

Overview

We are engaged in the mining, processing and manufacturing of natural thenardite products. According to the information provided by Behre Dolbear, we believe we have the largest single line thenardite production facility in terms of production capacity as of December 31, 2008. We are also the second largest thenardite producer in the world in terms of production capacity as of December 31, 2008, according to Behre Dolbear. Over 60% of our production capacity is dedicated to the production of specialty thenardite. As at the Latest Practicable Date, our production facility in the Dahongshan Mining Area was the only production facility in China with the GMP Certificate and the Pharmaceutical Production Permit for medical thenardite, effectively making us the only approved and certified medical thenardite producer in China. Based on the information provided by Behre Dolbear, as at December 31, 2008, we had a domestic thenardite market share of approximately 23.2% and a global thenardite market share of approximately 11.3%.

Thenardite is an important raw material used to manufacture chemical and light industrial products. We produce powder thenardite, specialty thenardite and medical thenardite. Our powder thenardite and specialty thenardite are primarily used as inert fillers in powder detergents and as processing aids in the textile and glass industries. Our medical thenardite is primarily used in Chinese and western medicines as a mild laxative and an anti-inflammatory agent. We are focused on the production and sale of medical and specialty thenardite as they are higher-margin products. The average selling prices of our domestic and export powder thenardite have been subject to fluctuation during the Track Record Period.

We currently operate two captive underground glauberite mines located in the Dahongshan Mining Area and the Guangji Mining Area in Sichuan Province from which we source all of our glauberite ore for the production of thenardite. We have also acquired mining rights in the Muma Mining Area in Sichuan Province. According to JT Boyd, there is a total of approximately 57.2 million tonnes of proved and probable thenardite reserves pursuant to the JORC Code located in these three mining areas. China has the largest glauberite reserve in the world, according to Behre Dolbear, and our reserves are higher than the average grade in China, according to JT Boyd and Behre Dolbear.

We extract our glauberite ore using the “room solution” mining technique to produce mirabilite solution from our underground mines. The mirabilite solution is then pumped and transported to our production facilities above ground to be further processed and made into thenardite.

We are in a period of significant production growth. We have completed construction of and commenced commercial production at our 1.0 million tpa mining and production facility in the Guangji Mining Area, which increased our total combined mining and production capacity from 0.6 million tpa to 1.6 million tpa as of November 1, 2008. We intend to complete construction of and commence commercial production at a 0.2 million tpa production facility of medical thenardite in the Muma Mining Area by the end of 2009 and a 1.0 million tpa mining and production facility of powder and specialty thenardite in the Muma Mining Area in the third quarter of 2010.

We operate our business through our two PRC operating subsidiaries, Chuanmei Mirabilite, in which we hold 90.0% equity interest and Chuanmei Glauber Salt, in which we hold 100.0% equity interest. Chuanmei Mirabilite operates the production and mining operations in the Dahongshan Mining Area and Chuanmei Glauber Salt operates and will operate the production and mining operations in the Guangji Mining Area and the Muma Mining Area, respectively.

As of December 31, 2008, we had net current liabilities of RMB354.9 million. This was a result of current assets of RMB299.8 million and current liabilities of RMB654.7 million. Our current assets were primarily comprised of trade and other receivables of RMB258.3 million. Our current liabilities were primarily comprised of trade and other payables of RMB360.8 million and bank borrowings — due within one year of

RMB258.9 million. As of March 31, 2009, we had net current liabilities of RMB380.2 million. See “Financial Information — Working Capital”.

For the year ended December 31, 2006, we sold 478,135 tonnes of powder thenardite and 27,971 tonnes of medical thenardite. For the year ended December 31, 2007, we sold 532,393 tonnes of powder thenardite, 89,270 tonnes of specialty thenardite and 75,281 tonnes of medical thenardite. For the year ended December 31, 2008, we sold 477,815 tonnes of powder thenardite, 926,830 tonnes of specialty thenardite and 99,080 tonnes of medical thenardite. We used to focus on the production and sale of powder thenardite. We now focus on the production and sale of medical thenardite and specialty thenardite. We only began the production and sale of specialty thenardite in November 2007 and expect revenues from specialty thenardite to increase as a percentage of our total revenue in the future. Our revenue for the three years ended December 31, 2008 was, RMB204.8 million, RMB371.5 million and RMB1,140.4 million, respectively and our net profit for the same periods was RMB49.3 million, RMB89.0 million and RMB442.1 million, respectively.

The average selling prices of our domestic and export powder thenardite have been subject to fluctuation during the Track Record Period. The average selling prices of our medical thenardite and specialty thenardite have remained relatively stable during the Track Record Period. See “Financial Information — Factors Affecting Results of Operations and Financial Condition — Average Selling Prices”.

Our Competitive Strengths

We believe our success to date can be attributed to a combination of our competitive strengths, including the following:

The world’s second largest thenardite producer in terms of production capacity with a leading market presence in China

We believe we have the largest single line thenardite production facility in terms of production capacity as of December 31, 2008 according to the information provided by Behre Dolbear. We are also the second largest thenardite producer in the world in terms of production capacity as of December 31, 2008, according to Behre Dolbear. At the Latest Practicable Date, we had a total combined production capacity of 1.6 million tpa. Large-scale production of thenardite requires abundant and quality glauberite reserves, significant investment and technical expertise, posing barriers to entry. Therefore, we do not expect the number of large-scale thenardite producers to increase substantially in the near term. We believe that with large-scale production, we will be able to maintain effective cost control to benefit from economies of scale. With our plans to expand our production capacity further in the future, we believe we will continue to enjoy the benefits of being one of the largest thenardite producers in the world in terms of production capacity with a leading market presence in China.

Accumulated thenardite production know-how and research and development capabilities focused on the development of new products and applications and the improvement of our production process

We believe the thenardite production know-how we have accumulated has enabled us to reduce costs relating to coal and electricity, which are the key inputs for energy in thenardite production across all of our production facilities. As of the Latest Practicable Date, our medical thenardite production facility was the only one in China with the GMP Certificate for medical thenardite and the Pharmaceutical Production Permit. According to the information provided by Behre Dolbear, we believe our 1.0 million tpa production facility is the largest single line production facility in the world in terms of production capacity as of December 31, 2008. We believe these accomplishments are closely related to our accumulated thenardite production know-how.

We have been able to combine the technology of our equipment suppliers into our production facility in the Guangji Mining Area. The design of our production facility in the Guangji Mining Area and the materials

used to build such facility allows us to more efficiently use steam generated in our evaporating process which we believe allows us to consume less energy than our production process located in the Dahongshan Mining Area.

Our research and development is primarily focused on product development, new application discovery, mining and production process improvement. We have more than 18 years of experience in solution mining. To date, we are able to commercially produce approximately 10 different kinds of specialty thenardite products and continue to work closely with our customers to fulfill their needs for specialty thenardite products. We are also working with different organizations including research institutes to improve our production processes and to discover new applications for thenardite products, such as in quick dry cement manufacturing. We believe that this collaboration will allow us to focus on the development of high-value, high-margin products. We believe that our know-how has a significant impact on the quality of our medical thenardite as well as our ability to make a variety of specialty thenardite tailored to meet customer specifications. We believe that it is the quality and ability to make customized specialty thenardite that drives the demand for our higher priced and higher margin medical and specialty thenardite.

In particular, we have in the past devoted research and development efforts in respect of the development of our specialty thenardite business. According to the Specialty Thenardite Development Report dated January 16, 2008, the relevant production equipment and system for specialty thenardite must meet strict requirements which would involve significant investments. The pipes, valves, evaporating tanks, boilers and thermal dryer beds and other production equipment used for production of powder thenardite must be upgraded technologically to achieve higher temperature resistance, higher pressure resistance and anti-acid/alkali corrosion. Certain additional equipment must also be introduced to the production system to achieve the required specific physical and chemical qualities of the thenardite products. Being a leader of the specialty thenardite industry in the PRC, we believe we have been able to capture the relevant technology and know-how in advance of our competitors in the industry.

Our strong research and development capability has been recognized in the industry as well as by the government. We have set up a thenardite research and development center in Sichuan Province. According to the Specialty Thenardite Development Report dated January 16, 2008, our thenardite research and development center is the only thenardite technology center recognized at the provincial government level in China.

Abundant and quality glauberite ore reserves

We believe our quality glauberite ore reserves in Sichuan Province enable us to have a steady supply of high quality raw material for our existing and future thenardite production. According to JT Boyd and Behre Dolbear, the glauberite ore in Sichuan Province reportedly has an average purity of 35% and the average purity of our reserve ranges from 34% to 40% Na₂SO₄ as compared to China's average of approximately 25%. According to JT Boyd, our glauberite ore reserves are consistently high in concentration and thickness and low in pollutants and we have approximately 57.2 million tonnes of proved and probable thenardite reserves pursuant to the JORC Code in our three mining areas. Further, our glauberite ore is calcium-based which facilitates the production of higher purity thenardite than other types of glauberite ore. We believe that this high level of purity has enabled us to command higher average selling prices than our competitors across all our product lines as we are able to produce thenardite products with high purity levels. We also believe that the purity of our thenardite facilitated our research and development efforts in developing our medical and specialty thenardite products.

Recognized brand name among downstream industries and strong business relationships with our customers

We enjoy strong brand recognition among downstream industries in China and maintain strong customer relationships. Our powder thenardite produced and sold under the brand of "Chuanmei" has been recognized as a "Sichuan Famous Brand Product" since 1993 and the registered trademark "Chuanmei" was recognized as a

“China Well-known Trademark” by the SAIC in March 2008. Our medical thenardite products are sold under the brand “Sansu”.

We believe our powder thenardite is among the highest quality in the market. Our products are recognized and used by multi-national corporations such as P&G. As a leading Chinese specialty thenardite producer, we are currently able to produce approximately 10 different kinds of specialty thenardite products. We also work closely with our customers to understand their needs for our thenardite products, which further maintains our leading domestic market position. We believe our capability to respond to our customers’ specific needs has earned us our market reputation and position as the thenardite supplier of choice for many consumers.

Well-positioned to benefit from the growth in demand for thenardite in China

We are well-positioned to benefit from the growth in thenardite demand in China. China is one of the major thenardite consumption markets in the world, consuming 6.2 million tonnes and 7.1 million tonnes of thenardite representing approximately 50.0% and 51.6% of world consumption in the years ended December 31, 2006 and 2007, respectively, according to Behre Dolbear. Behre Dolbear projects that the CAGR of thenardite consumption in China will be 4.3% from 2007 to 2010. In anticipation of this increase in demand, we have expanded our production capacity from 0.6 million tpa to 1.6 million tpa by completing the construction of the production facility in the Guangji Mining Area. As suggested by Behre Dolbear, there is room for market growth for thenardite in China as well as other developing countries of Asia, South America and the Middle East where more consumers utilize washing machines and powder detergents.

As at the Latest Practicable Date, our production facility in the Dahongshan Mining Area was the only production facility in China with the GMP Certificate for medical thenardite and the Pharmaceutical Production Permit, effectively making us the only approved and certified medical thenardite producer in China. Recently, a number of food and medical products have caused serious illness and fatalities in China, leading to an increased attention to food and drug safety issues. We believe such attention benefits producers like us who have been certified and approved by government authorities for medical thenardite production. Our production facility at the Dahongshan Mining Area can produce up to 150,000 tpa of medical thenardite. We also intend to complete construction of and commence commercial production at a 0.2 million tpa production facility of medical thenardite in the Muma Mining Area by the end of 2009.

Our 1.0 million tpa production facility in the Guangji Mining Area is designed to have the ability to produce both powder and specialty thenardite, which enables us to respond quickly to potential shifts in market demand for thenardite. We believe there are a large number of uses for our thenardite products and that demand in China will come from a number of industries such as powder detergents, textiles, glass and new applications such as the pre-processing of coal and cements.

Experienced senior management team with industry expertise

Our management team, comprising our chief executive officer, Mr. Zhang Daming, our chief financial officer, Mr. Zhu Ben Yu, our mining director, Mr. Zhu Jimin, our chief engineer, Mr. Li Chunxian, our human resource and purchase director, Mr. Gou Xingwu, and our production director, Mr. Li Hongqing, has many years of experience in the mining industry in China and has contributed to our competitive advantages over both foreign and domestic thenardite producers. Members of our senior management have an average of above 10 years of experience in the mining industry and provide for focused marketing efforts, strategic relationships with key industry participants, quality control and stringent cost controls experience and knowledge of the regulatory environment in China.

Our Strategies

Our long-term goals are to further strengthen our leading position in the thenardite market in China, increase our market share through focused growth and further extend our product portfolio in order to enhance shareholder value. We intend to achieve these goals by pursuing the following strategies.

Continue expansion of production capacity

To capitalize on projected growth opportunities and further enhance our market position as a leading thenardite producer in China, we intend to complete construction of and commence commercial production at a 0.2 million tpa production facility of medical thenardite in the Muma Mining Area by the end of 2009 with an estimated capital expenditure of approximately RMB406.1 million and a 1.0 million mining and production facility of powder and specialty thenardite in the Muma Mining Area in the third quarter of 2010 with an estimated capital expenditure of approximately RMB646.4 million. As of March 31, 2009, RMB546.9 million has already been spent to acquire mining rights, production equipment and mining facilities. The expansion in the Muma Mining Area will be financed by our operating cash flow, internal cash resources and the proceeds from the Global Offering.

Further explore acquisition opportunities to increase our thenardite reserve base

We intend to increase our thenardite reserve base by acquiring additional mining rights for high quality glauberite mines. We continue to explore opportunities for growth through selective acquisitions. We will consider the following criteria when exploring future acquisition opportunities:

- the resources, reserves or mining operations of the target company;
- the amount, grade, mining costs and sustainability of the target resources or reserves;
- the financial costs and benefits of the acquisition;
- potential synergies with the potential target in terms of technology, know-how, management expertise and business compatibility; and
- the contributions of the acquisition towards the overall sustainability of our business.

Reduce production costs through research and development

We aspire to be one of the most cost-efficient thenardite producers in the industry. We intend to continue to increase our cost effectiveness by investing in advanced technology and applying prudent manufacturing principles. We devote research and development resources to enhancing the efficiency of our production processes. As at the Latest Practicable Date, we retained five consultants and employed 33 mining and thenardite technicians. We have cooperated with the Zigong Light Industry Design and Research Institute (自貢輕工業設計研究院有限責任公司) to conduct a feasibility study for the 1.0 million tpa vacuum thenardite processing technology and to develop our specialty thenardite production system. We have also entered into a technology cooperation agreement with Zigong Light Industry Design and Research Institute to improve our water cooling and circulation system. We have also entered into a technology agreement with Sichuan Pharmaceutical Design Institute (四川省醫藥設計院有限公司) in connection with our planned 0.2 million tpa medical thenardite production facility. It is intended that our thenardite research and development center will cooperate with other research institutes in the future. We will continue to invest in our research and development to improve operational efficiency and to lower unit production costs.

Develop new products and applications to target high margin sales

We used to focus on the production of powder thenardite. We have recently taken the initiative to expand our production of specialty thenardite and medical thenardite, the gross profit margins of which were 81.9% and 75.4%, respectively, for the year ended December 31, 2007, and 77.8% and 70.7%, respectively, for the year ended December 31, 2008, as compared to the gross profit margin of 32.0% and 28.2% of powder thenardite for the same periods. Since our production facility in the Dahongshan Mining Area is the only licensed producer of medical thenardite in China, and we believe we are a leading producer of specialty thenardite, we believe the competition we face in the domestic market for specialty and medical thenardite products will be limited. We are not aware of any other thenardite producer in the PRC who is able to compete with our specialty thenardite products in terms of quality and quantity, as at the Latest Practicable Date. In addition, average selling prices in the domestic market for specialty and medical thenardite products were significantly higher than powder thenardite products.

We believe the primary drivers for our medical thenardite average selling prices are the quality of glauberite ore we use to produce our medical thenardite, the quality of medical thenardite we produce and the increased attention in China to food and drug safety. Recently, a number of food and medical products have caused serious illness and fatalities in China, leading to an increased attention to food and drug safety issues. We believe such attention benefits producers like us who have been certified and approved by government authorities for medical thenardite production. We believe the primary drivers for our specialty thenardite average selling prices are the quality of glauberite ore we use to produce specialty thenardite, our ability to make specialty thenardite tailored to meet customer specifications and the utility our end customers derive from using such products in reducing the production costs of downstream products and improvements in end-product quality. See “Financial Information — Factors Affecting Results of Operations and Financial Condition — Average Selling Prices”.

We began commercial production of medical thenardite in 2005. In November 2007, we commenced pilot production of specialty thenardite. We are able to commercially produce approximately 10 different kinds of specialty thenardite products. Although we only commenced production of our specialty thenardite product in November 2007, we have received a positive market response and have entered into framework contracts for more than 0.6 million tonnes specialty thenardite for 2009. We believe that there is a growing market for our specialty thenardite products, and that the market awareness of such products is expected to grow.

In addition to our existing products, we intend to continue to develop new products and new downstream applications for our thenardite products through our research and development efforts in order to further extend our product portfolio.

Our Products

We produce powder thenardite, specialty thenardite and medical thenardite. The purity of the sodium sulfate content and specific physical and chemical features distinguish specialty and medical thenardite from powder thenardite.

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The table below sets out our sales volumes and revenue contribution by product type and as a percentage of our total revenues for the periods indicated:

	For the year ended December 31,								
	2006			2007			2008		
	Sales Volumes Tonnes	Sales revenue	%	Sales Volumes Tonnes	Sales revenue	%	Sales Volumes Tonnes	Sales revenue	%
	(RMB'000, except for tonnage and percentages)								
Powder thenardite	478,135	151,633	74.1	532,393	149,405	40.2	477,815	154,486	13.5
Medical thenardite	27,971	53,122	25.9	75,281	145,567	39.2	99,080	192,163	16.9
Specialty thenardite	—	—	—	89,270	76,558	20.6	926,830	793,705	69.6
Total	<u>506,106</u>	<u>204,755</u>	<u>100.0</u>	<u>696,944</u>	<u>371,530</u>	<u>100.0</u>	<u>1,503,725</u>	<u>1,140,354</u>	<u>100.0</u>

Powder Thenardite

As we understand from our customers, our powder thenardite is mainly used in the powder detergents, glass and textile industries. In the powder detergent industry it is used as an inert filler. In the glass industry it is used as a refining process aid. In the textile industry it is used as a dyeing process aid. The quality of powder thenardite is subject to the supervision of the General Administration of Quality Supervision, Inspection and Quarantine. Our powder thenardite is in compliance with the industry standard set forth in National Standard GB-T6009-2003. We currently produce powder thenardite at our production facility in the Dahongshan Mining Area.

We sold approximately 478,135 tonnes, 532,393 tonnes and 477,815 tonnes of powder thenardite in the years ended December 31, 2006, 2007 and 2008, respectively. Revenue derived from sales of powder thenardite amounted to RMB151.6 million, RMB149.4 million and RMB154.5 million, respectively, for the years ended December 31, 2006, 2007 and 2008, representing 74.1%, 40.2% and 13.5% of our total revenues for those periods, respectively.

Although we expect to increase production volumes for powder thenardite, we expect the percentage of our revenues represented by powder thenardite to decrease in the near future due to the further increase of our medical and specialty thenardite production volumes.

Specialty Thenardite

We design our specialty thenardite products to meet the specifications of our customers for their end products. Our specialty thenardite products include neutral thenardite (with a pH of 6 to 8), granular thenardite, extra fine thenardite, high purity thenardite (purity higher than 99.3%), low chlorine thenardite, low calcium and magnesium thenardite, extra white thenardite, low iron content thenardite, color thenardite and others. We understand that our specialty thenardite products are generally used in the same industries as our powder thenardite. Specialty thenardite products are widely regarded as favorable material compared to powder thenardite products as they can reduce production costs of downstream products and improve product quality. For example, granular thenardite reduces the need for additional downstream processing by detergent manufacturers. Neutral thenardite, due to its neutral pH, is used to reduce the corrosion of textiles during the dyeing process and is increasingly used for high-end textiles. There is no industry standard specifically applicable to specialty thenardite.

Although we only began pilot commercial production of specialty thenardite in our production facility located in the Guangji Mining Area in November 2007, we sold 89,270 tonnes and 926,830 tonnes of specialty thenardite for the year ended December 31, 2007 and 2008, respectively, which generated revenues of RMB76.6 million and RMB793.7 million for the same periods. With the completion of our 1.0 million tpa production

facility located in the Muma Mining Area in the third quarter of 2010, we intend to increase our production volumes of both powder and specialty thenardite.

We believe that we will be able to solicit additional orders of specialty thenardite for our planned 1.0 million tpa production facility in the Muma Mining Area. We believe that the demand for specialty thenardite products will increase along with the potential improvement of PRC economic environment and as a result of measures implemented by the PRC government in November 2008 to promote domestic economic growth. For instance, we believe the accelerated construction of significant infrastructure projects in China will impact on the demand for cement, which may in turn, provide valuable opportunities for our research on specialty thenardite as an additive to quick-dry cement.

Medical Thenardite

Medical thenardite is used in both Chinese and western medicines. Medical thenardite undergoes a different production process from our powder and specialty thenardite products. We produce medical thenardite only at our production facility located in the Dahongshan Mining Area. We understand from our customers that our medical thenardite product is primarily used in Chinese and western medicines as a mild laxative and an anti-inflammatory agent and is sold under the National Pharmaceutical Batch Code (國藥准字) Z51022578 issued by the State Food and Drug Administration. Its quality is in compliance with the product specifications set out in the 2005 National Pharmaceutical Encyclopedia and is subject to the supervision of the Sichuan FDA. Medical thenardite is currently subject to a price ceiling of RMB4,500 per tonne as set by the Sichuan Commodity Price Control Bureau (四川省物價局).

We sold approximately 27,971 tonnes, 75,281 tonnes and 99,080 tonnes of medical thenardite in the years ended December 31, 2006, 2007 and 2008, respectively. We generated revenues of RMB53.1 million, RMB145.6 million and RMB192.2 million from sales of medical thenardite for the years ended December 31, 2006, 2007 and 2008, respectively, representing 25.9%, 39.2% and 16.9% of our total revenues for those periods. With the completion of 0.2 million tpa production facility of medical thenardite located in the Muma Mining Area in 2009, we intend to increase our production volumes of medical thenardite. As at the Latest Practicable Date, we had entered into medical thenardite sales contracts for 101,000 tonnes and framework contracts for 99,000 tonnes with customers for the year ending December 31, 2009. See “Risk Factors — Risks Relating to our Business and our Industry — We lack long-term sales contracts with our customers”.

Our Mining Operations and Production Facilities

Overview

We currently operate one underground mine at the Dahongshan Mining Area and one underground mine at the Guangji Mining Area, and employ solution mining at both mines. In addition, we have recently acquired mining rights at the Muma Mining Area. We also plan to employ solution mining in the Muma Mining Area. See “Appendix V — Independent Technical Review Report”. We have carried out exploration activities in connection with the preparation of mining design plans and construction of trial pits for mining access points and underground extraction roadways during the Track Record Period. Such exploration activities do not form part of the ordinary course of our business and are distinguishable from the licensed exploration activities as envisaged under Chapter 18 of the Listing Rules.

As of February 2009, we had total proved and probable thenardite reserves of 57.2 million tonnes pursuant to the JORC Code, according to JT Boyd. Our reserve estimates as set out in “Appendix V — Independent Technical Review Report” in this prospectus are based upon estimates we made in accordance with PRC laws and have been reviewed, reclassified and substantiated by JT Boyd in accordance with the JORC Code. See “Appendix V — Independent Technical Review Report”. The following table, which extracts data

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from the independent technical report, provides information on our glauberite reserves and resources as of February 2009. For definitions of the technical terms used in this table, see “Glossary of Technical Terms”.

<u>Our Mines</u>	<u>Marketable Reserves⁽¹⁾</u>			<u>Resources⁽²⁾</u>		
	<u>Proved</u>	<u>Probable</u>	<u>Total</u>	<u>Measured</u>	<u>Indicated</u>	<u>Total</u>
	(in million tonnes)			(in million tonnes)		
Dahongshan Mining Area	15.3	4.1	19.4	25.5	6.8	32.4
Guangji Mining Area	12.4	8.3	20.7	20.7	13.8	34.4
Muma Mining Area	5.8	11.3	17.1	9.7	19.4	29.1
Total	33.5	23.7	57.2	55.9	40.0	95.9

Source: JT Boyd

Notes:

(1) Yield of saleable thenardite from recoverable reserves after accounting for mining and processing losses. Marketable reserves under the JORC Code are divided into proved and probable reserves.

(2) Resources are a less accurate measure of ore occurrence when compared to reserves. For the purposes of the “Appendix V — Independent Technical Review Report”, the distance between the drill holes for resource ore testing were twice the distance needed to determine reserves. See “Risk Factors — Risks Relating to our Business and our Industry — The accuracy of our resources and reserves estimates is based on a number of assumptions and we may produce less thenardite than our current estimates”.

According to JT Boyd, the purity of our mining reserves in both the Dahongshan and Guangji Mining Areas are generally higher than the average purity in Sichuan Province and the rest of China. Also, both mines contain calcium-based glauberite ore which is considered to be the most suitable for specialty thenardite production due to its chemical property. According to JT Boyd and Behre Dolbear, the average purity of our reserve in the Dahongshan, Guangji and Muma Mining Areas is between 34-40% Na₂SO₄ as compared to China’s average of approximately 25% Na₂SO₄. See “Appendix V — Independent Technical Review Report”.

As of the Latest Practicable Date, we leased two parcels of collectively-owned land totalling 700,003.5 m² immediately above our mining reserves in the Dahongshan and Guangji Mining Areas. The mining reserves located immediately under the collectively-owned land we leased are crucial to our mining operations. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that pursuant to the applicable PRC laws and regulations, including but not limited to Mineral Resources Law of the People’s Republic of China, the Land Administrative Law of the People’s Republic of China (中華人民共和國土地管理法), and the Implementation Rules of the Mineral Resources Law of the People’s Republic of China (中華人民共和國礦產資源法實施細則), we are not required to obtain land use rights on the land immediately above our mining reserves in the Dahongshan and Guangji Mining Areas for our underground mining activities conducted within such areas. Article 30 of the Implementation Rules of the Mineral Resources Law of the PRC stipulates that while holders of mining rights may apply for land use rights based on their production needs, such holders are not required to do so. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that our underground mining activities conducted within the mining areas pursuant to our mining right permits are in compliance with the relevant PRC laws and regulations. See “Business — Property”.

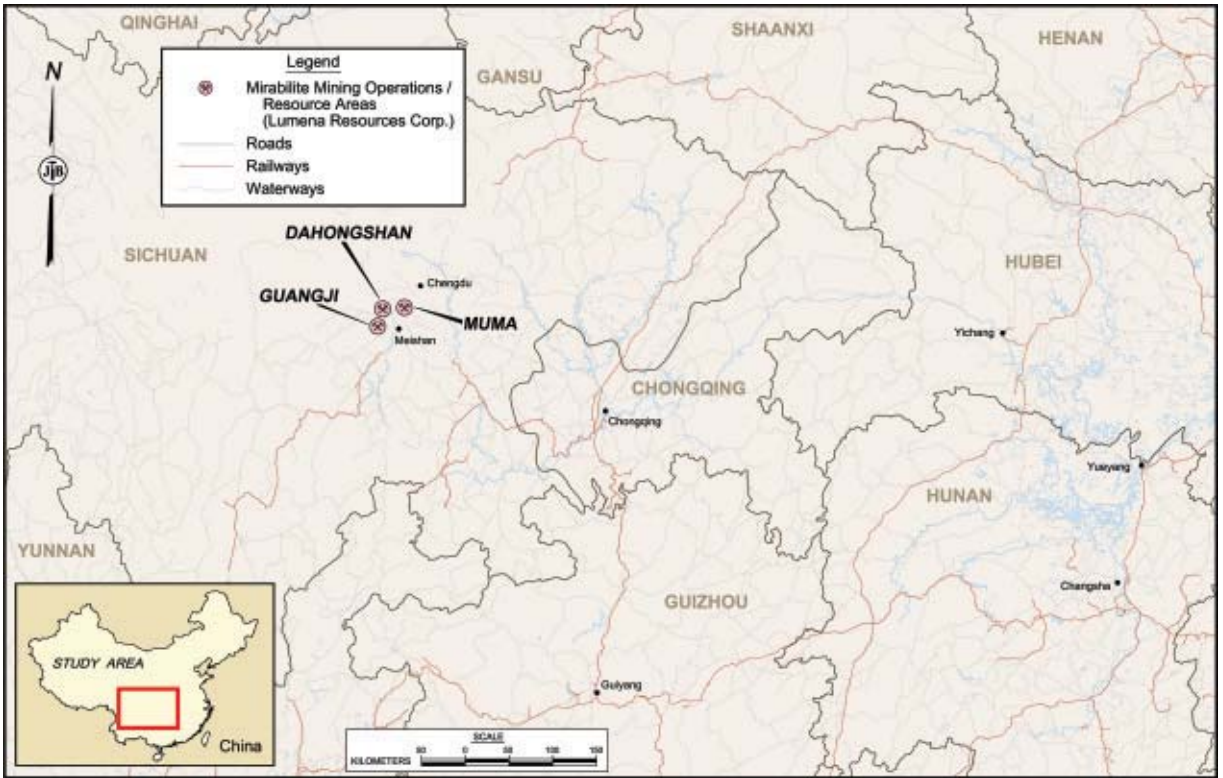
We have recently acquired mining rights in the Muma Mining Area. According to JT Boyd, the average purity of the mining reserve in the Muma Mining Area is 34-36% Na₂SO₄. See “Appendix V — Independent Technical Review Report”. As of the Latest Practicable Date, we owned land use rights to a parcel of land totalling 67,362.0 m² above our mining reserve in the Muma Mining Area.

Mine Service Life

Mine Area	Marketable Reserves Thenardite (Mt)	Mine Life (Years)
Dahongshan	19.4	32
Guangji	20.6	21
Muma	17.1	14

Source: JT Boyd

The following map illustrates the locations of our mines:



Source: JT Boyd

As of the Latest Practicable Date, we had two thenardite production facilities with a combined production capacity of 1.6 million tpa. We commenced production in the Dahongshan Mining Area in 1953. Our production in the Guangji Mining Area started on a pilot basis in November 2007 and commenced full commercial production in November 2008. In addition, we expect to complete construction of a 0.2 million tpa production facility of medical thenardite in the Muma Mining Area by the end of 2009 and a 1.0 million tpa mining and production facility of powder and speciality thenardite in the Muma Mining Area in the third quarter of 2010.

Dahongshan Mining Area and Production Facility

Our mine in the Dahongshan Mining Area is a fully developed and operational underground mining and processing facility that produced 504,199 tonnes, 603,839 tonnes and 576,569 tonnes of thenardite in the years ended December 31, 2006, 2007 and 2008, respectively. The average purity of our reserve in the Dahongshan Mining Area is 38-40% Na₂SO₄, according to JT Boyd. The Dahongshan Mining Area is approximately 3.7 km²

and located 20km northwest of Meishan City in Sichuan Province. We currently operate the No. 1 Ore Zone and No. 2 Ore Zone in the Dahongshan Mining Area. Our current mining right permit in connection with our Dahongshan Mine is valid from 2008 to 2038. Our estimated proved and probable thenardite reserve totals 19.4 million tonnes pursuant to the JORC Code, according to JT Boyd. We acquired the mining rights in the Dahongshan Mining Area together with the acquisition of Chuanmei Mirabilite. The acquisition price of Chuanmei Mirabilite was approximately RMB73.4 million, which was fully paid in 2005. The mining rights in the Dahongshan Mining Area were valued and recorded in our financial statements at RMB0.5 million in accordance with IFRS 3 for the year ended December 31, 2004.

As of the Latest Practicable Date, our mining and production facilities in the Dahongshan Mining Area had a total production capacity of 0.6 million tpa. We plan to utilize 80-85% of this production capacity to produce powder thenardite and 15-20% to produce medical thenardite. It has a coal-fired power plant that has an installed capacity of 4.5 MW.

As of the Latest Practicable Date, we still lacked building ownership certificates and the construction project completion approval for certain buildings on the collectively-owned land we leased from the Wansheng Town Government in the Dahongshan Mining Area. Grandall Legal Group (Shanghai) has advised us that the maximum penalty we may be subject to would be 4% of the actual construction cost of such buildings. As of the Latest Practicable Date, this amounted to RMB13,200.

As of the Last Practicable Date, we do not have the land use rights for the parcel of land immediately above our mining reserves in the Dahongshan Mining Area. Our underground mining activities are unaffected by our lack of land use rights for the land directly above our mining reserves. See “Risk Factors — Risks Relating to Our Business and Our Industry — We do not have land use rights for certain parcels of land above our two mines and may not be able to continue to access the primary access tunnels into our mines and our use of certain facilities built on those parcels”.

Meishan Mirabilite Factory, our predecessor, failed to obtain the approval for construction project, environmental effects approval, approval for completion-based check and acceptance for the environmental protection, approval of safety check & acceptance for completion of project, approval of fire prevention check & acceptance for completion of project and construction project completion approval in connection with its No. 1, No. 2 and No. 5 thenardite production lines of the Dahongshan Mining Area due to administrative error of the management then in charge. The relevant authorities, however, have confirmed to us in their confirmation letter that we will not be fined or otherwise penalized for the lack of these approvals in connection with the aforementioned production lines.

The production of medical thenardite differs from that of powder thenardite in terms of production processes, operational parameters, sanitary conditions and packaging requirements and is carried out at an uncontaminated workshop within our production facility in the Dahongshan Mining Area.

Guangji Mining Area and Production Facility

Our Guangji Mining Area is approximately 3.9 km² and located 12km southwest of the Dahongshan Mining Area and we commenced pilot operation in the Guangji Mining Area in November 2007. The average purity of our reserve in the Guangji Mining Area is 35-40% Na₂SO₄, according to JT Boyd. Our current mining right permit in connection with our Guangji Mine is valid from 2008 to 2038. JT Boyd estimates that proved and probable thenardite reserves total 20.6 million tonnes in the Guangji Mining Area pursuant to the JORC Code.

As of the Latest Practicable Date, our mining and production facilities in the Guangji Mining Area had a production capacity of a 1.0 million tpa which is designed to have a production capacity to produce both powder

thenardite and specialty thenardite by adjusting the production processes and operational parameters. It has a coal-fired power plant that has an installed capacity of 7 MW.

In March 2007, the Dongpo District Government and our Company entered into an investment contract (《四川省川眉芒硝工業集中區項目投資合同書》) pursuant to which the Dongpo District Government agreed to assist Chuanmei Mirabilite in the construction, development and operation of a thenardite production processing factory in the Guangji Mining Area.

We obtained the necessary permits for construction of the mining and production facility located at the Guangji Mining Area, including the working permit on construction works (建設工程施工許可證), the planning permit on construction works (建設工程規劃許可證) and the Construction Land Use Permit (建設用地規劃許可證), in March and April 2007 and started our construction in June 2007. In November 2007, the Meishan Administration of Environmental Protection approved our pilot commercial production in the Guangji Mining Area from November 2007 to February 2008, the term of which was subsequently extended to August 15, 2008. In November 2007, the State Land and Resources Bureau of Meishan City issued a letter confirming the validity of our mining activities in the Guangji Mining Area on a pilot basis. We then commenced pilot production on November 16, 2007. We entered into an agreement with the Land and Resources Bureau of Sichuan Province to acquire the mining rights in the Guangji Mining Area for approximately RMB65.5 million on March 10, 2008 and the consideration was fully paid in March 2008. We were subsequently instructed by the Land and Resources Bureau of Sichuan Province to pay and we have paid an additional consideration of approximately RMB26.3 million by end of September 2008. In March 2008, the Meishan Administration of Safety Supervision confirmed to us in a letter that we had met the relevant requirements for work safety for our operations in this period of pilot production. In April 2008, we received approval from the Sichuan Administration of Environmental Protection (四川省環境保護局) also in relation to our pilot production.

Notwithstanding the foregoing, we operated without mining rights and certain other relevant permits and approvals from November 2007 to October 31, 2008. These relevant permits and approvals included our work safety permit, pollutant discharge permits, environment impact assessment for the Guangji Mine construction and certain inspections and certifications relating to the completion of the construction of our production and mining facility in the Guangji Mining Area. By October 2008, we had obtained the mining rights for the Guangji Mine and other necessary permits and approvals for our mining and production facilities in the Guangji Mining Area. Simultaneous with the grant of the mining rights and other necessary permits and approvals, the Land and Resources Bureau of Sichuan Province and other relevant government authorities have confirmed to us by way of confirmation letters that we will not be fined or otherwise penalized for our past operation without mining rights and other necessary permits and approvals in the Guangji Mining Area. As advised by our PRC legal counsel, Grandall Legal Group (Shanghai), operating without mining rights and a work safety permit, which can only be obtained upon receiving the mining rights, subjected us to the possibility of being ordered to suspend production, a disgorgement of revenues and significant monetary fines. Failure to obtain the other permits and approvals could have subjected us to a production suspension order and/or a revocation of our mining rights, licenses and business licenses. Grandall Legal Group (Shanghai) has advised us that in view of the approvals we obtained for our pilot production and in consideration of the fact that we have since obtained the mining rights and other relevant permits, approvals and confirmation letters in October 2008, we should not be fined as a result of our lack of mining rights or other relevant permits and approvals for the period from November 2007 to October 31, 2008. As of the Latest Practicable Date, we still lacked the construction project completion approval for 15 buildings on the collectively-owned land we leased from Dongpo District Government in the Guangji Mining Area. Grandall Legal Group (Shanghai) has advised us that the maximum penalty we may be subject to would be 4% of the actual construction cost of such buildings. As of the Latest Practicable Date, this amounted to RMB64,000. See “Risk Factors — Risks Relating to Our Business and Our Industry — We operated in the Guangji Mining Area without mining rights and certain other relevant approvals”.

As of the Last Practicable Date, we do not have the land use right for the parcel of land immediately above our mining reserves in the Guangji Mining Area. Our underground mining activities are unaffected by our lack of land use rights for the land directly above our mining reserves. See “Risk Factors — Risks Relating to Our Business and Our Industry — We do not have land use rights for certain parcels of land above our two mines and may not be able to continue to access the primary access tunnels into our mines and our use of certain facilities built on those parcels”.

Muma Mining Area and Production Facility

The Muma Mining Area is approximately 3.7 km² and located in Wuyang Village, Pengshan County, Meishan City, Sichuan Province. The average purity of our reserve in the Muma Mining Area is 34–36% Na₂SO₄, according to JT Boyd. Pursuant to the Muma Mining Rights Agreement dated September 10, 2007 entered into between Chuanmei Glauber Salt as the purchaser and Muma Mining as the seller, Chuanmei Glauber Salt purchased from Muma Mining the mining rights in respect of the Muma Mining Area. Our current mining right permit in connection with our mines in the Muma Mining Area is valid from 2008 to 2038. JT Boyd’s estimate of proved and probable thenardite reserve totals 17.1 million tonnes pursuant to the JORC Code. The total purchase price for the mining rights in the Muma Mining Area was determined by Chuanmei Glauber Salt and Muma Mining pursuant to arm’s length negotiations to be RMB240.0 million, which was fully paid as of December 31, 2008. Although this purchase price is lower than the appraised value provided by an independent valuer, our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that it is in compliance with the relevant PRC laws and regulations.

We intend to complete construction of and commence commercial production at a 0.2 million tpa medical thenardite production facility in the Muma Mining Area by the end of 2009 and a 1.0 million tpa powder and specialty thenardite production facility in the Muma Mining Area in the third quarter of 2010.

Our planned 1.0 tpa production facility in the Muma Mining Area is expected to be able to produce both powder thenardite and specialty thenardite by adjusting the production processes and operational parameters. As such, we will have the flexibility to allocate a portion of the production capacity to produce powder thenardite if commercially practical.

As of the Latest Practicable Date, we have obtained the environmental effects approval and project approval for our 0.2 million tpa medical thenardite production facility in the Muma Mining Area. Upon completing the construction of this medical thenardite production facility, we are required to obtain the approval of completion-based check and acceptance for environmental protection and the Pharmaceutical Production Permit. Within 30 days of our commencement of commercial production, we must obtain the GMP Certification. See “Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to continue our production of medical thenardite or maintain our current competitive position in the sales of medical thenardite, and we may not be able to obtain a GMP Certification and Pharmaceutical Production Permit for our intended 0.2 million tpa medical thenardite production facility in the Muma Mining Area”.

Factors affecting the difference between the purchase price for the mining rights in respect of the Guangji Mining Area and the Muma Mining Area

Although the Muma Mining Area has lower estimated marketable thenardite reserves than the Guangji Mining Area, we paid more to acquire the mining rights in respect of the Muma Mining Area than that of the Guangji Mining Area mainly for the following reasons:-

1. We acquired not only the mining rights of the Muma Mining Area but also the rights and ownerships for the land, facilities and assets associated with the area for a total consideration of RMB240 million. In contrast, the purchase price for the mining rights of the Guangji Mining Area included only the mining rights.

BUSINESS

- The Muma Mining Area is located closer to the railway station and Chengdu City as compared to the Guangji Mining Area. As such, the cost in transportation of products from Muma Mining Area to customers is expected to be lower.

Renewal of Mining Rights

Our mining right for the Dahongshan Mining Area was issued in April 2005 for a period of 3.5 years with a maximum annual production capacity of 1.2 million tonnes. A replacement mining right for the Dahongshan Mining Area was issued in November 2007 to reflect the change of Chuanmei Mirabilite’s legal status from a domestic enterprise to a sino-foreign joint venture in May 2005. Our mining rights in the Dahongshan Mining Area were renewed in September 2008 for a period of 30 years. Our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that according to the applicable PRC laws and regulations currently in effect, there would be no legal or procedural impediment to renewing our current mining rights upon their expiration, provided that residual reserves and the geological environment of the mining area remain suitable for commercial mining activities after the expiration of the term of the current mining rights, our mining activities have complied with the relevant laws and regulations and that we have duly paid all necessary resource taxes, mineral resource compensation fees and mining usage fees and an application for renewal of mining rights must be submitted no later than 30 days prior to the expiration of the mining right permit. For any mine that has remaining reserves after the expiration of the relevant mining right permit, we intend to submit an application to renew the mining right permit in due course. As of the Latest Practicable Date, we have always been able to renew our mining rights over the Dahongshan Mining Area. Our mining rights for the Dahongshan Mining Area are currently pledged to Evergrowing Bank pursuant to a pledge agreement dated December 31, 2008 in connection with a RMB30.0 million one year onshore term loan, which bears a fixed interest rate of approximately 6.1% per annum and is repayable in full at maturity. See “Risk Factors — Risks Relating to Our Business and our Industry — We intend to use outstanding bank borrowings, but we may not be able to comply with the covenants under these borrowings or secure sufficient payment or refinancing when they mature”.

The following table provides details of our mining right permits:

<u>Mining Rights Areas</u>	<u>Certificate Number</u>	<u>Current Mining Right Permit Grant Date</u>	<u>Mining Right Validity</u>	<u>Mining Right Permit Renewal Date</u>	<u>Authorized Area</u>
Dahongshan Mining Area	5100000820458	September 2008	30 yrs	September 2038	Ore Zones 1,2,6,7 and 8
Guangji Mining Area	5100000810456	September 2008	30 yrs	September 2038	Ore Zones 1 and 2
Muma Mining Area	5100000820457	September 2008	30 yrs	September 2038	Ore Zones 1, 2 and 3

In accordance with the relevant PRC laws and regulations, the validity period of a mining right permit is determined by the period the applicant applied for and the total thenardite reserves estimated by a recognized PRC certification body. We applied for a mining right validity period of 30 years as it is the statutory maximum period available. The PRC certification body estimated the total thenardite reserves in our mines based on estimation standards and procedures used in the PRC and such estimation was verified by the Land and Resource Bureau of Sichuan Province. These standards are different from the JORC Code. See “Risks Relating to our Business and our Industry — The accuracy of our resources and reserves estimates is based on a number of assumptions and we may produce less thenardite than our current estimates” and “Business — Our Mining Operations and Production Facilities — Mine Service Life”.

Ongoing Fees and Taxes

Under relevant PRC laws and regulations, we are required to pay resource taxes, mineral resources compensation fees, mining usage fees and mining purchase price. The table below sets out the relevant payments made by us for the years ended December 31, 2006, 2007 and 2008:

	Year ended December 31,		
	2006	2007	2008
	(RMB'000)		
Resource taxes	1,764	2,731	6,712
Mineral resource compensation fees	120	122	142
Mining usage fees	1.5	1.5	1.5

Resource taxes are payable on each tonne of thenardite we produce at a rate of RMB4.0 per tonne. The fluctuation in the amounts of the total resource taxes payable in the years ended December 31, 2006, 2007 and 2008 is in line with the variations in our thenardite production volume. Mineral resource compensation fees are charged at a rate of RMB120,000 per year for our mine in the Dahongshan Mining Area. Mining usage fees are charged at a rate of RMB1,000 per km² of permitted mining area. Mining purchase price is decided based on the approved appraisal value of the mining right and paid in one lump sum or six yearly installments. During the Track Record Period, resources taxes were included in cost of sales. The mineral resources compensation fee and mining usage fees were included in operating expenses.

We paid resources taxes for the Guangji Mine during the Track Record Period. However, no relevant mineral resources compensation fees and mining usage fees were incurred for Guangji Mine, as we only commenced pilot operation in November 2007. As the mining operations in the Muma Mine have not commenced, no resources taxes, mineral resources compensation fees and mining usage fees in respect of the Muma Mine were paid during the Track Record Period. See “Financial Information — Description of Selected Income Statement Line Items — Cost of Sales” and “— Other Operating Expenses” for the accounting treatment of these ongoing fees and taxes.

In accordance with the relevant regulations, we will also enter into a mining environment restoration undertaking agreement with the relevant district and town government and pay the environment security deposit of approximately RMB22.8 million in connection with our ownership of the Dahongshan, Guangji and Muma Mines.

Explosives Permit

We use explosives on a regular basis in our mining operations. Pursuant to the 1984 Explosives Regulation, the use of explosives would require explosives permits. Such permits included explosives utilization permits and permits issued to the technicians who handle and use explosives. These permits were to be issued by the public security bureau at the county or city level. During the Track Record Period, Chuanmei Mirabilite possessed its explosives utilization permit and renewed such permit on February 23, 2009 and Chuanmei Mirabilite’s technicians also possessed the necessary individual permits. From its inception until August, September and November 2008, Chuanmei Glauber Salt’s technicians lacked their necessary individual explosives permits. From its inception until February 23, 2009, Chuanmei Glauber Salt lacked its explosives utilization permit. Before Chuanmei Glauber Salt and its technicians obtained their respective explosives permits, Chuanmei Mirabilite and its technicians conducted explosives activities on behalf of Chuanmei Glauber Salt and its technicians.

On September 1, 2006, the 2006 Explosives Regulation was implemented by the State Council and required all enterprises that utilize explosives to obtain entity explosives permits and all technicians who handle

and use explosives to obtain individual explosives permits issued by the local public security bureau. The 2006 Explosives Regulation also provided that the Administrative Rules for Explosives shall be further stipulated by the Ministry of Public Security. This legislation replaces the 1984 Explosives Regulation in its entirety. On October 8, 2006, the Ministry of Public Security issued the 2006 Explosives Regulation Notice. The 2006 Explosives Regulation Notice stated that while entities are required to apply for their respective entity explosives permits and technicians are required to apply for the relevant individual explosives permits under the 2006 Explosives Regulation, before the issuance of the Administrative Rules for Explosives the utilization permits and individual permits issued pursuant to the 1984 Explosives Regulation would remain effective.

Chuanmei Mirabilite and Chuanmei Glauber Salt have made enquiries with the Meishan Public Security Bureau with respect to the application procedure for the entity explosives permits, but were informed by the Meishan Public Security Bureau that such entity explosives permits cannot be issued until it completes its internal reorganization. Although it is unclear when the Meishan Public Security Bureau will commence the issuance of entity explosives permits, it has issued us a confirmation letter, confirming that our failure to obtain the relevant entity explosives permits is due to its administrative delays and our use of explosives was in compliance with applicable PRC laws and regulations. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised that the Meishan Public Security Bureau is the competent authority to issue explosives permits. To our understanding, the bases for issuance of such confirmation by the Meishan Public Security Bureau are (i) the 2006 Explosives Regulation Notice, (ii) the Meishan Public Security Bureau is the competent authority to issue the explosives permits and inspect our use of explosives, (iii) we obtained the certificate of approval for purchases of explosives from the Meishan Public Security Bureau, Dongpo Branch, and (iv) we commissioned qualified safety analysts to conduct safety evaluations with respect to our design of explosives activities in accordance with national standards, regulations and measures before carrying out large-scale explosives activities and that our design of explosives activities were concluded as technically feasible and safely reliable. Furthermore, our PRC legal advisors, Grandall Legal Group (Shanghai), has advised us that prior to the issuance of the Administrative Rules for Explosives, neither Chuanmei Mirabilite nor Chuanmei Glauber Salt will be required to obtain an entity explosives permit. See “Risk Factors — Risks Relating to Our Business and Our Industry — We have been unable to obtain certain explosives permits under the 2006 Explosives Regulation.” As of the Latest Practicable Date, our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that while we have been unable to obtain the entity and individual explosives permits pursuant to the 2006 Explosives Regulation, we are in compliance with the 1984 Explosives Regulation and the 2006 Explosives Regulation Notice issued by the Ministry of Public Security on October 8, 2006. We have been unable to obtain such permits due solely to the Administrative Rules of Explosives having not yet been issued.

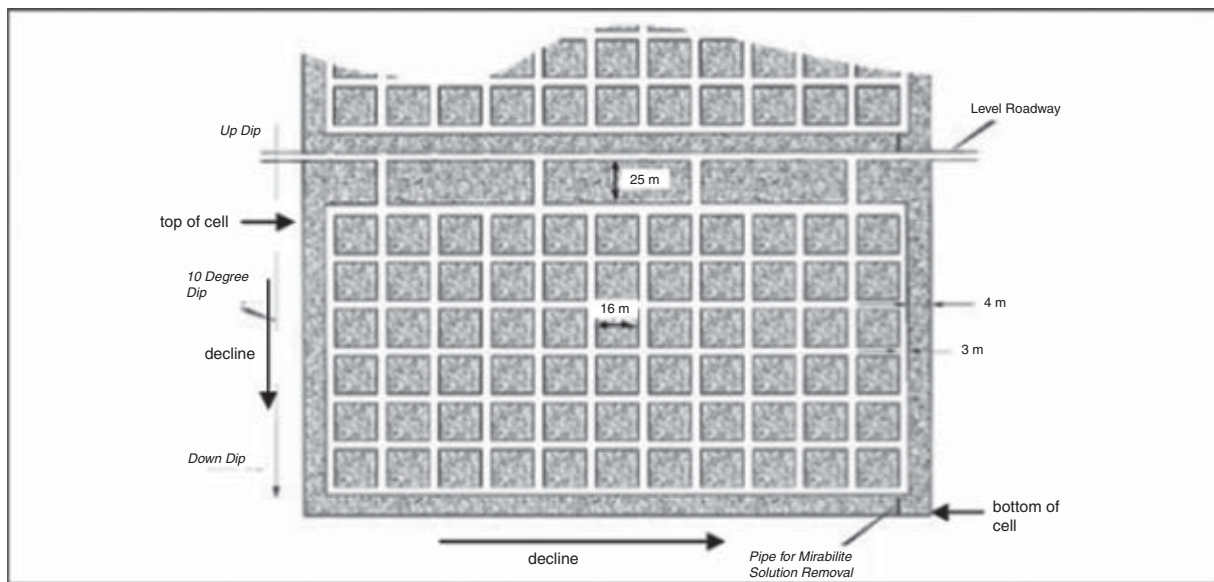
As Chuanmei Mirabilite had obtained and renewed its explosives utilization permit and its technicians had obtained the necessary individual permits pursuant to the 2006 Explosives Regulation Notice, our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that Chuanmei Mirabilite’s use of explosives for its own purposes during the Track Record Period was in compliance with relevant PRC laws and regulations. As Chuanmei Glauber Salt had obtained its explosives utilization permit, its technicians had obtained the necessary individual permits pursuant to the 2006 Explosives Regulation Notice and Meishan Public Security Bureau has issued a confirmation letter, our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that Chuanmei Mirabilite’s use of explosives on behalf of Chuanmei Glauber Salt prior to Chuanmei Glauber Salt obtaining its respective explosives permits and Chuanmei Glauber Salt’s use of explosives for its own purposes during the Track Record Period should not result in any fines or penalties. We undertake that we will (i) comply with the 2006 Explosives Regulations once the relevant rules are promulgated by the Ministry of Public Security and (ii) will not use explosives if our explosives permits later become invalid.

As of the Latest Practicable Date, Chuanmei Mirabilite and Chuanmei Glauber Salt had 45 and 25 technicians, respectively, that hold the relevant individual explosives permits.

Mining Process

We employ the “room solution” mining technique. This technique first divides the underground glauberite ore area into confined areas called production cells. Each cell is then blasted to fragment the ore, water is run through the cell to produce a mirabilite solution, and that solution is then pumped into our production facility to produce thenardite. The basic mining production cell is illustrated below:

Illustrative Layout Production Cell



Source: JT Boyd

Production Cell Creation

The underground glauberite ore area is first divided into production cells. Once fully developed, each production cell has a series of 9 to 10 declining roadways with 15 horizontal connecting roadways. Approximately 4,860 meters of roadway must be drilled for each cell. After all the roadways have been created, pipelines for water injection are installed at the top corner of the cell and extraction pumps are installed at the lowest corner of the cell.

The glauberite ore extracted from these roadways is transported aboveground and mixed with water to produce a mirabilite solution. This mirabilite solution is pumped back underground for use in the solution mining process as further described below.

Blasting

Once the production cell is fully developed, explosives and detonators are used to fragment each cell area. Blasting is conducted a few times in each production cell. Each blasting loosens up approximately 200,000 tonnes of ore. Gases produced during the blasting are removed and diluted by the mine’s ventilation system. Each blasting takes approximately a few days to complete.

Solution Mining

Once the ore and rock is fragmented, low concentration mirabilite solution, approximately 7-8° Baume, is flooded into the cell area to dissolve the ore. When the concentration level in the resulting mirabilite solution

reaches 27° Baume, the mirabilite solution is suctioned off and pumped to the mine's mirabilite pipeline system for transport to the surface. The cells can be reflooded several times. The operating life of an individual cell is three to five years. The volume of recoverable glauberite ore is depleted over time and when the concentration level drops to 7° to 8° Baume, the solution is removed from the ore-depleted cell and is circulated to a newer mining block. In the solution mining process, the leftover insoluble material expands to fill the void left in the original cell due to water saturation.

Our Processing Operations

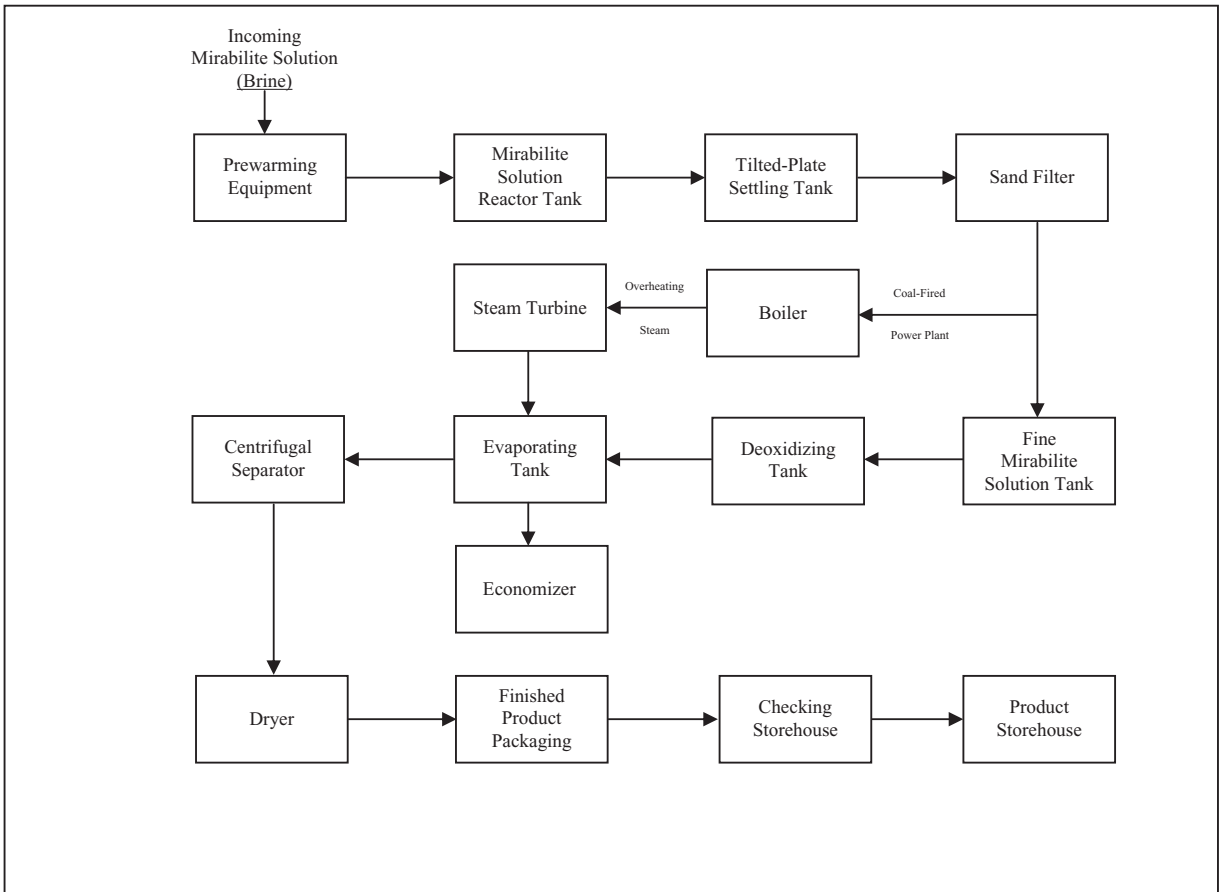
Mirabilite Processing and Thenardite Production

Powder thenardite production process

After the mirabilite solution is pumped aboveground, it is heated and pumped into a reactor tank. In the reactor tank, the mirabilite solution is mixed with a reagent (i.e., soda ash and caustic soda) to remove calcium and magnesium. The mirabilite solution is then passed through a sand filter to produce a further refined mirabilite. The refined mirabilite solution is then deoxidized using a vacuum system.

Five steam evaporators in a series are used to concentrate the sodium sulfate. The steam evaporators use residual heat recovery from our coal-fired generating station's steam turbine. We intend to modernize the evaporation system to achieve more efficient heat recovery and reduce energy costs. After passing through the evaporators, the product is centrifuged and dried to produce powder thenardite.

Mirabilite Processing Flowchart



Source: JT Boyd

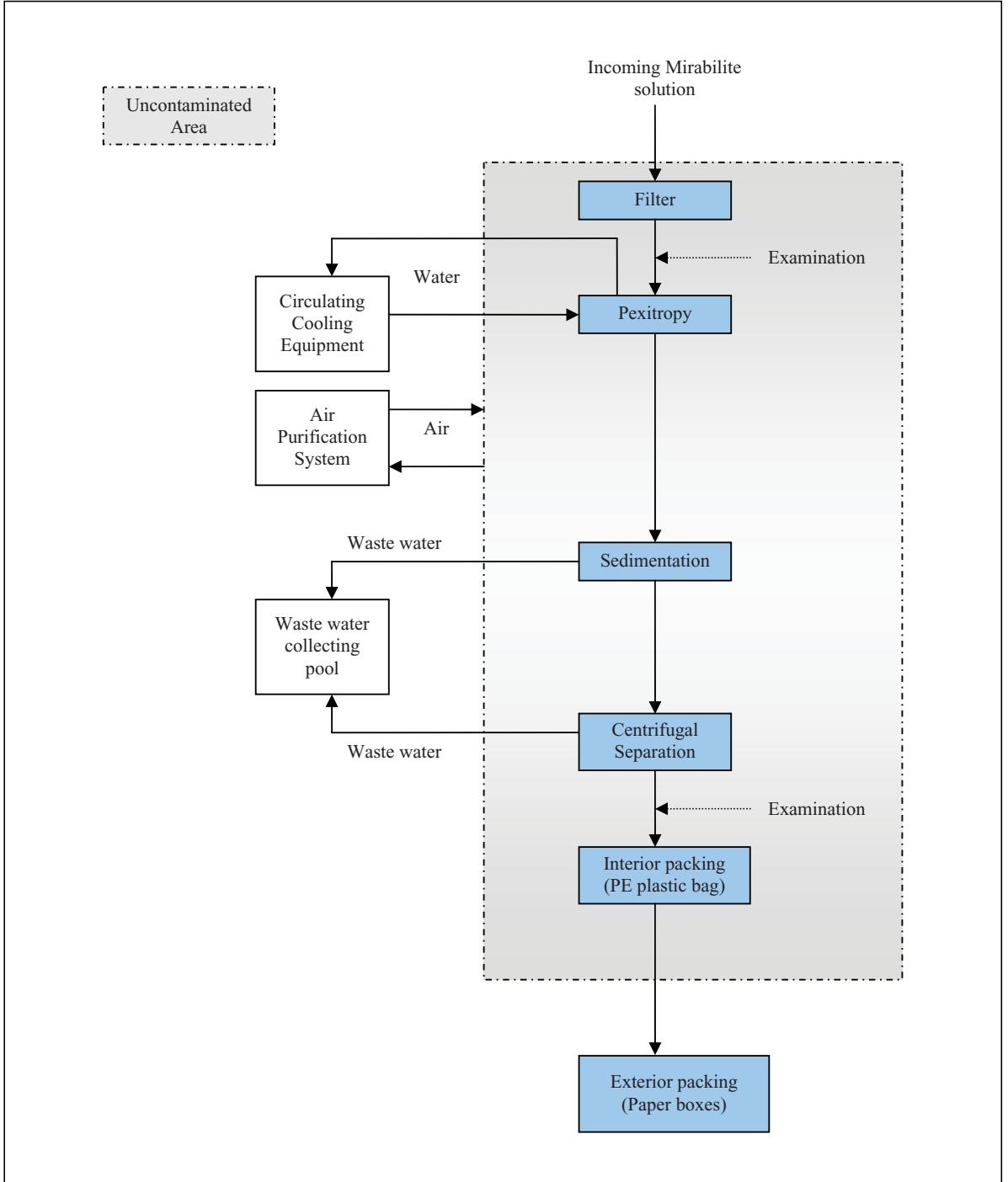
Specialty thenardite production process

The specialty thenardite is produced by adjusting the production processes and operational parameters in the powder thenardite production process.

Medical thenardite production process

Mirabilite solution is first passed through sand filters until it has met purity standards. The filtered mirabilite solution then enters into a low temperature crystallization facility. The solution crystallizes under a constant temperature below 15° Celsius. The crystals and excess water are separated by centrifugal separation. The resulting product is then quality tested and packaged for shipment.

Medical Thenardite Production Process



Packaging and Distribution

Our powder and specialty thenardite products are packaged in double-layered plastic bags used for transport. After filling, the inner layer of the bag is heat sealed and the outer bag is sewn shut. Our powder and specialty thenardite products are usually packaged and sold in 50kg bags and 1,000kg bags. Our medical thenardite products are packaged inside the uncontaminated area into bags of 1 kg each, which are sold in boxes of twenty bags. The packaged thenardite products are then placed into the warehouse for interim storage. The products are dispatched to customers or our storage facilities located near the Meishan train station. The transportation of our products is usually by road or railway and handled by contractors who are Independent Third Parties.

Raw Materials and Sourcing

Coal

We use coal for our coal-fired power generating stations at the production facilities located in Dahongshan and Guangji Mining Areas. After the steam is used to generate electricity, the residual steam is used to heat our distillation towers. We source coal for our production facilities from domestic suppliers that we anticipate can provide a stable and reliable supply at market prices. We usually enter into a one year framework supply contract with our coal supplier, under which the price range of coal in accordance with its caloric content will be specified, and the actual sales price will be determined based on prevailing market prices when we place our order and on the caloric content as per our examination of the coal upon delivery at our product facilities. In the years ended December 31, 2006, 2007 and 2008, we used 221,000 tonnes, 296,000 tonnes and 583,000 tonnes of coal, respectively, and our coal costs were RMB40.8 million, RMB56.9 million and RMB157.7 million, respectively, for the same period. Coal costs constituted 36.3%, 37.6% and 45.9% of our total cost of sales in the years ended December 31, 2006, 2007 and 2008, respectively, and has been our largest raw material expenditure during the Track Record Period.

Electricity

The majority of electricity used at our production facilities in the Dahongshan and Guangji Mining Areas is sourced from our on-site coal-fired power generating stations. Our remaining electricity needs are sourced from Sichuan Electric Power Corporation, Meishan Branch. Passing through several substations the power is reduced to 36V for underground use and 220/380V for surface use. As a backup to our coal-fired power generating stations, we have four 750 KW diesel powered generators in the Dahongshan Mining Area and one 750 KW back-up diesel powered generator in the Guangji Mining Area. We plan to build an on-site coal-fired power station for our production facility in the Muma Mining Area before we commence commercial production.

During the severe snow storms in February 2008, our underground mining facility in the Guangji Mining Area experienced a temporary power outage for two days. We suffered no loss from this power outage because during the same period our thenardite production facility was supported by our coal-fired power plant for its electricity needs. With the full operation of our coal-fired power plant in the Guangji Mining Area, most of our electricity needs for both our mining and production facility are now sourced from our power plant with the public electricity network serving as a backup. As such, we believe the chance for a future power outage is minimal.

Water

For our mining operations in the Dahongshan Mining Area and Guangji Mining Area, the water used for solution mining and other industrial purposes is sourced primarily from two reservoirs pursuant to our relevant water usage permits. We plan to source the water used for our Muma Mining Area from local rivers. The water

we use in our mining and production process is recycled underground for glauberite ore dissolution. Water evaporated through the process is replenished by injecting fresh water.

Packaging

Packaging costs comprised 13.8%, 22.0% and 16.9% of our total cost of sales for the years ended December 31, 2006, 2007 and 2008, respectively. Our packaging costs have been increasing in absolute terms and as a percentage of our total cost of sales primarily as a result of the increased sales of medical thenardite. The increase in packaging costs was principally related to our sales of medical thenardite. Medical thenardite accounts for higher packaging costs as such products are delivered in smaller sized bags as compared to deliveries of powder or specialty thenardite. Packaging costs increased over the Track Record Period primarily due to a significant increase in the sales of medical thenardite.

Largest Suppliers

For the years ended December 31, 2006, 2007 and 2008, purchases from our five largest suppliers accounted for approximately 39.7%, 39.4% and 52.9%, respectively, of our total purchases. These suppliers included our coal suppliers, packaging materials suppliers and medical thenardite packaging suppliers. For the years ended December 31, 2006, 2007 and 2008, purchases from our largest supplier accounted for approximately 12.7%, 8.9% and 17.8%, of our total purchases, respectively. For the year ended December 31, 2006, our largest supplier was a coal supplier. For the year ended December 31, 2007, our largest supplier was the supplier for packing materials, Meishan Dongpo District Century Paper Box Manufacturer Company, an Independent Third Party. For the year ended December 31, 2008, our largest supplier was Renshou Taiji Trading Co., Ltd., a coal supplier.

Equipment

The major equipment used for the mining and production of thenardite includes circulation pumps, evaporating tanks, centrifugal separators, boilers, thermal dryer beds and power generators. We purchase our equipment from domestic suppliers. Our engineers work closely with the equipment suppliers to design our production facilities. Our technical team is responsible for overseeing the installation of our manufacturing lines to ensure that the interaction between the various individual components of the entire production process is optimized. For the years ended December 31, 2006, 2007 and 2008, our aggregate expenditures on new equipment were RMB5.6 million, RMB403.9 million and RMB15.1 million, respectively.

During the Track Record Period, approximately RMB343.4 million of new machinery and equipment was purchased from Sichuan Tengzhong, who was our general contractor. Sichuan Tengzhong is controlled by Mr. Li Xudong, one of our executive Directors, and is thus a Connected Person. Our Directors believed that relying on a general contractor for the shipping, installment and integration for our production equipment would be more cost effective. The Reporting Accountants confirmed that they are satisfied that the transactions with Sichuan Tengzhong were conducted at terms comparable to those with other suppliers of machinery and equipment by checking their fee quotations, as our Directors have confirmed that the transactions between Sichuan Tengzhong and our Company are on normal commercial terms in line with market practice. Our Directors are of the view that most of the production equipment and systems are not proprietary in nature and can be readily sourced from other suppliers or through other general contractors.

During the year ended December 31, 2007, Chuanmei Glauber Salt entered into an equipment supply agreement with Sichuan Tengzhong for the supply of certain equipment and machinery for the operation in Muma Mining Area. The total consideration under this equipment supply agreement was approximately RMB150.0 million, and a partial payment of approximately RMB109.2 million was made by Chuanmei Glauber Salt in 2007. However, it later became apparent that the performance of this equipment supply agreement would

extend beyond the Listing Date and therefore would constitute a continuing connected transactions, which is undesirable in our management's opinion. Therefore, on December 31, 2007, this equipment supply agreement was terminated through mutual agreement between Chuanmei Glauber Salt and Sichuan Tengzhong. On January 1, 2008, Chuanmei Glauber Salt entered into a contract with Nanxi Nanshan Equipment Co., Ltd. (南溪南山設備製造有限公司), an Independent Third Party, pursuant to which Nanxi Nanshan Equipment Co., Ltd. agreed to manufacture, acquire and install the equipment and machinery for the operation in Muma Mining Area at a total consideration of RMB400.0 million. No compensation has been paid in connection with such termination and Sichuan Tengzhong fully refunded the deposit to Chuanmei Glauber Salt before December 31, 2008. See "Appendix I — Accountants' Report of Lumena Resources Corp. — Note 33(iii)".

For our capital expenditure during the Track Record Period and the expected and committed capital expenditure for the year ended December 31, 2008, please see "Financial Information — Indebtedness — Capital Expenditure".

Repair and Maintenance

We conduct repair and maintenance on our mining and production facilities on a regular basis in accordance with both the equipment manufacturers' recommended schedules and procedures and needs from our actual operating activities.

Management Information Systems

We maintain a computerized information system which tracks raw material procurement, storage, inventory and sales. We believe that an efficient management information system can significantly improve our overall performance.

Sales and Marketing

Overview

We sell the majority of our thenardite in the domestic market. In the years ended December 31, 2006, 2007 and 2008, approximately 88.0%, 98.7% and 99.1% of our total sales were to the domestic customers, respectively, and the remainder was exported to overseas, including Australia, New Zealand, Southeast Asia and South America. Our export sales have decreased as a percentage of our total sales primarily as a result of a decrease in tax refunds on our export sales in 2006 and the cancellation of such tax refunds in 2007, as well as the depreciation of the U.S. dollar against the RMB. All of our export sales are powder thenardite products.

The sales to our five largest customers accounted for approximately 32.8%, 41.9% and 45.0% of our total revenues in the years ended December 31, 2006, 2007 and 2008, respectively. Sales to one of our largest customers, Chengdu Yijing, totaled RMB15.7 million, RMB67.2 million and RMB266.0 million in the years ended December 31, 2006, 2007 and 2008, respectively and accounted for approximately 7.7%, 18.1% and 23.3% of our total revenues for the same respective periods. For the years ended December 31, 2006, 2007 and 2008, sales to distributors accounted for approximately 73.4%, 82.9% and 71.9% of our total revenue, respectively. We had 117, 93 and 99 customers who were distributors in the years ended December 31, 2006, 2007 and 2008, respectively.

None of our directors, supervisors, senior management, their associates, or any shareholders holding more than 5% of our issued share capital had any interest in any of our five largest customers.

Thenardite Sales Contracts

A substantial portion of our sales is made pursuant to annual framework contracts which typically set out the range of supply volume and price for the following year. We believe such arrangement is consistent with industry practice. We believe there are no significant differences between the sales contracts we sign with customers who are distributors and end-users. The sales contracts for our powder, specialty and medical thenardite products share similar major terms.

Our sales contracts typically contain provisions that require us to deliver thenardite produced according to certain customer specifications. Failure to meet these specifications can result in price adjustments, economic penalties, suspension or cancellation of shipments or termination of contracts. Before placing an order, our customers will typically advise us of their quantity needs in advance. Depending on the relevant contract, we may deliver our product to our customers or our customers may collect the products from our storage facilities.

Our customers are generally granted a credit period ranging from 40 days to 90 days whereas some customers of our powder thenardite products are required to pay us in full before delivery of our products. During the Track Record Period, we have not experienced any material collection difficulties.

One of the largest customers of our thenardite products was Chengdu Yijing, whose purchases accounted for approximately 7.7%, 18.1% and 23.3% of our total revenues in the years ended December 31, 2006, 2007 and 2008, respectively. Chengdu Yijing's principal business is manufacturing and supplying chemical raw materials. We have had more than three years of business relationship with Chengdu Yijing and it is currently the only customer with which we have a sales contract with a term of more than a year. Pursuant to the three year sales contract with Chengdu Yijing which commenced on August 1, 2005, we sold powder thenardite and specialty thenardite products to Chengdu Yijing, which is a supplier to P&G, one of the major global powder detergent producers.

Pursuant to the sales contracts with Chengdu Yijing, Chengdu Yijing agreed to purchase from us 5,000 to 10,000 tonnes of powder thenardite per month during the contractual term at fixed prices. If the sale prices between Chengdu Yijing and P&G is adjusted, the sales prices between Chengdu Yijing and us would be adjusted accordingly. The sales price has so far been adjusted once between the parties. Chengdu Yijing may adjust its monthly order volume by giving us one month advance notice. We are usually responsible for delivering our products to the train station designated by Chengdu Yijing. We issue an invoice for every 300 tonnes thenardite delivered to Chengdu Yijing. If the order volume is less than 300 tonnes for any calendar month, we issue the invoice at the end of such month. Upon receipt of the invoice, Chengdu Yijing must make payment in full within 60-63 days. We are also required to meet P&G's internal quality standard for thenardite, and failure to do so may result in rejection of our thenardite products by Chengdu Yijing. We entered into a new three year sales contract with Chengdu Yijing on August 1, 2008 on substantially similar terms.

The largest customers of our specialty thenardite products include Chengdu Yijing and Meishan Jinlai. Meishan Jinlai is an Independent Third Party and is a distributor of chemical products including but not limited to thenardite, powder detergent and alkaline protease. Meishan Jinlai has been our customer since 2006. As to specialty thenardite, we usually enter into sales contracts with Meishan Jinlai for a period of three months and renew the contracts on substantially similar terms for additional three months. Pursuant to such contracts, Meishan Jinlai has been purchasing from us fixed quantities of specialty thenardite products at fixed prices. Meishan Jinlai usually takes delivery of the specialty thenardite products at our storage facilities and is granted a credit period from 40 to 90 days.

Pricing

The price for our powder thenardite is based on our cost of production, our desired profit margin and general market demand. We believe that because of the overall high quality of our thenardite products and the strong recognition of our “Chuanmei” brand, our powder thenardite can be priced slightly higher than the average selling price of other market players. Although annual framework contracts for powder thenardite usually fix the sale price, in practice we can adjust the price of our products according to market fluctuations by discussion with our customers. Through our sale and marketing team, we actively collect market information.

The price for our specialty thenardite varies and is negotiated on a contract by contract basis. We also price our medical thenardite based on our cost of production, our desired profit margin and general market demand. We began commercial production of medical thenardite in 2005 and the average selling price of our medical thenardite remained relatively stable during the Track Record Period. Medical thenardite is currently subject to a price ceiling of RMB4,500 per tonne as set by the Sichuan Commodity Price Control Bureau. See “Financial Information — Factors Affecting Results of Operations and Financial Condition — Average Selling Prices”. As at the Latest Practicable Date, we had entered into medical thenardite sales contracts with customers with a contract price (net of PRC value-added tax) ranging from RMB2,479 to RMB3,077 per tonne. As at the Latest Practicable Date, we have also entered into annual framework agreements with customers with an indicative price range (net of PRC value-added tax) of RMB2,564 to RMB2,991 per tonne. See “Risk Factors — Risks Relating to our Business and our Industry — We lack long-term sales contracts with our customers”.

Sales and Marketing

We sell our thenardite products directly to domestic end users in powder detergents, glass, textiles and other industries as well as to distributors who in turn sell our products to end customers. We believe all of our overseas sales are made to distributors.

Our sales team currently consists of nine members who are responsible for negotiating sales contracts, delivery coordination, market research and follow-up customer services. We communicate with our customers on our products from time to time, including collecting feedback from customers on a regular basis.

Brand Name and Awareness

Our powder thenardite has been sold under the brand name “Chuanmei” which has been used by our predecessor since 1985. Our recently launched specialty thenardite products are sold under this brand name as well. Our powder thenardite is produced and sold under the name of “Chuanmei” and has been recognized as a “Sichuan Famous Brand Product” since 1993 and the registered trademark “Chuanmei” was recognized as a “China Well-known Trademark” by the SAIC in March 2008. Our medical thenardite is sold under the brand name “Sansu”.

Quality Control

We believe that our commitment to quality control is one of the principal factors contributing to our success. We have established a strict quality control system and a set of quality control standards. We have obtained ISO9001:2000 Quality Management System Certificate for our powder and specialty thenardite. As of the Latest Practicable Date, we had obtained the GMP Certificate for medical thenardite and had obtained the Pharmaceutical Production Permit, allowing us to produce medical thenardite for pharmaceutical purposes at our production facility in the Dahongshan Mining Area. The Pharmaceutical Production Permit and GMP Certificate are both issued by the Sichuan FDA, the supervision authority for food and drug production in Sichuan Province, and are only granted to manufacturers that can meet the national standards set out in the Pharmaceutical Administrative Law, the Good Manufacturing Practice Rules and the Administrative Measures of GMP

Certificate. Both the Pharmaceutical Production Permit and the GMP Certificate are required for legitimate production of medical thenardite. These certificates are evidence that our quality control system has met national and international standards of quality assurance. Our GMP Certificate will expire in September 2009 and our Pharmaceutical Production Permit will expire in December 2010. According to the applicable PRC laws and regulations currently in effect, we are required to renew our GMP Certificate and Pharmaceutical Production Permit every five years through application to the Sichuan FDA six months prior to the relevant expiration date. The renewal application for our GMP Certificate has been submitted to the Sichuan FDA on May 18, 2009.

Inspection and quality control are carried out by our staff at each production stage, including: (a) the inspection of incoming raw materials; (b) the examination of the product at different stages of production to ensure that the quality is satisfactory; and (c) the testing and inspection of finished products for consistency and quality upon completion of the production process. As of Latest Practicable Date, our quality control team is composed of two managers and 21 other staff members with relevant experience in quality control of thenardite products. Over half of our quality control staff members hold the Quality Control Qualification Permit issued by Sichuan Bureau of Quality and Technical Supervision (四川省質量技術監督局).

During the Track Record Period we met industry standards and have not experienced any returns of our thenardite products or customer complaints.

Inventory Control

Under proper conditions, our powder and specialty thenardite products may be stored for a relatively long period of time and our medical thenardite product may be stored for no more than three years.

Our inventory comprises mainly thenardite products, coal, packaging materials and auxiliary materials. We adopt a comprehensive policy on inventory control. Incoming and outgoing thenardite products are inspected by our quality control team. We issue measurement forms to truck drivers as records of delivery. We maintain records regarding the inventory of thenardite products and conduct an inventory count on a regular basis.

Competition

Our sales volume is affected primarily by the market demand for our products and our production capacity. We compete on the basis of stable product quality, timely delivery and customer service. While we are one of the largest domestic thenardite producers as measured by production capacity as of December 31, 2008, according to Behre Dolbear, we continue to face competition from other thenardite producers.

Our large volume of production differentiates us from small to medium sized thenardite producers and we believe it is one of our significant competitive advantages.

Research and Development

We believe that our research and development efforts have been and will continue to be vital to the maintenance of our long-term competitiveness. We therefore intend to continue to devote management and financial resources to research and development. Our senior management team spearheads our research and development efforts and sets strategic directions for the advancement of our products and production processes.

Our research and development activities focus principally on product development, new application discovery, production efficiency and production process improvement. Our research and development efforts enable us to lower the cost of labor and raw materials, streamline our manufacturing processes and increase economies of scale.

To date, we are able to commercially produce 10 different kinds of specialty thenardite products and continue to work closely with our customers to fulfill their production needs for specialty thenardite products. We are also continuously working with different organizations including research institutes to discover new applications for thenardite products, such as in quick dry cement manufacturing. We are focused on the development of higher-value, high-margin products.

As of the Latest Practicable Date, we retain five external consultants with extensive experience in the mining, thenardite and chemical industries and we also have 33 full time technicians from the departments of product development, mine development and research & development and quality control with relevant experience involved in our research and development. We have also cooperated with Zigong Light Industry Design and Research Institute and Sichuan Pharmaceutical Design Institute for our research and development efforts. In the past, we have cooperated with Zigong Light Industry Design and Research Institute to conduct a feasibility study for the 1.0 million tpa vacuum thenardite processing technology and to develop our specialty thenardite production system. We have also entered into technology cooperation agreement with Zigong Light Industry Design and Research Institute in April 2008 to jointly improve our water cooling and circulation system. Under this technology cooperation agreement, we are required to pay Zigong Light Industry Institution a service fee of RMB0.4 million upon completion of the system improvement. While we are entitled to utilize the system improvement under this technology cooperation agreement, Zigong Light Industry Design and Research Institute retains the intellectual property right of such improvement. We also entered into a technology agreement with Sichuan Pharmaceutical Design Institute in November 2008, under which Sichuan Pharmaceutical Design Institute shall provide the relevant technology services in connection with our planned 0.2 million tpa medical thenardite production facility, including the development of production technology of medical thenardite and the compilation of the feasibility study report of such production facility. The total service fee to be paid to Sichuan Pharmaceutical Design Institute under this technology agreement is RMB4.0 million. We own the right to any intellectual property developed under this agreement.

Property

Jones Lang LaSalle Sallmanns, an independent real estate valuation company, valued our real property interests at approximately RMB230.1 million as of March 31, 2009. The letter, summary of values, valuation basis and the valuation certificates issued by Jones Lang LaSalle Sallmanns Limited in connection with its valuation are set out in Appendix IV to this prospectus.

As of March 31, 2009, we used or owned: (i) the land use rights to 15 parcels of land with an aggregate area of approximately 662,155.6 m² and the land use rights to 10 units with a total apportioned land area of approximately 583.8 m² and (ii) approximately 140 buildings and 10 units with an aggregate floor area of approximately 100,773.7 m² (excluding office spaces leased from third parties). As of March 31, 2009, we leased office spaces with an aggregate floor area of approximately 4,735.16 m².

Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that pursuant to the applicable PRC laws and regulations, including but not limited to Mineral Resources Law of the People's Republic of China, the Land Administrative Law of the People's Republic of China, and the Implementation Rules of the Mineral Resources Law of the People's Republic of China, we are not required to obtain land use rights on the land immediately above our mining reserves in the Dahongshan and Guangji Mining Areas for our underground mining activities conducted within such areas. Article 30 of the Implementation Rules of the Mineral Resources Law of the PRC stipulates that while holders of mining rights may apply for land use rights based on their production needs, such holders are not required to do so. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that our underground mining activities conducted within the mining areas pursuant to our mining right permits are in compliance with the relevant PRC laws and regulations.

As of March 31, 2009, we leased two parcels of collectively-owned land totaling 700,003.5 m². We have built certain facilities including 15 buildings on these leased parcels. The leased parcels are also partially used for

disposal of ore blocks and slag generated from our mining and production processes. Except for an area of approximately 865.9 m², where the primary access tunnels to our Dahongshan and Guangji Mines are located, we do not conduct mining operations on the leased parcels. The first parcel of collectively-owned land of 300,001.5 m² was leased from the Wansheng Town Government for a term of 50 years pursuant to a lease agreement dated May 10, 1994. Under this lease agreement, we paid a total consideration of RMB1.1 million to the Wansheng Town Government, which amount includes the compensation to be paid to the local villagers for our occupancy of such land. The second parcel of collectively-owned land of 400,002 m² was leased from the Dongpo District Government for a term of 50 years pursuant to a lease agreement dated April 25, 2007. Under this lease agreement, we will pay an annual fee of RMB240,000 to the Dongpo District Government, which amount includes the compensation to be paid to the local villagers for our occupancy of such land.

However, our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that under the Land Administrative Law of the People's Republic of China and its implementation rules, collectively-owned land cannot be used or leased for aboveground industrial operations and the abovementioned lease agreements for collectively-owned land are not in compliance with the PRC laws and regulations and therefore may not be enforceable against the relevant lessors. See "Risk Factors — Risks Relating to Our Business and Our Industry — We do not have land use rights for certain parcels of land above our two mines and may not be able to access the primary access tunnels into our mines and continue our use of certain facilities built on those parcels". Part of collectively-owned land we leased includes the roads leading to the primary access tunnels into our mines which cannot be easily relocated without significant disruption to our mining operations. While it is possible for us to access our mining resources by creating a new tunnel, we have already invested and constructed the mining infrastructure into our existing access tunnels.

The Land and Resources Bureau of Meishan City issued a confirmation letter to Chuanmei Mirabilite and Chuanmei Glauber Salt on November 6, 2008 confirming that these two parcels of land are barren and hilly and not suitable for agricultural use. The Land and Resources Bureau of Meishan City further confirmed that under the relevant PRC laws and industry practice, Chuanmei Mirabilite and Chuanmei Glauber Salt have the right to use the land adjacent to the primary access tunnels into the Dahongshan Mine and the Guangji Mine with an area of approximately 865.9 m² for mining purposes as well as construct necessary mining facilities thereon. While our use of the remaining portion of the leased parcels is not in compliance with the relevant laws and regulations, the Land and Resources Bureau of Meishan City has confirmed that we will not be held liable or subject to any penalty for our use of the remaining portion of the leased parcels. In addition, the Land and Resources Bureau of Sichuan Province issued us a confirmation letter on April 23, 2009 confirming that (i) we will not be held liable or subject to any penalty for our past, existing and future use of the two parcels of collectively-owned land and (ii) we will not be required to demolish the buildings and/or structures erected thereon. Based on the abovementioned confirmation letter and relevant PRC laws and regulations, our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that our use of the 865.9 m² land adjacent to the primary access tunnels into the underground mines in the Dahongshan and Guangji Mining Areas is in compliance with the PRC laws.

With respect to the remaining portion of the two parcels of lands, our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that there exists the risk of such lands being forfeited and the properties erected thereon being demolished. Grandall Legal Group (Shanghai) have also advised that the above mentioned confirmation letters received from the Land and Resources Bureau of Meishan City and the Land and Resources Bureau of Sichuan Province are issued by the competent authorities. As confirmed by Grandall Legal Group (Shanghai), the bases for these confirmation letters are (i) due to the segregation between the legislation of mining rights and that of land management, the construction of mining facilities on leased lands is not uncommon in the PRC, (ii) we are entitled to conduct mining activities under or around the leased land in the Dahongshan and Guangji Mining Areas as we hold valid mining rights in these areas, and (iii) we have properly compensated the villagers. As a result, our PRC legal counsel, Grandall Legal Group (Shanghai) has advised us that the risk of (i) us being penalized for our past, existing and future use of the said collectively-owned land;

(ii) us being requested to cease using the leased lands and demolish the properties erected thereon; and (iii) the land use rights of the leased land being granted to a third-party is remote. Furthermore, the Dongpo District Government issued a letter of undertaking on March 24, 2009. In case we are no longer able to use these two parcels of collectively-owned land or if complaints from the local villagers later arise in connection with our use of these two parcels, the Dongpo District Government undertook to indemnify us for any economic loss we may suffer therefrom and to provide us with another parcel of land with lawful title for the purpose of disposing ore blocks and slag generated from our mining and production processes. Our PRC legal counsel, Grandall Legal Group (Shanghai), confirmed that the this letter of undertaking from the Dongpo District Government is valid and binding under the PRC laws.

As of the Latest Practicable Date, among the 140 buildings and 10 units we used or owned, we hold valid building ownership certificates to 103 buildings and 10 units with an aggregate floor area of approximately 84,603.4 m², representing 84.0% of our total aggregate floor area (excluding office spaces leased from third parties). The remaining 37 buildings that we do not have building ownership certificates can be classified into four categories: (i) eight temporary structures that are not crucial to our operations with an aggregate floor area of approximately 1,284 m²; (ii) 12 buildings that are no longer in use that will be demolished with an aggregate floor area of approximately 4,133 m² (iii) two buildings that we intend to obtain building ownership certificates for once zoning adjustments have been completed with an aggregate floor area of approximately 5,853.4 m², and (iv) 15 buildings located on our leased land with an aggregate floor area of approximately 4,899.9 m².

The first category of buildings are temporary or basic structures used for storage, staff quarters, maintenance rooms and other purposes that are not crucial to our operations. We do not have building ownership certificates for these structures. The Real Estate Bureau of Meishan City (眉山市房地產管理局) has issued the confirmation letter confirming that we are the owner of these buildings and may use them despite not having building ownership certificates and that we shall not be fined for such properties without ownership certificates. We did not apply for the building ownership certificates for these structures as some of these buildings were no longer being used or scheduled to be demolished. Further, certain of these temporary structures were not built to meet building ownership minimum requirements for permanent buildings. Our PRC legal counsel, Grandall Legal Group (Shanghai), has further advised that the risk that we will be forced to demolish or cease using such properties is remote. Our Directors confirmed that we have never been requested to demolish any such properties, that the risk to demolish such properties is low and if requested by relevant government authorities, replacement premises and facilities are readily available at limited cost.

The second category of buildings are no longer used in our operations. We confirm that these properties will be demolished before December 31, 2009 or earlier if requested by the government.

The third category of buildings is comprised of two warehouses located near the Meishan train station. We use these buildings to store our products prior to shipment. Our Directors confirm that we are in the process of obtaining the building ownership certificates for these buildings. Due to certain zoning adjustments in Meishan City, we may not be able to obtain these building ownership certificates prior to the Listing. As zoning adjustments are governmental acts, we are unable to estimate the timeframe for processing our building ownership certificates. Therefore, we cannot assure you when we will obtain such building ownership certificates. The Real Estate Bureau of Meishan City issued a confirmation on February 12, 2009 stating that our application for building ownership certificates in respect of these two properties will be processed upon completion of the zoning adjustments and our receipt of the relevant planning approvals. While we do not anticipate receiving such building ownership certificates prior to the Listing, we do not anticipate the applications and processing costs associated with such certificates to be significant. Our PRC Legal Counsel, Grandall Legal Group (Shanghai), has advised there should be no material legal impediment for us to obtain such ownership certificates once the zoning adjustments have been completed and the Group has obtained all necessary urban planning approval documents.

The fourth category of buildings is comprised of 15 buildings located on the collectively-owned land located in the Dahongshan Mining Area and the Guangji Mining Area that we leased from the Wansheng Town Government and the Dongpo District Government. See “Risk Factors — Risks Related to Our Business and Our Industry — We do not have land use rights for certain parcels of land above our two mines and may not be able to access the primary access tunnels into our mines and continue our use of certain facilities built on those parcels”.

These 15 buildings can be classified into two sub-categories: (i) ancillary facilities such as the staff quarters, warehouses, maintenance rooms and other buildings that are not crucial to the our operations with an aggregate floor area of approximately 4,034 m² and (ii) basic structures such as a winch room, electricity distribution facilities, air induction room and duty room located at the primary access tunnels into our mines at the Dahongshan and Guangji Mining Areas. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that we will not be able to obtain building ownership certificates for this first sub-category of buildings as we do not have the land use rights for the land on which these buildings have been built. We confirm that if we are required to relocate such buildings, we would be able to relocate them to the corresponding aboveground facilities at Dahongshan and Guangji Mining Areas. For the second sub-category of buildings, the Land and Resources Bureau of Meishan City issued a certificate on November 6, 2008 confirming that based on the PRC laws and industry practice, we have the right to use the land adjacent to the primary access tunnels at the Dahongshan and Guangji Mining Areas for mining purposes as long as we hold valid mining right permits. As of the Latest Practicable Date, we hold valid mining right permits at the Dahongshan and Guangji Mining Areas. The Land and Resources Bureau of Meishan City also confirmed that they will not order us to demolish the buildings and structures on these leased lands with an area of approximately 865.9 m².

According to the Properties Structural Safety Evaluation and Damages Assessment Report (房屋建築安全鑒定及損失評估報告) issued by the Property Safety Evaluation Office of Real Estate Bureau of Meishan City (眉山市房地產管理局房屋安全鑒定辦公室) on June 23, 2008, all of the Group’s properties erected on the collectively-owned land are structurally safe.

Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that since we lack construction project completion approvals for these 15 buildings, we may be subject to a maximum penalty of RMB13,200 and RMB64,000 for the buildings in the Dahongshan Mining Area and the Guangji Mining Area, respectively. As of the Latest Practicable Date, these figures represent 4% of the total construction cost of those buildings. We may also be ordered to demolish such buildings. We are also subject to a RMB30 fine per square meter of collectively-owned land we use. Excluding the portion of collectively-owned land adjacent to our access tunnels, we currently use approximately 500,002.5 m² of collectively-owned land and the remaining portion of the collectively-owned land of approximately 200,000 m² is still being used by the local villagers. Therefore, we may be subject to a maximum fine of approximately RMB15.0 million. In the event we are requested to relocate our slag disposal site and ancillary facilities situated on the two parcels of collectively-owned land, we may incur a potential loss of approximately RMB2.0 million. This estimation is primarily based on the relevant relocation costs. Relocation of our slag disposal site is estimated to cost RMB1.8 million, which is primarily associated with new disposal site formation, pavement maintenance and reinforcement, slag relocation and surface ground modification at the old disposal site after the slag being removed. Relocation of the ancillary facilities situated on the collectively-owned land is estimated to cost RMB0.2 million, which primarily includes transportation costs, installation costs and equipment replacement costs. If we are required to relocate our slag disposal site and ancillary facilities on the two parcels of land we may suffer a potential loss of profit of approximately RMB29 million. Our Controlling Shareholders have jointly and severally agreed to indemnify us against our losses if such fine is imposed against us or if we incur such potential losses, as the case may be. Based on the current financial standing of Mr. Suolang Duoqi, our ultimate Controlling Shareholder, we believe he has sufficient financial resources to indemnify us for such fine and such potential losses. Mr. Suolang Duoqi is the sole shareholder of Nice Ace, our other Controlling Shareholder. See “— Government Regulations — Regulations of

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Collectively-owned Lands”. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that the risk of us being fined or ordered to demolish these buildings is remote. If we are requested by the relevant government authority to either discontinue the use of such land or be fined for our use, we will stop the use of such land.

We confirm that we will not incur any cost in connection with demolishing the 12 properties mentioned above that are no longer in use as the demolition team would be compensated with the abandoned materials after such properties are demolished.

Nonetheless, despite the limited likelihood, in the event that we are no longer able to access the primary access tunnels to our mines, we are unable to quantify the losses or costs we may incur. See “Risk Factors — Risks Relating to Our Business and Our Industry — We do not have land use rights for certain parcels of land above our two mines and may not be able to access the primary access tunnels into our mines and continue our use of certain facilities built on those parcels”. Our Controlling Shareholders have jointly and severally agreed to indemnify us against such losses if we are no longer able to access the primary access tunnels to our mines. As we are unable to quantify the losses or costs we may incur, we are unable to determine if our Controlling Shareholders have sufficient financial resources to indemnify us against any such losses or costs.

Our PRC legal counsel, Grandall Legal Group (Shanghai), has confirmed that except for our properties located on leased lands, we have obtained land use rights for all of our owned properties as of the Latest Practicable Date.

We do not intend to apply for the building ownership certificates in relation to the above-mentioned buildings. For other building ownership certificates to be obtained after Listing, we will make relevant disclosure to our shareholders in our annual report.

For further details of the property interests owned and/or leased by us, please refer to “Appendix IV — Property Valuation” of this prospectus.

Major Awards and Certifications

As of the Latest Practicable Date, our Group was granted the following major awards and certifications:

<u>Certificate/Award</u>	<u>Recipient of Award</u>	<u>Awarding Organization</u>	<u>Date of Issue</u>	<u>Term of validation</u>
Sichuan Famous Brand Product	Chuanmei Mirabilite	People’s Government of Sichuan Province	2007	2007 to 2009
ISO9001:2000 Quality Production System Certification	Chuanmei Mirabilite Chuanmei Glauber Salt	China Certification Centre for Quality Mark	August 27, 2008	August 27, 2008 to August 26, 2011
ISO14001:2004 (Environmental Management System)	Chuanmei Mirabilite	China Quality Certification Centre	February 13, 2007	February 13, 2007 to February 12, 2010
Sichuan Province Well-known Trademark	Chuanmei Mirabilite	Administration for Industry and Commerce of Sichuan Province	2007	December 25, 2007 to December 24, 2010
China Well-known Trademark	Chuanmei Mirabilite	SAIC	March 2008	—

We believe that the “Sichuan Famous Brand Product” and “China Well-known Trademark” awards evidence the strong recognition of our products and brand among the public while the ISO certificates and the Certificate of Conformity of Product Quality signify that we have implemented proper quality control and environmental protection measures in line with international and PRC standards.

We intend to renew all the above awards and certifications upon their respective expirations, if applicable. We will apply for renewal of the above awards and certifications directly with the relevant accreditation authority. We are committed to maintain high product quality and sound environmental protection measures in order to ensure ongoing compliance with the requirements of such awards and certifications. While our Directors believe we would be successful in renewing such certifications, none of our products or operations is dependent on the successful renewing of any such certifications.

Intellectual Property

We have developed our own mining and production process. As at the Latest Practicable Date, we have seven PRC registered trademarks, including “Chuanmei Brand” and “Sansu”, under various classes and three registered domain names, “chinachuanmei.cn”, “lumena.hk” and “lumena.com.hk”. We have also applied for the registration of four PRC invention patents and two Hong Kong trademarks. See “Appendix VII — Statutory and General Information — Intellectual Property rights of our Group”. We have not been aware of any infringement or experienced any disputes relating to our intellectual property.

Insurance Coverage

Chuanmei Mirabilite maintains comprehensive property insurance policies for fixed and current assets for a total insured amount of approximately RMB99.7 million which are due for renewal in July 2009. Chuanmei Glauber Salt maintains similar insurance policies for fixed and current assets for a total insured amount of approximately RMB468.2 million which are due for renewal in December 2009.

We also maintain insurance policies for motor vehicles used in the transportation of products in respect of motor vehicle damage or loss, traffic accidents, passenger and third-party liabilities.

Environmental Protection

We are committed to conducting our operations in a manner that complies with applicable environmental laws and regulations, and endeavor to mitigate the adverse impact of our operations on the environment. Mining processes inherently generate surface subsidence, solid waste, dust and gas, noise, waste water, and other industrial waste. Our production facilities are subject to various pollution control regulations with respect to noise and air pollution and the disposal of waste and hazardous materials. Our PRC legal counsel, Grandall Legal Group (Shanghai), has confirmed that we have obtained all requisite environmental permits and approvals to conduct our business, and our mining and production facilities, construction, operation, process and equipment are in compliance with relevant national environmental and safety standards. Our PRC legal counsel further confirms that there is no environmental pollution incident discovered or administrative penalty imposed on us as a result of any violation of environmental laws and regulations during the Track Record Period. In addition, we were certified to be in compliance with the standard of the ISO14001:2004 Environmental Management System by the China Certification Centre for Quality Mark in February 2007.

A team of three full-time employees is responsible for overseeing and implementing our pollution control system. Our production development department is also responsible for formulating our environmental policies and ensuring that all of our mining and production facilities are in compliance with applicable environmental laws and regulations. In the three years ended December 31, 2006, 2007 and 2008, our annual expenditures on environmental compliance related activities were RMB0.4 million, RMB0.3 million and RMB1.8 million,

respectively, which were mainly associated with waste discharge, equipment maintenance and tree planting. These improvements reduce the environmental impact of our operations.

We have established a pollution control system and installed various types of pollution control equipment in our facilities to reduce, treat, and recycle the waste generated in our mining and production process when feasible. We perform regular and on-spot maintenance on our mining and production facilities to ensure our equipment and system are in good working condition and in compliance with the applicable environmental rules and standards. In addition, we have also undertaken the following procedures to avoid or minimize negative environmental impact, including:

Surface Subsidence

We conduct our mining process strictly in accordance with the Non-coal Mining Safety Regulations and leave sufficient underground pillars to support the surface. Subsidence is further mitigated by the inherent swelling characteristics of the non-soluble strata occurring within and between the glauberite beds. In addition, large barrier and other support pillars are left intact to protect the integrity of key roadway openings. The mine has also left the glauberite resource areas underlying the mine surface facilities and the nearby Pan'ao River in place. There has not been any evidence of ground fissures or other manifestations of surface subsidence within the surface areas overlying existing mine workings.

Solid Waste

Our mining and manufacture production generates a large amount of solid waste. There are three different kinds of solid waste. One is the ore blocks generated from the production cell creation process, which are dissolved to produce mirabilite solution. After dissolution processing, the slag is disposed of on-site, and the disposal site is later rehabilitated with plant and grass. A small amount of slag is also generated from mirabilite refining process. Part of this material is dried and compressed into sulfate remover to be used for our coal fire power stations. The rest is transferred into our underground ore-depleted cells. The third form of solid waste is compressed of the coal cinders generated by our coal-fired power stations.

Dust and Gas Generation

Airborne dust and waste gas are produced during underground mining operations. We remove the underground airborne dust with a ventilation system. Our above ground production plants adopt electrostatic precipitators and filter bag techniques to remove airborne dust. These measures allow the mine and processing plant to operate in compliance with dust/gas emission and control requirements in the PRC.

Waste Water

We have adopted a waste water recycling system. All waste water generated from our production process is recycled underground to be used in glauberite ore dissolution. This operational design allows us to avoid discharge of waste water.

Noise

Noise is generated during the operation of equipment and machinery, and during underground blasting operations. We take all reasonable measures to control noise including the use of low noise equipment (sound mufflers) and providing earplugs to all employees working in areas exposed to high noise levels.

We intend to continue our environment protection measures to ensure future compliance with applicable environmental rules and regulations. We plan to further enhance our pollution control system by adopting advanced technology and implementing equipment upgrades to address potential environmental risks.

Safety Control

Occupational Health and Safety

We regard occupational health and safety as one of our important social responsibilities. In general, underground mining operations involve risks and hazards that might be caused by dust and gas, ground water or other geological factors. According to China Mining Association, an industry association and an Independent Third Party, our glauberite mines have relatively lower inherent risk as compared with other types of mines due to the stable conditions of the deposits, in that they are not co-extensive with explosive or dangerous gas, and the mining methods employed. We have maintained a good production safety track record. We have, since 2002, experienced three accidents at our mines. Two accidents were related to underground railway car collisions due to negligent operation which caused one injury but no fatality in each instance. We paid RMB5,184 and RMB11,582 as compensation to the respective employee injured in the two accidents, and our PRC legal counsel, Grandall Legal Group (Shanghai), has confirmed that our compensation liabilities in connection with these two accidents have been fully paid off and discharged. Following these two accidents, we took proactive measures to address mining safety issues, including the installation of railcar stops, the installation of automatic safety gates and the strengthening of safety management practices. The third accident involved a roof fall during equipment installation of our mine in the Guangji Mining Area. This accident did not result in any injury or fatality. A detailed plan for clean up and support at the roof fall area has been developed and implemented. According to JT Boyd, the roof fall will not affect the long term development of our Guangji Mine. Except the aforementioned three accidents, we experienced no other accident during the Track Record Period.

We have obtained all necessary production safety permits for our mining and production facilities in the Dahongshan Mining Area and the Guangji Mining Area.

Apart from compliance with relevant regulations and standards, we also provide necessary training to our employees which includes safety training and skill training. Our employees also attend external training.

Employees

The following table shows a breakdown of our employees by department as of the Latest Practicable Date:

<u>DEPARTMENT</u>	<u>NUMBER OF EMPLOYEES⁽¹⁾</u>
Chief Management	9
Administration and Human Resources	78
Product Development	5
Mine Development	5
Research & Development and Quality Control	23
Finance & Accounting	14
Marketing & Sourcing	31
Thenardite Production Unit	916
Underground Mining Unit	721
Total	<u>1,802</u>

Note:

(1) This number excludes 12 staff members employed by Top Promise in Hong Kong as of the Latest Practicable Date.

We have implemented a number of initiatives in recent years to enhance the productivity of our employees. Our employees are selected through a competitive process. We conduct periodic performance reviews of our employees, and their bonuses are performance-based. In addition, we have implemented training

programs for different job requirements. We believe that these initiatives have contributed to increased employee productivity. We plan to hire additional employees as we expand.

The remuneration package for our employees generally is comprised of salary and bonuses. Employees also receive welfare benefits including medical care, housing subsidies, retirement benefits, occupational injury insurance and other miscellaneous items. We paid our employees an aggregate of RMB19.0 million, RMB25.9 million and RMB42.0 million, in wages, salaries and bonuses combined in the years ended December 31, 2006, 2007 and 2008, respectively. Labor costs represented 13.7%, 11.5% and 7.9% of the total cost of sales in the years ended December 31, 2006, 2007 and 2008, respectively.

Our PRC legal counsel, Grandall Legal Group (Shanghai) has confirmed that we have fully complied with the PRC Labor Law and the PRC Labor Contract Law based on two confirmation letters dated May 11, 2009 issued by Meishan Labor and Social Insurance Bureau. Our PRC legal counsel has advised us that the PRC Labor Contract Law is intended to protect the legal rights of employees and to encourage long-term or fixed-term labor contracts rather than short-term labor contracts. Our PRC legal counsel has further advised us that as most of our employees are under long-term contracts, the PRC Labor Contract Law shall not have a material impact on the operation and financial position of our Company. For details and potential impact of the PRC Labor Contract Law on our Company's operation and financial position, please see "Risk Factors — Risks Relating to Conducting Business in the PRC — We may be subject to fines and penalties under the PRC Labor Contract Law and our labor costs may increase". We have not been penalized for any labor disputes or experienced any labor disputes during the Track Record Period.

We typically enter into standard confidentiality and non-competition agreements with our management and research and development personnel. These contracts include a covenant that prohibits any of these personnel from engaging in any activities that compete with our business during, and for 3 to 5 years after, the period of their employment with us.

None of our employees are members of any labor union and we are not party to any collective bargaining or similar agreement with our employees. We believe we maintain a good working relationship with our employees. We have not experienced any labor disputes or any difficulty in recruiting or retaining staff for our operations.

All employees who are unable to work due to illness or disability are entitled to receive certain benefits during their period of absence from the workplace. In addition, we are required to provide work-related injury insurance for each of our employees in accordance with applicable PRC regulations.

Welfare contributions

In accordance with applicable PRC regulations on social insurance, we participate in various employee benefit plans organized by municipal and provincial governments, including housing, pension, medical and unemployment benefit plans. We are required under PRC law to make contributions to such employee benefit plans at specified percentages of the total salaries, bonuses and certain allowances made to our employees, up to a maximum amount specified by the local government and as adjusted from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at each member's retirement date. We have no other material obligations for the payment of pension benefits associated with these plans beyond the annual contributions described above. The total amount of contributions we made to employee benefit plans were RMB0.6 million, RMB1.3 million and RMB2.1 million for the years ended December 31, 2006, 2007 and 2008, respectively.

As of December 31, 2008, we have fully paid the retirement pension, medical insurance, maternity insurance, industrial injury insurance, unemployment insurance and housing reserve fund for our employees

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pursuant to the applicable PRC laws and regulations. The corresponding percentage contributed by our Company and each individual employee for each social insurance fund is set forth below:

	Contributed by Our Company	Contributed by Individual Employee
Retirement pension	20.0%	8.0%
Medical insurance	6.5%	2.0%
Maternity insurance	0.6%	—
Industrial injury insurance	3.0%	—
Unemployment insurance	2.0%	1.0%
Housing reserve fund	5.0%	5.0%

Our PRC legal counsel, Grandall Legal Group (Shanghai), has confirmed that we fully complied with both national and local laws and regulations on social insurance for all of our employees during the Track Record Period based on the confirmation letters dated May 11, 2009 issued by the Meishan Labor and Social Insurance Bureau.

Government Regulations

This section presents a summary of the most significant government regulations or requirements that affect our business activities in China or our shareholders' right to receive dividends and other distributions from us.

Mineral Regulations

Mineral Resources Law of the People's Republic of China and its Implementation Provisions

In accordance with the Mineral Resources Law of the People's Republic of China promulgated on March 19, 1986 and revised on August 29, 1996 by the Standing Committee of the National People's Congress and the Implementation Rules of the Mineral Resources Law of the People's Republic of China promulgated by the State Council on March 26, 1994, mineral resources in the PRC are owned by the State, which adopts a licensing system for the exploration for and exploitation of mineral resources. Any party that is engaged in the exploration for and exploitation of mineral resources must satisfy criteria and acquire exploration and mining rights from the relevant authorities by applying for and registering such rights and paying usage fees.

The MLR is responsible for the supervision and administration of the exploration and development of mineral resources throughout the country. The departments of land and resources at the provincial level are responsible for supervising and administering the exploration for and exploitation of mineral resources in their jurisdictions. The PRC government adopts a unified registration system for mineral exploration areas. The MLR is responsible for registering the exploration of mineral resources. The State Council may authorize relevant departments to be responsible for the registration of the exploration of special types of mineral resources.

Applicants seeking to establish new mining enterprises must satisfy certain criteria set out by the PRC government and they are subject to governmental approval. The applications must set out detailed descriptions of the limits of the mining area, the mine design or the mining plan, the production technique to be employed, and the safety and environmental protection measures to be implemented, among other things, and be accompanied by requisite supporting documents.

Measures for the Administration of the Use Fee and Purchase Price of Mineral Exploration and Mining Rights

In accordance with the Measures for the Administration of the Use Fee and Purchase Price of Mineral Exploration and Mining Rights (探礦權採礦權使用費和價款管理辦法) promulgated by the Ministry of Finance and the MLR on June 7, 1999, any party which conducts exploration and mining activities of mineral resources in the PRC is required to pay a mining usage fee and the mining purchase price. The mining usage fee for an exploration right is calculated on the basis of the exploration period and the size of the area and is payable annually. The annual rate is RMB100 per square kilometer for the first three exploration years, with an additional RMB100 per year from the fourth exploration year onwards up to a maximum of RMB500. The mining usage fee, which is RMB1,000 per square kilometer per year, is payable annually based on the size of the mining area. The purchase price for mineral exploration is the price that licensees of exploration rights are required to pay when the exploration rights of an exploration area funded by the State are transferred to the licensees by the State. The purchase price for mineral exploration and mining rights is determined by reference to the valuation price confirmed by the MLR, and is paid as a lump-sum, or in installments within two years in the case of an exploration right and within six years in the case of a mining right from the grant of such rights. The mining usage fee and purchase price of mineral exploration and mining rights are collected by the relevant registration and administration departments during the registration of the mineral exploration and mining rights or their annual inspection and are pre-conditions to the grant and maintenance of exploration and mining right permit.

Provisions on the Administration of Collection of the Mineral Resources Compensation Fee

Pursuant to the Provisions on the Administration of Collection of the Mineral Resources Compensation Fee (礦產資源補償費徵收管理規定) promulgated on February 27, 1994 and revised on July 3, 1997 by the State Council, the mineral resources compensation fee is calculated on the basis of a ratio of the sales income from mineral products. The mineral resources compensation fee is treated as an administration cost of the enterprise and is calculated using the following formula:

$$\text{Mineral resources compensation fee} = \text{Sales income of mineral products} \times \text{Compensation fee rate} \times \text{Coefficient of mining recovery rate}$$

Any adjustment to the rate of a mineral resources compensation fee is determined by the Ministry of Finance, the MLR and the NDRC, and is subject to the approval of the State Council. Mineral resources compensation fees are collected by the departments of land and resources together with the departments of finance. Mineral resources compensation fee for the first half of each year is payable on or before July 31 of the same year, and the fee for the second half of the year is payable on or before January 31 of the following year.

In specific circumstances, certain parties may be partly or fully exempted from paying mineral resources compensation fees upon joint approval by the department of land and resources and the department of finance at provincial level. Approval from the provincial people's government is required if the mineral resources compensation fee is reduced by more than 50% of the amount payable. Any approval for the reduction of the mineral resources compensation fee must be reported to both the MLR and the Ministry of Finance.

Provisional Regulations of the People's Republic of China on Resource Tax

In accordance with the Provisional Regulations of the People's Republic of China on Resource Tax (中華人民共和國資源稅暫行條例) promulgated by the State Council on December 25, 1993, all enterprises and individuals engaged in the exploitation of mineral products within the territory of the PRC are required to pay resource tax. Application resource tax rates are determined by the Ministry of Finance in consultation with the relevant departments of the State Council based on the resource conditions of the taxable products exploited or produced by the relevant taxpayer. The prescribed tax rate range is set out in the "Table of Resource Tax Taxable Items and Tax Rates". The tax rate range for nonferrous metals ore mined is RMB0.4 to RMB30.0 per tonne.

Safety Regulations

Mine Safety Law of the People's Republic of China and Its Implementation Rules

Pursuant to the Mine Safety Law of the People's Republic of China (中華人民共和國礦山安全法) promulgated by the Standing Committee of the National People's Congress on November 7, 1992 and the "Implementation Rules for the Mine Safety Law of the People's Republic of China" (中華人民共和國礦山安全法實施條例) promulgated by the Ministry of Labor on October 30, 1996, the departments responsible for labor administration and the authorities in charge of the mining enterprises supervise and administer mine safety.

Mining enterprises must establish facilities that ensure safety in production, establish satisfactory safety management systems, take effective measures to improve working conditions, and strengthen safety control in mines in order to ensure safe production. The design of mine construction projects must comply with the safety rules and technological standards for the mining industry and is subject to the approval of the authorities responsible for mining enterprises. Mine construction projects must be constructed in accordance with the designs approved by the authorities responsible for mining enterprises. The design of safety facilities in mine construction projects must be examined by the departments in charge of labor administration, and these facilities must become operational at the same time as the principal parts of the project become operational. Upon completion, the safety facilities in mine construction projects are subject to inspection for approval by the authorities responsible for mining enterprises and the departments in charge of labor administration. Failure to comply with the safety rules and technological standards in the mining industry would result in the applications for approval and commencement of operations being rejected.

Mining exploitation must meet certain requirements to ensure safe production. Mining enterprises must observe various safety rules and adhere to various technological standards for the mining industry depending on the type of mineral exploited. They must establish and improve a safe production responsibility system, as well as provide safety education and training to their workers and staff. Managers of mines shall be responsible for safe production of the relevant enterprises.

Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises

Pursuant to the Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises (非煤礦礦山企業安全生產許可證實施辦法) promulgated by the SAWS on May 17, 2004 and the Regulations on Safety Production License (安全生產許可證條例) promulgated by the State Council on January 13, 2004, non-coal mine enterprises must obtain safety production licenses pursuant to relevant regulations. Companies without safety production licenses cannot conduct any production activities. The SAWS is responsible for guidance and supervision of the issue of safety production licenses for non-coal mine enterprises throughout the country. It is also responsible for issuing safety production licenses for non-coal mine enterprises under the central government's management (comprising group companies, corporations and listed companies) as well as off-shore petroleum and natural gas enterprises. The departments of work safety at provincial level are responsible for the issue and administration of safety production licenses for non-coal mine enterprises other than those mentioned above, as well as other non-mining enterprises which own non-coal mines or tailings facilities.

In order to obtain a production safety license, a non-coal mine enterprise must satisfy certain production safety requirements. The safety production license issuance and administration authorities issue safety production licenses to enterprises that meet the production safety requirements pursuant to the relevant provisions. For metal and non-metal enterprises, safety production licenses are issued to the enterprise in respect of its individual production systems. Safety production licenses are required to be renewed every three years through application to the safety production license issuance and administration authorities no later than three months prior to the expiration date. If a non-coal mine enterprise passes a safety condition review conducted by the safety production

license issuance and administration authorities, a renewal safety production permit with a term of three years will be issued. If a non-coal mine enterprise could meet certain requirements set forth in the Measures for Implementation of Safety Production Licensing for Non-Coal Mine Enterprises Implementation Rules of Safety, a renewal safety production permit may be issued without a safety condition review.

Environmental Regulations

China has adopted extensive environmental laws and regulations, including on the exploitation and production of specialty metals, which have an impact on our operations. There are national and local standards applicable to land rehabilitation, reforestation, emissions control, discharges to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. To formulate national discharge limits, pursuant to the PRC Environmental Protection Law, the State Environmental Protection Administration of the PRC assessed the national environmental quality, economy and technical conditions. The PRC Government at provincial level and in the autonomous regions, and municipalities are able to formulate local standards on the discharge of pollutants for items not specified in the national standards. Local governments may subject polluting items included in the national standards to more stringent local standards. The local discharge standards should be reported to the State Environmental Protection Administration of the PRC. All enterprises are subject to the local discharge standards for discharging pollutants in those areas where local discharge standards apply.

The PRC Environmental Protection Law requires entities producing pollutants or other hazards to include environmental protection plans in their operations and to establish an environmental protection responsibility system. Such entities are required to adopt effective measures to control and prevent waste gases, waste water, waste residue, dust, malodorous gases, radioactive substances and noise, vibration, electromagnetic radiation produced in the course of production or other activities from polluting and damaging the environment.

Enterprises are required to register or file an environmental impact assessment with the local environmental protection bureau for approval before undertaking construction of any new production facility or major expansion or renovation of an existing production facility. The pollution control facilities should be designed, constructed and operated at the same time as the major facilities under construction. The construction project will not be permitted to commence operations unless the environmental protection administration department which approved the environmental impact assessment has determined the facilities are satisfactory.

Any units that discharge pollutants, whether in the form of emissions, water, noise, or materials, must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment. The local environmental protection bureau will determine an amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees. If an entity discharges more than what is permitted by the pollutant discharge license, the local environmental protection bureau can fine the entity up to several times the discharge fees payable and require the offending entity take measures to remedy the problem within a prescribed time frame, or failing which close its operations.

According to the Provisional Implementation Rules on the Granting of the Major Water Pollutants Discharge Permit in Sichuan Province (四川省重點水污染物排放許可證發放實施辦法(暫行)) promulgated by the Sichuan Administration of Environmental Protection on April 13, 2007, a Major Water Pollutants Discharge Permit is required for discharge of waste water in each of our production facilities located at the Danghongshan and Guangji Mining Areas. A Major Water Pollutant Discharge Permit is required to be renewed every two years through application to the administration of environmental protection at the municipal level 30 days prior to its expiration date.

According to the Geological Environment Administrative Regulations for Sichuan Province (四川省地質環境管理條例) promulgated on August 14, 1999 and amended on March 27, 2009 by the Standing Committee of the People's Congress of Sichuan Province, a mining rights holder must protect the geological

environment of the mining area and restore the geological environment damaged by mining activities in a timely manner. When mining activities are terminated, any damage to the geological environment caused by the mining activities must be rehabilitated and restored. The mining rights holder will be ordered to rehabilitate and restore the damaged area within a prescribed period by the local land and resources bureau if it has failed to do so voluntarily. The relevant land and resources bureau will undertake the restoration and rehabilitation work if the mining rights holder has failed to do so within the prescribed period. Any costs associated with such restoration and rehabilitation shall be borne by the mining rights holder, and the mining rights holder is subject to a fine of RMB10,000 to RMB100,000.

Pricing Regulations

According to the PRC Pricing Law (中華人民共和國價格法) and the Pricing Regulations of Sichuan Province (四川省價格管理條例), certain pharmaceutical products are subject to price controls. Pursuant to the Pricing Index of Sichuan Province (四川省定價目錄) and the Pharmaceutical Products Pricing Formula of Sichuan Province (四川省藥品價格公式表) issued by the Sichuan Commodity Price Control Bureau, medical thenardite is classified under the category of “other chemicals/medicines” and currently subject to a price ceiling of RMB4,500 per tonne. If the price of medical thenardite sold by any business entity is higher than the price ceiling set by the Sichuan Commodity Price Control Bureau, such business entity may be ordered to suspend its business operation and subject to forfeiture of its revenue derived from medical thenardite and/or a fine of up to 5 times of such revenues.

Restriction on Foreign Businesses

The principal regulation governing foreign ownership of thenardite mining and production businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue (effective as of December 1, 2007). Under the regulation, the thenardite mining and production business is permitted for foreign investment.

Taxation

PRC enterprise income tax is calculated based on taxable income determined under PRC GAAP.

Pursuant to the Provisional Regulations on Value-Added Tax and their implementing rules, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay value-added tax at a rate of 17% of the gross sales proceeds received, less any deductible value-added tax already paid or borne by the taxpayer. Furthermore, when exporting goods, the exporter is entitled to the refund of some or all of the value-added tax that it has already paid or borne. Our imported raw materials that are used for manufacturing export products and are deposited in bonded warehouses are exempt from import value-added tax.

On March 16, 2007, the National People’s Congress approved the draft PRC EIT Law, which became effective on January 1, 2008. The PRC EIT Law adopts a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revokes the tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. The PRC EIT Law also provides for transitional measures for enterprises established prior to the promulgation of the PRC EIT Law and eligible for lower tax rate preferential treatment in accordance with the then prevailing tax laws, up until March 16, 2007, and administrative regulations. These enterprises will gradually become subject to the unified tax rate over a five-year period beginning January 1, 2008; enterprises eligible for regular tax reductions or exemptions may continue to enjoy tax preferential treatments after the implementation of the PRC EIT Law and until their preferential treatments expire. The preferential treatment period for enterprises which have not enjoyed any preferential treatment for the reason of not having made any profits, however, shall be deemed as starting from the implementation of the PRC EIT Law. In addition, under the PRC EIT Law, an enterprise established outside of the PRC with “de facto management

bodies” within the PRC may be considered a resident enterprise and will normally be subject to the enterprise income tax at the rate of 25% on its global income. The Implementation Rules for the EIT Law provide that the term “de facto management bodies” refers to management bodies with material management and control in all aspects over, without limitation, the production, operation, personnel, finance and assets of the enterprise. If the PRC tax authorities subsequently determine that, notwithstanding our status as a Cayman Islands holding company, we should be classified as a resident enterprise, then our global income will be subject to PRC income tax at a tax rate of 25%. Furthermore, under the PRC EIT Law, the exemption to the 20% withholding tax on dividends distributed by FIEs to their foreign investors under the current tax laws may no longer be available. Given that the PRC EIT Law has been promulgated only recently, its implementation has yet to be further clarified in practice. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax holidays we enjoy.

In accordance with the PRC EIT Law, a preferential tax rate of 12.5% will continue to be applicable to Chuanmei Mirabilite until 2009, Chuanmei Glauber Salt, however, has been subject to the regular enterprise income tax rate of 25% which started in 2008.

Foreign Currency Exchange

Foreign currency exchange in China is primarily governed by the Foreign Exchange Administration Rules (1996), as amended; and the Regulations of Settlement, Sale and Payment of Foreign Exchange (1996).

Under the Foreign Exchange Administration Rules, the Renminbi is freely convertible for current account items, including distribution of dividends, payment of interest, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loans, securities investment and investment repatriation, however, is still subject to the approval of the SAFE.

Under the Regulations of Settlement, Sale and Payment of Foreign Exchange, foreign-invested enterprises may only buy, sell and /or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, which include approvals by the Ministry of Commerce, SAFE and NDRC.

Dividend Distribution

The principal regulations governing distribution of dividends paid by FIEs include the Wholly Foreign-Owned Enterprise Law (1986), as amended; the Wholly Foreign-Owned Enterprise Law Implementation Rules (1990), as amended; and the Sino-Foreign Contractual Joint Venture Law (1988), as amended, and its implementation rules (1995); the Sino-Foreign Equity Joint Venture Law (1979), as amended, its implementation rules (1983) as amended and Company Law (1993), as amended.

Under these regulations, WFOEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC GAAP. In addition, a WFOEs enterprise in China is required to set aside at least 10% of its after-tax profit based on PRC GAAP each year to a general reserves until the accumulative amount of such reserves reach 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity holders except in the event of liquidation.

Circular No. 75

On October 21, 2005, SAFE issued Circular No. 75, which became effective as of November 1, 2005. According to Circular No. 75 and the related clarifications issued since, prior registration with the local SAFE

branch is required for PRC natural or legal person residents to establish or to control an offshore company for the purposes of financing that offshore company with assets or equity interests in an onshore enterprise located in the PRC and raising funds from overseas. An amendment to registration or filing with the local SAFE branch by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise in the offshore company or overseas funds raised by such offshore company, or any other material change involving a change in the capital of the offshore company.

Circular No. 75 applies retroactively. As a result, PRC residents who have established or acquired control of offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant registration procedures with the local SAFE branch by March 31, 2006. Under the relevant rules, failure to comply with the registration procedures set forth in Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity. If any PRC shareholder of any offshore company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore company may also be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore company. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. PRC residents who control our Company from time to time are required to register with the SAFE in connection with their investments in us.

In connection with Chuanmei Glauber Salt's SAFE registration, Mr. Suolang Duoji did not disclose his ownership of Top Promise and therefore Chuanmei Glauber Salt, and the Meishan Branch SAFE instructed him to pay a fine of RMB10,000 as a result of such inaccuracies. Mr. Suolang Duoji paid such fine in April 2008 and made the registration with the Sichuan Branch SAFE. Our PRC legal counsel, Grandall Legal Group (Shanghai), has advised us that despite his delayed registration, Mr. Suolang Duoji's registration is currently effective.

Regulations of Overseas Investments and Listings

The NDRC Rule in October 2004 requires NDRC approvals for overseas investment projects made by PRC entities. The NDRC Rule also provides that approval procedures for overseas investment projects of PRC individuals shall be implemented with reference to this rule.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the SASAC, the State Administration of Taxation, the State Administration of Industry and Commerce, the CSRC, and the SAFE, jointly adopted the New M&A Rules, which became effective on September 8, 2006. This regulation, among other things, includes provisions that purport to require that an SPV formed for purposes of overseas listing of equity interest in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange.

On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by SPVs. The CSRC approval procedures require the filing of a number of documents with the CSRC and it would take several months to complete the approval process.

The application of the New M&A Rules with respect to overseas listings of SPVs remains unclear with no consensus currently existing among the leading PRC law firms regarding the scope of the applicability of the CSRC approval requirement.

Our PRC legal counsel, Grandall Legal Group (Shanghai) has confirmed that, we have complied with the New M&A Rules as of the Latest Practicable Date. In particular, our PRC legal counsel has advised us in its legal opinion that the New M&A Rules do not require the approval of the CSRC for the listing of our Company

on the Stock Exchange because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this prospectus shall be subject to this new procedure; (ii) in spite of the above, we have completed our restructuring and obtained all necessary approvals from the relevant regulatory authorities for our restructuring before September 8, 2006, the effective date of the New M&A Rules; and (iii) the acquisitions of shares of Chuanmei Mirabilite by Top Promise were based on cash consideration and did not involve the exchange of shares of offshore companies.

Regulations of Collectively-owned Lands

Collectively-owned land in the PRC is governed by the Land Administrative Law of the PRC and the implementation rules thereof. The main provisions are set out below:

1. Where collectively-owned land is contracted out for operation to an entity or individual that does not belong to the collective economic organizations of the village, it shall be conducted with the consent of at least two-thirds of the members of the villagers assembly or of the representatives of the villagers, and the matter shall be submitted to the township (town) people's government for approval.
2. Any entity or individual that needs land for construction purposes shall, in accordance with law, apply for the use of state-owned land.
3. Where a piece of agricultural land is used for construction purposes, such land must first be converted to state-owned land.
4. The right to use any collectively-owned land cannot be assigned, transferred or leased for non-agricultural construction purpose.

In case of violation of the foregoing provisions, the structures and other facilities built on the illegally occupied land shall be demolished within a certain time limit, and the original condition of the land shall be restored. If such violation happens to conform to the overall governmental plan for land utilization, the structures and installations built on the land shall be confiscated. The entity or individuals involved in each case may also be fined (up to RMB30 per m² of the area of illegally occupied land), and the persons directly responsible for the illegal occupation of the land shall be given administrative penalties in accordance with law and may be criminally liable.

The land administrative departments of the People's Governments at and above the county level are responsible for implementing the above penalties.

As advised by our PRC legal counsel, Grandall Legal Group (Shanghai), there is no separate regulation governing the lease of collectively-owned lands.

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Compliance

Our PRC legal counsel, Grandall Legal Group (Shanghai), has confirmed that we have obtained all licenses, permits, approvals and certificates necessary to conduct our mining and production operations as of the Latest Practicable Date except for certain land use rights in the Dahongshan and Guangji Mining Areas, building ownership rights, construction project completion approval for the aboveground buildings located on such lands. Our PRC legal counsel has further confirmed that except for the non-compliance disclosed in this prospectus, our mining and production operations comply with relevant PRC rules and regulations in all material aspects. For our past operation in the Guangji Mining Area without mining rights and certain other relevant approvals, please see “Risk Factors — Risks Relating to Our Business and Our Industry — We operated in the Guangji Mining Area without mining rights and certain other relevant approvals”. The table below sets out all permits and approvals required for each of our mining and production facilities located in the Dahongshan and Guangji Mining Areas, together with the corresponding issuing authority with respect to each permit and approval.

	Approval/Permit	Issuing Authority	Validity Period
Dahongshan Mining Area	Mining Right Permit	Land and Resources Bureau of Sichuan Province	September 2008 – September 2038
	Safety Production Permit	Administration of Work Safety of Sichuan Province	May 29, 2008 – May 28, 2011
	Explosives Utilization Permit ⁽¹⁾	Public Security Bureau of Meishan City or the government division authorized by them	—
	Individual Explosives Permit ⁽²⁾	Public Security Bureau of Meishan City or the government division authorized by them	varies from individual to individual
	Major Water Pollutants Discharge Permit of Sichuan Province	Environmental Protection Bureau of Meishan City /	December 10, 2007 – December 31, 2009
	Environmental Effects Approval ⁽³⁾⁽⁴⁾	Environmental Protection Bureau of Meishan City	—
	Approval of Completion-based Check and Acceptance for the Environmental Protection ⁽³⁾⁽⁴⁾	Environmental Protection Bureau of Meishan City	—
	Construction Project Completion Approval ⁽⁴⁾⁽⁵⁾	Urban Planning and Construction Bureau of Meishan City or the government division authorized by them	—
	Approval of Safety Check & Acceptance for Completion of Project ⁽³⁾⁽⁴⁾	Administration of Work Safety of Meishan City or the government division authorized by them	—
	Approval of Fire Prevention Check & Acceptance for Completion of Project ⁽³⁾⁽⁴⁾	Fire Prevention Authority of Meishan City or the government division authorized by them	—
	Water Withdrawal Permit	Water Resources Bureau of Meishan Dongpo District	February 11, 2009 – February 10, 2014
	Approval for Construction Project ⁽³⁾⁽⁵⁾	Development and reformation Committee of Meishan City	—
	Approval of Safety Check & Acceptance for Completion of Mining Project ⁽⁴⁾	Administration of Work Safety of Sichuan Province or the government division authorized by them	—
	GMP Certificate	Food and Drug Administration of Sichuan Province	September 15, 2004 – September 14, 2009
	Pharmaceutical Production Permit	Food and Drug Administration of Sichuan Province	January 1, 2008 – December 31, 2010

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Notes:

- (1) *The Public Security Bureau of the Meishan City has suspended the issuance of entity explosives permits due to its internal reorganization. As a result, despite our effort to apply for the entity explosives permit in connection with our mining and project facilities in the Dahongshan Mining Area, we have not been able to obtain such permit. See “Business — Our Mining Operations and Production Facilities — Explosives Permit”.*
- (2) *As of the Latest Practicable Date, the technicians of Chuanmei Mirabilite hold five kinds of individual explosives permit, including individual explosive technician permit, individual explosive activity permit, individual permit regarding storage of explosives, individual permit regarding safety of explosives and individual permit regarding transportation of explosives. The relevant individual explosive activity permits, individual permits regarding storage of explosives, individual permits regarding safety of explosives and individual permits regarding transportation of explosives will continue to be effective until revocation or cancellation and subject to annual inspection by the relevant authorities. The expiration dates for the relevant individual explosive technician permits range from May 2010 to June 2010.*
- (3) *Meishan Mirabilite Factory, the predecessor of Chuanmei Mirabilite failed to obtain this approval in connection with the No. 1, No. 2 and No. 5 thenardite production lines due to administrative error of the management then in charge. Our PRC Legal Counsel, Grandall Legal Group (Shanghai) and the relevant governmental authorities, however, had confirmed to us that we will not be fined or otherwise penalized for the lack of this approval in connection with the aforementioned production lines.*
- (4) *These approvals and permits are for one time use only and therefore have no corresponding validity period.*
- (5) *Chuanmei Mirabilite failed to obtain this approval in respect of certain aboveground buildings built on collectively-owned land in the Dahongshan Mining Area. See “Business — Property”.*

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	Approval/Permit	Issuing Authority	Validity Period
Guangji Mining Area	Mining Right Permit	Land and Resources Bureau of Sichuan Province	September 2008 – September 2038
	Safety Production Permit ⁽¹⁾	Administration of Work Safety of Sichuan Province	—
	Explosives Utilization Permit ⁽²⁾	Public Security Bureau of Meishan City or the government division authorized by them	—
	Individual Explosives Permit ⁽³⁾	Public Security Bureau of Meishan City or the government division authorized by them	Various from individual to individual
	Major Water Pollutants Discharge Permit of Sichuan Province	Environmental Protection Bureau of Meishan City	March 11, 2008 to December 31, 2009
	Environmental Effects Approval ⁽¹⁾	Environmental Protection Bureau of Sichuan Province	—
	Approval of Completion-based Check and Acceptance for the Environmental Protection ⁽¹⁾	Environmental Protection Bureau of Sichuan Province	—
	Construction Project Completion Approval ⁽¹⁾⁽⁴⁾	Urban Planning and Construction Bureau of Meishan City or the government division authorized by them	—
	Approval of Safety Check & Acceptance for Completion of Project ⁽¹⁾	Administration of Work Safety of Meishan City or the government division authorized by them	—
	Approval of Fire Prevention Check & Acceptance for Completion of Project ⁽¹⁾	Fire Prevention Authority of Meishan City or the government division authorized by them	—
	Water Withdrawal Permit	Water Resources Bureau of Meishan Dongpo District	July 7, 2008 to June 6, 2013
	Approval for construction project ⁽¹⁾	Development and reformation Committee of Meishan City	—
	Approval of Safety Check & Acceptance for Completion of Mining Project ⁽¹⁾	Administration of Work Safety of Sichuan Province or the government division authorized by them	—

Notes:

- (1) *These approvals and permits are for one time use only and therefore have no corresponding validity period.*
- (2) *The Public Security Bureau of the Meishan City has suspended the issuance of entity explosives permits due to its internal reorganization. As a result, despite our effort to apply the application for the entity explosives permit in connection with our mining and production facilities in the Guangji Mining Area, we have not been able to obtain such permits. See “Business — Our Mining Operations and Production Facilities — Explosives Permit”.*
- (3) *As of the Latest Practicable Date, the technicians of Chuanmei Glauber Salt hold four kinds of individual explosives permit, including individual explosive technician permit, individual explosive activity permit, individual permit regarding storage of explosives and individual permit regarding safety of explosives. The relevant individual explosive activity permits, individual permits regarding storage of explosives and individual permits regarding safety of explosives will continue to be effective until revocation or cancellation and subject to annual inspection by the relevant authorities. The expiration dates for the relevant individual explosive technician permits range from September 2012 to November 2012.*
- (4) *Chuanmei Glauber Salt failed to obtain this approval in respect of certain aboveground buildings built on the collectively-owned land in the Guangji Mining Area. See “Business — Property”.*

As of the Latest Practicable Date, we confirm that we have obtained the necessary permits and approvals for the commencement of construction at the Muma Mining Area, save as the working permit on construction

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works and the planning permit on construction works. The other permits and approvals, some of which are set forth in the table above, cannot be obtained until we have reached a further stage of construction and development. We undertake that before we commence operations at the Muma Mining Area, we will apply for all such necessary permits and approvals for each stage of the construction, development and operation of our planned expansion at the Muma Mining Area in due course. The expected date of obtaining such permits and approvals is dependent on our construction, development and operation progress and the responsiveness of each relevant governmental authority. We further undertake that we will obtain the GMP Certification and Pharmaceutical Production Permit for the medical thenardite production facility at the Muma Mining Area in accordance with the prescribed application procedures before we commence the production of medical thenardite in the Muma Mining Area.

Internal Controls and Actions to Ensure Future Compliance

In order to enhance our existing internal control system and the strength and effectiveness of our corporate governance, we have taken and will take the following measures:

- (a) We have engaged Horwath, an independent internal control consultancy firm, to conduct an assessment over the effectiveness of our existing internal control system. Based on Horwath's review and recommendations, we adopted measures and policies to improve our internal control systems. Horwath performed a follow-up review in April 2008 and concludes in its report issued in July 2008 that we have implemented all of its recommendations with respect to the material findings and our internal control system is significantly improved at all levels. Horwarth's material findings and our remedial actions are set out below.

<u>Horwath's material findings</u>	<u>Our remedial actions</u>
(1) Failure to set up an audit committee and internal audit department.	(1) We have established the audit committee and will set up the internal audit department after the Listing.
(2) Non-systemized management of our internal policies and procedures.	(2) We have prepared a comprehensive catalogue of our existing internal policies and procedures. Trainings on the policies and procedures have been provided to relevant personnel. We have adopted the policy relating to the issuance and implementation of internal policies and procedures, pursuant to which all new and updated policies and procedures must bear the company stamp of the relevant company of our Group before issuance and implementation.
(3) Failure to prepare financial budgets and performance analysis / assessments for each financial period.	(3) We have adopted management policies on business planning and financial budgets.
(4) Lack of specific risk assessment and reporting mechanism.	(4) We have adopted risk management policies, pursuant to which a risk management team has been established.
(5) Failure to set up an efficient mechanism to control the account payables and receivables to our related parties.	(5) We have adopted updated financial management policies which provide detailed procedures regarding the review and reconciliation of account payables and receivables with related parties.
(6) Lack of review of sales contracts by legal counsel.	(6) We have adopted supplemental policies regarding management of sales contracts, pursuant to which all sales contracts must be reviewed by our legal counsel before signing.
(7) Lack of sales invoices management.	(7) We have updated the manual on departmental roles and functions, which provides the detailed procedures regarding the issuance, registration and approval of the sales invoices.
(8) Lack of policies and procedures relating to sourcing of raw materials.	(8) We have adopted management policies of our sourcing department, which provide the procedures for evaluating and selecting suppliers as well as other restrictions on sourcing raw materials.
(9) Lack of effective mechanism for the approval and disclosure of notifiable transactions.	(9) We have adopted information disclosure rules which provide the procedures regarding the approval and disclosure of price-sensitive information and notifiable transactions.
(10) Lack of effective mechanism for the approval and disclosure of connected transactions.	(10) We have adopted policies in respect of connected transactions, which provides detailed procedures regarding the approval and disclosure of connected transactions.

- (b) We have established a legal and compliance department in May 2009. The legal and compliance department is comprised of five members and is led by Mr. Zhu Ben Yu, who is our chief financial officer and our company secretary. The other members of the legal and compliance department are our chief engineer, our Hong Kong and PRC legal counsels and an accounting manager. For details of the qualifications and experience of the members of the legal and compliance department please see “Directors, Senior Management and Employees”. In addition, the legal and compliance department has access to external professionals retained by our Company from time to time, including compliance adviser, external Hong Kong and PRC legal counsels, auditors and other advisers as necessary. The legal and compliance department is responsible for our Company’s legal affairs and ensures that our operation complies with all applicable laws, regulations and agreements. It reports directly to the Board and works closely with the Board on legal and compliance related matters, such as reviewing material contracts, approving related party transactions and carrying out disclosure obligations. The legal and compliance department will conduct a review on any new project proposed by the Board and with the assistance of an executive Director, prepare a report detailing all necessary licenses, approvals and permits required for conducting operations which will then be submitted to the compliance committee for consideration. The legal and compliance department will also conduct ongoing assessments in response to new legal and regulatory requirements. The Company believes that the combination of legal, technical and accounting expertise in the legal and compliance department will strengthen the standards of the Group’s future compliance with all applicable laws, rules and regulations and together with the regular reviews and checks to be conducted by the compliance committee (details of which are set out in paragraph (c) below) will prevent future failure in obtaining necessary approvals and permits in respect of new projects on time. Mr. Zhu Ben Yu, the head of the legal and compliance department, oversees and directs the overall operation of the legal and compliance department and in coordination with other members of the legal and compliance department and external professionals where necessary. Mr. Zhu and our accounting manager are primarily responsible for advising and resolving audit and accounting issues and coordinate with the accounting, financial and treasury department, as well as external auditors where necessary. Our in-house counsels are primarily responsible for advising on and resolving PRC and Hong Kong legal issues and engage the assistance of external PRC and/or Hong Kong legal counsels where necessary.
- (c) We have established a compliance committee, which comprises two executive directors, two independent non-executive directors and the company secretary and will be chaired by an independent non-executive director. The compliance committee has adopted terms of reference setting out in details its duties and obligations for ensuring compliance of regulatory matters and corporate governance requirements. The primary duties of the compliance committee are set out as follows:
- (a) to hold meetings in each quarter to review, investigate and plan for our Group’s legal and compliance matters;
 - (b) to formulate management mechanisms for legal and compliance guidance and training, to provide legal and compliance training, to update information in respect of our Group’s overall and departmental legal and compliance environments, to improve the Directors’ and employees’ knowledge and awareness of laws and regulations and to promote the Directors’ and employees’ law-abiding spirit;
 - (c) to observe and monitor important legal and compliance documents, approvals, certificates and contracts, especially in relation to rights or obligations for operations and compliance with statutory and regulatory requirements, and to ensure the validity, accuracy and safety of the important legal and compliance documents, approvals, certificates and contracts;
 - (d) to identify, correct and eliminate on a timely manner any inadequacies in compliance with laws and regulations regarding our Group’s operations;

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- (e) to review and monitor the compliance and control environment of our Group; and
 - (f) to review, before commencement, any new project with the total investment amount exceeding US\$5 million and to monitor the progress of the projects. The legal and compliance committee, with the assistance of an executive director, are responsible for preparing a report setting out the background, all necessary licenses, approvals and permits that must be obtained before commencement of operations for the compliance committee's review. The compliance committee shall monitor the progress of the projects and ensure that the Group has obtained all necessary licenses, approvals and permits before commencing operations and is in compliance with all applicable laws, rules and regulations.
 - (g) to provide a confirmation of compliance in the annual report that all of the Group's new projects with total investment amount exceeding US\$5 million have complied with all applicable laws, rules and regulations and that the Group has obtained all necessary licenses, approvals and permits before commencing operations.
- (d) We have established an audit committee composed of independent non-executive Directors. The audit committee, among other things, reviews our internal control and compliance procedures relating to accounting and financial issues and requirements under the Listing Rules. In addition, after the Listing, the audit committee, upon due and careful inquiries, will disclose its opinion on our internal controls and legal compliances in the annual report of our Company.
- (e) We have established our own accounting, financial and treasury department and appointed personnel for cash receipts and payments that are independent from Mr. Suolang Duoji and his associates.
- (f) We will from time to time engage external counsels and seek their advice on legal matters of our Company.
- (g) We have appointed Guotai Junan Capital Limited as our compliance adviser to advise us on compliance matters in accordance with Rule 3A.19 of the Listing Rules.
- (h) We will adopt and follow the Code on Corporate Governance Practices in Appendix 14A of the Listing Rules.
- (i) Prior to Listing, the Directors had received and reviewed a detailed memorandum prepared by our Hong Kong legal advisers setting out the requisite on-going regulatory requirements and obligations of the Directors after Listing.
- (j) Prior to Listing, the Directors had attended the training sessions conducted by our Hong Kong legal advisers on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. The Directors have confirmed in writing in relation to their understanding of the duties prescribed by the Listing Rules and other applicable laws and regulations.

Legal Proceedings

We have been involved in two legal proceedings during the Track Record Period. The first legal proceeding involved default payment of approximately RMB0.3 million brought by Chuanmei Mirabilite against Dahua International Economy and Trading Company and Shenyang Sanli Industry Co., Ltd., one of our former customers. Pursuant to a judgment issued by the People's Intermediate Court of Dalian City, Liaoning Province, Chuanmei Mirabilite won the case and the defendants paid the disputed amount plus any accrued interest. The second case involved default payment of approximately RMB31.6 million, brought by Sinochem International Corporation against, among others, Sichuan Deyang Technology Co., Ltd. as primary obligor and Chuanmei

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Mirabilite as guarantor. Pursuant to a judgment issued by Shanghai No.1 Intermediate People's Court, Sichuan Deyang Technology Co., Ltd. paid Sinochem International Corporation the dispute amount plus any accrued interest. Our Directors confirm that neither of the legal proceedings had any material adverse effect on our Company business and financial condition.

Aside from the legal proceedings disclosed above we have not been involved in any other legal proceedings, regulatory inquiries or investigations during the Track Record Period, and there are no legal proceedings, regulatory inquiries or investigations currently pending or, to our knowledge, threatened against us. We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business.

Impact of Recent Earthquake in Sichuan, China

On May 12, 2008, an earthquake with a magnitude of 8.0 on the Richter scale according to the State Seismological Bureau of China, hit Sichuan Province, China. As a result, businesses and production operations in the severely affected areas of Sichuan Province at or close to the earthquake epicenter were closed or shut down due to safety concerns. We were approximately 200 kilometers away from the earthquake epicenter and sustained an impact to a lesser extent. There were no fatalities or worker injuries resulting from the earthquake and aftershocks. After the earthquake, JT Boyd, our independent mining and geological consultant conducted follow-up site visits at our mines and production facilities located in Sichuan, China.

We formed an emergency response team after the earthquake and detailed safety inspections were performed on May 13, 15 and 20, 2008 by our Company, the Working Safety Administration Bureau of Dongpo District of Meishan City and the Working Safety Administration Bureau of Meishan City, respectively. Remedial measures for identified problems were planned after each inspection. Except a few minor floor heaves in the Dahongshan Mine, JT Boyd observed no noticeable damage to underground producing systems in the Dahongshan, Guangji and Muma Mining Areas. JT Boyd observed that most of the damages caused by the earthquake occurred in the aboveground processing plants located in the Guangji and Dahongshan Mining Areas and the storage facility at the Meishan Railway Station. Muma's few surface buildings, remaining from the prior mine operator, suffered minor or insignificant impacts. Also, due to related roof damage, approximately 2,545 tonnes specialty thenardite and 1,920 tonnes medical thenardite stored in the warehouses at Dahongshan and Guangji Mining Areas and the storage facilities near the Meishan Railway Station were soaked by the heavy rain following the earthquake and were sent back to the production line for reprocessing. There were no other product losses. We suffered a total loss of RMB9.2 million primarily as a result of the above mentioned damages to our inventories, production facilities and equipment, suspension of mining operation for six days and suspension of production operations for less than two days at our production and mining facilities. The table below summarizes our earthquake-related losses:

<u>Description</u>	<u>Loss in RMB (millions)</u>
Dahongshan Surface Facilities and No. 2 Warehouse at the Railway Station	3.20
Guangji Surface Facilities	1.81
Product Loss	0.90
Equipment and Related Facilities	<u>3.27</u>
Total	9.18

As of the Latest Practicable Date, most of the damage to our mining and production facilities caused by the earthquake and aftershocks has been repaired. The mining and production operations in the Dahongshan and Guangji Mining Areas have resumed normal operation on May 21, 2008.

As a result of the earthquake, our production of powder thenardite and specialty thenardite has declined in May 2008, but our production for medical thenardite was not affected. Our supplies have not been significantly

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impacted by the earthquake. Many of our raw material suppliers are located in Meishan, Leshan, and Zigong areas, which were not significantly impacted by the earthquake.

Most of our suppliers were not significantly impacted by the earthquake and have maintained normal supply deliveries to us. As of the Latest Practicable Date, we have not experienced any shortage or price increase in raw material supply. As of the Latest Practicable Date, we have not experienced substantial difficulty in accessing raw materials or transporting our thenardite products to our customers.