010	Increase	Decrease	Dec 31, 2010
Surplus reserve	1,316,580.17			1,316,580.17
Total	1,316,580.17			1,316,580.17

15. Undistributed Profit

Item	Dec 31, 2010	Dec 31, 2009
Opening Balance	0.00	0.00
Add : Net Profit after Tax for the year	1,868,463.67	6,840,265.27
Other profit	0.00	0.00
Less : Reserve funds	0.00	0.00
Staff and workers' bonus and welfare fund	18,684.64	68,402.65
Profit distributed for the year	1,849,779.03	6,771,862.62
Undistributed profit carried forward	0.00	0.00

16. Revenue

Item	2010	2009
Income From Operations	50,432,474.36	53,001,330.60
Other income	37,698.71	53,846.15
Total	50,470,173.07	53,055,176.75

17. Costs

Item	2010	2009
Cost From Operations	38,053,771.27	35,318,141.14
Other Cost	22,314.10	0.00
Total	38,076,085.37	35,318,141.14

18. Financial Expenses

Category	2010	2009
Interest Expense	0.00	0.00
Less: Interest Income	6,342.29	9,111.83
Exchange Loss (net of gains)	333,628.32	54,654.56
Less: Exchange gain		0.00
Bank Charges	34,278.33	60,291.20
Total	361,564.36	105,833.93

19. Non-Operating Income and cost

Item	2010	2009
Non-Operating Income-vehicle disposal	0.00	590.68
Non-Operating costs-overdue fine	1,405.00	0.00
Total	-1,405.00	590.68

20. Income tax

Items	2010	2009
Profit as per accounts	2,500,068.35	8,563,170.35
Plus: taxable income adjustment	370,861.91	51,355.12
Minus: Untaxed adjustment	0.00	0.00
Taxable income after adjustment	2,870,930.26	8,614,525.47
Income tax rate	22%	20%
Income tax	631,604.68	1,722,905.08

IV. Related Parties

1.Related Control and Effective Control

Name	Relationship with the company	Percentage of Equity
IFGL Worldwide Holdings Limited	Investor	100%

2.Other Related Party Relationship

Name of the Company	Relationship with the company
Monocon International Refractories Ltd	Under the common control of the same parent.
Tianjin Monocon Aluminous Refractories Co.,Ltd.	Under the common control of the same parent.
IFGL Refractories Ltd.	Under the common control of the same parent.
Monotec Refratarios Ltda	Under the common control of the same parent.
Monoceramics Inc	Under the common control of the same parent.

3. Transactions with Related Company

Item and name of the company	Transactions During the Year	Balance as on 31.12.2010
Accounts Receivables		
Monocon International Refractories Ltd.	37,079,110.25	9,293,849.55
IFGL Refractories Ltd	9,093,732.22	2,684,233.89
Monoceramics Inc	2,238,402.09	404,182.72
Tianjin Monocon Aluminous Refractories Co.,Ltd.	26,107.50	
Accounts Payable		
Monocon International Refractories Ltd.	647,300.65	49,930.72

- Amount receivable or payable with related parties are interest free, unsecured and have no fixed repayment terms
- Sales / Purchase from related party are on a cost plus margin basis.

V. Contingencies

There exist no contingencies that need disclosure.

VI. Post Balance Sheet Date Events

There exist no post balance sheet date events that need disclosure.

VII. Other Important Matters

1. Commitments

Operating Lease Commitment:

At the balance sheet date, the company was committed to make the following future minimum lease payment in respect of rented premises and machinery which due as follows:

Period	Dec 31, 2010
Within one year	1,805,520.00
1-2 years	1,805,520.00
2-3 years	1,805,520.00
Over 3 years	1,504,600.00

2. Debt Restructuring

There exist no debt restructuring transactions that need disclosure.

3. Non-monetary Transactions

There exist no non-monetary transactions that need disclosure.

4. Assignment and Factoring of Receivables

There exist no assignment and factoring of receivables that need disclosure

5. Other Important Matters

There exist no other important matters that need disclosure

TIANJIN MONOCON REFRACTORIES CO.,LTD
TAXABLE INCOME ADJUSTMENT SHEET

FISCAL YEAR 2010

Name Of Enterprise: Tianjin Monocon Refractories Co., Ltd

Unit: RMB

ITEMS	Amount	Rules/Regulations
Profit before tax	2,500,068.35	
Plus: taxable adjustment	370,861.91	
1、 Entertainment expenses (40%)	3,824.80	As per tax law
2、 Bad debts without tax approval	365,632.11	As per tax law
3、 Commercial insurance expenses		
4、 fines forfeits and penalty expenditure		
5、 Unapproved non-operating costs	1,405.00	
6、 Items in non-operating costs without invoices		
Minus: Untaxable adjustment		
1.Set-up costs amortisation		
Net adjustment for taxable income	370,861.91	
Taxable income for the year	2,870,930.26	
Minus: offset previous years' loss		
Verified taxable Income for the year	2,870,930.26	
Income tax rate	22%	
Income tax	631,604.68	

TIANJIN MONOCON REFRACTORIES CO.,LTD

Notes on Taxable Income Adjustment

Name of company : Tianjin Monocon Refractories Co.,Ltd

1. The company incurred entertainment expense amount to RMB 3,824.80 which was not deductible in calculating taxable income.
2. The company incurred bad debt amount to RMB 365,632.11 which was not deductible in the calculating taxable income before obtaining the formal approval from the tax authority.
3. The company incurred overdue fine amount to RMB 1,405.00 which was not deductible in the calculating taxable income.

Statement of Sundry Tax and Fee Payable
Fiscal Year 2010

Name Of Enterprise: Tianjin Monocon Refractories Co., Ltd

Unit : RMB yuan

Category	Beginning Balance	Amount payable for the year	Amount paid for the year	Closing Balance
Value added tax	-4,515.11	1,032,952.51	777,496.85	255,455.66
Business tax				
Consumption tax				
Resource tax				
Land value added tax				
Enterprise income tax	475,659.02	631,604.68	907,776.25	199,487.45
Vehicle and vessel usage tax		840.00	840.00	-
Property tax				
Stamp tax	11,505.15	25,853.86	25,260.26	12,098.75
Individual income tax	5,250.78	68,508.77	68,262.12	5,497.43
Urban construction maintenance fee		17,881.90		17,881.90
Educational Surtax		7,663.67		7,663.67
Flood Protection Fee		9,916.81	7,362.26	2,554.55
Withholding tax		677,186.26	677,186.26	-
sum	487,899.84	2,472,408.46	2,464,184.00	500,639.41

Note: Vehicle and vessel usage tax and stamp tax are recorded via administration expenses.

The year end balance for stamp tax is part of other payables instead of tax payable.